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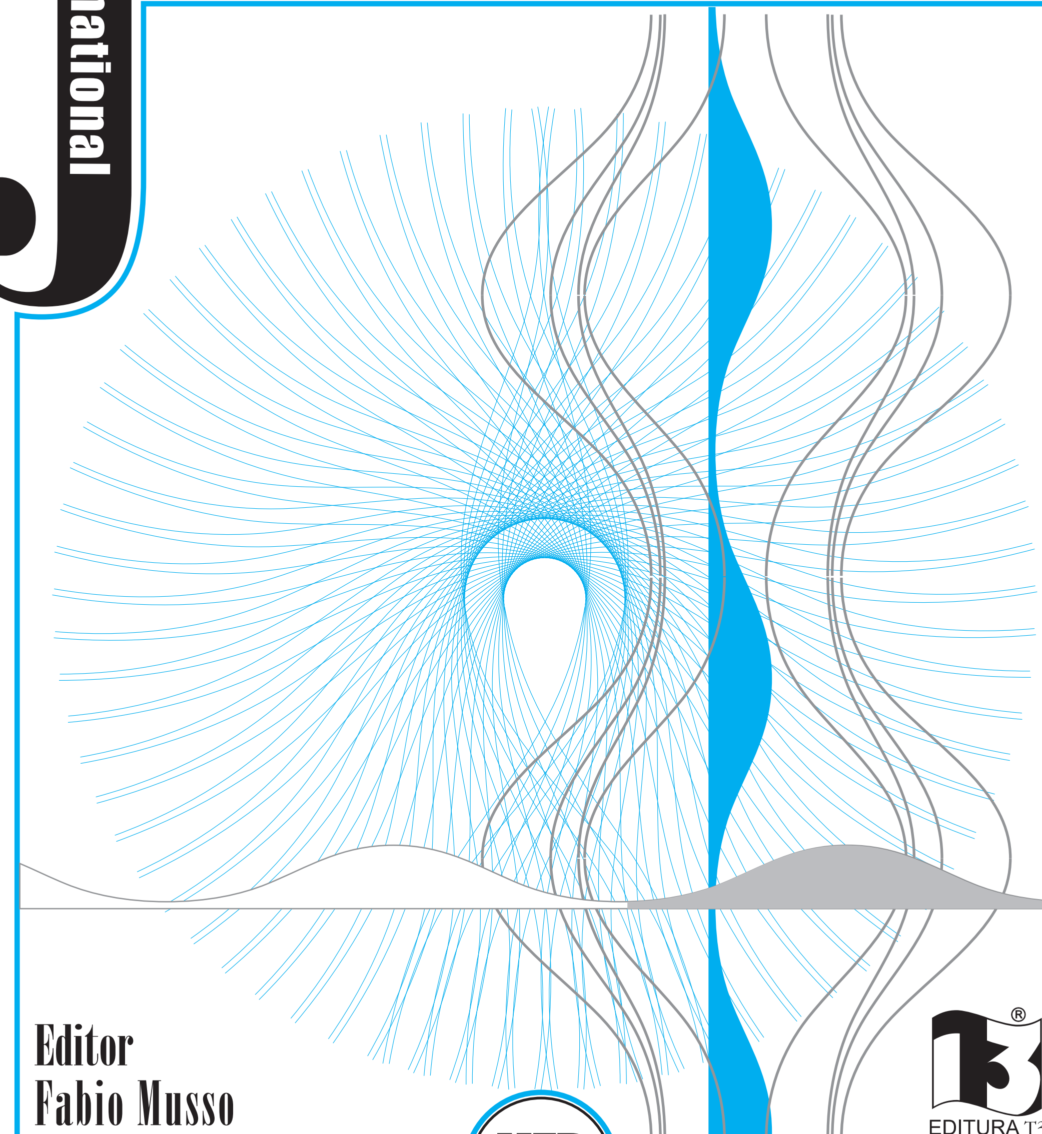

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MULTIDIMENSIONAL AND INTERDISCIPLINARY APPROACH FOR BEHAVIORAL ECONOMICS

Editorial of the International Journal of Economic Behavior, Vol. 9

Understanding the human mind is an issue still characterized by great complexity, despite the fact that over the years the field of neurosciences has made great advances and technology allowed a greater ability to explore the cognitive processes of the human being. In economics, it is important to consider how people's mind regulates and classifies information for making decisions and the impact that their coding has on emotional reactions, feelings and choices.

Since the nineties, behavioral economics has taken on an increasingly important role, especially thanks to the contribution of psychologists Kahneman and Tversky, authors of the first model aimed at formalizing cognitive decision-making mechanisms in uncertain situations. This current of thought is opposed to the principles proposed by the classical economics, based on the hypothesis of rationality of decision makers, able through their choices to maximize the benefits of organizations. On the other side, a cognitive approach to the choices of economic agents considers the influence that a series of cognitive bias have on decision-making processes, which often lead to suboptimal results.

The models developed within the behavioral economics do not have as their ultimate goal to replace traditional economic models, but to contribute in providing an explanation of human behavior within the economic sphere that classical principles only partially recognize. Introducing a cognitive approach allows to understand more in depth both human nature and the limits of classical models.

The economic perspective assumes that decision-makers are rational and consistent with the objective of maximizing a subjectively expected utility; the behavioral perspective adds more realistic parameters related to the influence of social norms, emotions, environmental factors, taking into account that humans' powers of computation and cogitation are limited, and people are not consistent. Of course, when interpreting economic phenomena, the assumption of purely rational and coherent behavior is unlikely to be realistic. To understand the economic behavior, a multidimensional, interdisciplinary approach becomes necessary, the distance between different research communities must be reduced and opportunities from the integration of research methodologies must be pursued. Sociology, political sciences, psychology, neurosciences, biology, anthropology, can contribute in completing the analytical perspectives that are needed for the exploration of the human behavior in the economic field.

The papers of this issue of the International Journal of Economic Behavior (IJEB) contribute in the construction of the complex framework of concepts and tools that is necessary for studying economic behavior.

The first article entitled "Equal or Nothing": Concern for Fairness and Reciprocity in Trust Game", by Chiradip Chatterjee, Christopher Johnson and Arthur Sams, presents the results of a contingent trust game experiment measuring the impact of a 'fair' allocation by the proposer on the reciprocal reaction of the responder. Results suggest that in response to unequal allocations, responders return more proportionally, as an evidence of negative reciprocity.

The second article from John Kolade Obamiro, Babatunde Oladipupo Kumolu-Johnson, and Justice Chidi Ngwamaj entitled "Workforce Diversity and Employees' Performance: Evidence from a Nigerian Bank", examines the relationship between workforce diversity and employee performance in a Nigerian bank. The objective of the study is to examine the relationship between gender diversity and job satisfaction, and between ethnic diversity and employee intention to quit. Results show a strong relationship between workforce diversity variables and employee performance, suggesting promoting equal employment and opportunity for career growth for all gender.

Rahim Ajao Ganiyu, with the article entitled "A Study of the Influence of Entrepreneurial Orientation on the Business Performance of Auto Artisans Firms within Lagos State Metropolis in Nigeria" investigates the relationship between entrepreneurial orientation and business performance of small auto artisans within Lagos state metropolis. Results show that all the entrepreneurial orientation dimensions (innovativeness, risk taking, proactiveness, competitive aggressiveness, and autonomy) are significantly related to one another and business performance.

“Corruption: Where and Why (and How to Beat It)?” is the subject of the article from Štefan Šumah and Matic Borošak. The authors, based on a country analysis, researched the main factors that affect the level of corruption, by focusing on two key questions: where corruption is occurring and why is it occurring.

The article entitled “Appraising the Efficacy of the National Economic Empowerment and Development Strategy (NEEDS) as Policy Intervention in Nigeria (2003-2007)” by Sunday Abayomi Adebisi, Abiodun Adebowale Oyedele, and Christo Gbenga Adelakun, examines the efficacy of the NEEDS as policy intervention. The result of the study indicated that the NEEDS policy was not effective on the targeted growth and development indicators, and there were no significant differences after the intervention of NEEDS.

Nichel Gonzalez, with the paper entitled “Nominal or Proportional Investments: Investment Strategies, Judgments of Asset Accumulations and Time Preference”, analyses how fund investment strategies can be influenced by the response format, nominal or proportional.

The article from George Obeng (“Contractual Obligation of Claims. A Factor Influencing Investors Choices of Capital”) investigates how contractual obligations of claims influence the choice of capital in emerging markets. The study reveals influence of security over assets and contracted claims on decisions.

Ik Muo, Adebiyi Abosede, Jonathan Ehimen Ekpudu, and Bilqis Bolanle Amole present a research on “Leadership Styles, Organizational Politics and Employees` Commitment in Selected Public and Private Organizations in Lagos State, Nigeria”. To achieve its objectives, the study probed the direct relationship that exists between organizational politics and the leadership styles used in both private and public organization. Results revealed a relationship between leadership styles and employees' commitment, and between organizational politics and employees' commitment.

“An Examination of Governance Typology in Nigeria Higher Education System” is the title of the article authored by Abdulazeez Abioye Lawal, Waidi Adeniyi Akingbade, and Hameed Omotola Ojodu. The article explores corporate governance (CG) culture and its challenges in Nigeria higher education institutions. The results revealed the adoption of CG structures and processes, and the non-existence of disclosure of CG practices.

Fabio Musso
Editor-in-Chief

"EQUAL OR NOTHING": CONCERN FOR FAIRNESS AND RECIPROCITY IN TRUST GAME

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Abstract

We present the results of a contingent trust game experiment measuring the impact of a 'Fair' allocation by the proposer on the reciprocal reaction of the responder. We used an online questionnaire to ask participants how they would respond to each possible transfer made by the proposer in a standard trust game. Existing research suggests that there is a 'norm of reciprocity' dictating that one repays (in kind) for the provision made by another. We have confirmed that the traditional relation between trust and reciprocity exists, and that there is a positive and significant relation between the amount transferred by the proposer and the return made by the responder. More significantly, our results suggest that in response to unequal (unfair) allocations by the proposer, responders on average return more proportionally. We believe this is the evidence of negative reciprocity, where responders return proportionately more to humiliate and/or to refuse any bond of alliance with the proposer. We also find that responders who are not economically dependent on their parents, return more than others. Psychological characteristics were also tested and interestingly a respondent who 'cries' when their feelings get hurt return significantly more than others.

Key words: Trust; Trust Game; Reciprocity; Fairness.

1. Introduction

A fundamental assumption in Economics is that individuals are rational and act in their self-interest. However, behavioral research suggests that even when it goes against self-interest, people reciprocate the acts of others (Ortmann, Fitzgerald, & Boeing, 2000). That is, there exists a 'norm of reciprocity' dictating that one should repay (in kind) for the provision made by another (Chaudhuri, Li, & Paichayontvijit, 2016; Gouldner, 1960). The notion of reciprocity has been well established in the literature using the trust game experiment. In the standard format of a trust game experiment, there are two players (proposer and responder) who must decide on how to share a certain amount of money. The proposer (player 1) receives certain amount of money (x) and decides on a transfer (t ;$0 \leq t \leq x$) to the responder (player 2). The responder receives three times the amount of the transfer (3t) and decides how much he/she wants to return (r; $0 \leq r \leq 3t$) to the proposer. The concept of Nash Equilibrium suggests that the responder will maximize his/her wellbeing by returning r = 0 to the proposer and consequently, the proposer will make no initial transfer (i.e., t = 0). Despite this theoretical underpinning, studies have found that proposers make considerable transfers (Berg, Dickhaut, & McCabe, 1995) and responders return (r) proportionately as per the norm of reciprocity (Bchir, Rozan, & Willinger, 2012; Pillutla, Malhotra, & Murnigham, 2003). While both positive reciprocity (i.e. the rewarding of cooperative behavior) and negative reciprocity (the punishment of non-cooperative behavior) have been examined in the existing literature, evidence of the latter has not been fully explored in the trust game experiment, particularly from the responder's perspective. No study has established the coexistence of positive and negative reciprocity in the return decision of the responders. Using a standard intention-based trust game, we explain how the return decision of the responder is simultaneously influenced by both positive and negative reciprocity.

2. Review of the Literature

In the trust game experiment, the return made by the responder can be described as reciprocal only if she interprets the proposer's transfer as trusting (McCabe, Rigdon, & Smith, 2003). Reciprocity captures the responder's tendency to adjust her own behavior to the previous behavior of the proposer. Depending on whether the responder rewards cooperative behavior of the proposer, or the proposer punishes uncooperative behavior of the responder, one can distinguish between positive and negative reciprocity in a trust game (Perugini, Gallucci, Presaghi, & Ercolani, 2003). According to the economic literature, two simultaneous principles explain the positive reciprocal behavior of the responder: a feeling of obligation and a desire for equality (Malhotra, 2004). Theoretically, the feeling of obligation is proportional to the transfer made by the proposer through an implicit compulsion to compensate (Burnham, McCabe, & Smith, 2000). The desire for equality maintains a non-linear but positive relation with transfers made by the proposer. For example, suppose the experimenter assigns \$10 (i.e., x = \$10). If the proposer transfers \$2 (t) and keeps \$8, the responder will in turn receive \$6 (= \$2 x 3). In this scenario, the desire for equality suggests that the responder should not return any amount back to the proposer. The responder should return a positive amount only when the transfer made by the proposer is \$3 or more. Hence, both the above factors explain a positive association between trust (symbolized by t) and reciprocity (symbolized by r), known as 'positive reciprocity' (Fehr & Gächter, 2000).

If the participant punishes uncooperative behavior, the retaliatory action is known as 'negative reciprocity' (Fehr & Gächter, 2000). The existence of negative reciprocity has also been addressed, but only in a variant of the trust game or an ultimatum game. For example, Engle-Warnick and Slonim studied a trust game with repetitions (Engle-Warnick & Slonim, 2004). Trust requires people to make themselves vulnerable to others, as it is not possible to punish untrustworthiness of the responder. Engle-Warnick and Slonim found that the level of trust is indistinguishable between the finite and indefinite games when players are inexperienced. However, the proposers in the indefinite game threatens to permanently stop trusting if the responders are untrustworthy. Fehr et al., on the contrary, conducted a sequential one-shot trust game with third party involvement to find proof of punishment (Fehr, Hoff, & Kshetramade, 2008). In their experiment, the third player had the power to punish the responder for not returning the favor made by the proposer at her own expense. Yamagishi et al. discussed the existence of negative reciprocity in ultimatum games through rejection of 'unfair offers' made by the proposers (Yamagishi et al., 2012). Thielmann and Hilbig (Thielmann & Hilbig, 2015) also found evidence of negative reciprocity in trust game based on personality structure as designed by Ashton and Lee (Ashton & Lee, 2007).

Every study has always expected a positive and linear relation between transfers made by the proposers and the returns by the responders in a pure one-shot trust game (Altmann, Dohmen, & Wibral, 2008; Johansson-Stenman, Mahmud, & Martinsson, 2005). Responders' choice to return in pure trust games were believed to have no impact of negative reciprocity (McCabe et al., 2003). No one has been able to establish the coexistence of positive and negative reciprocity in the return decision of the responders. Using a standard intention-based trust game, we have explained how the return decision of the responder is simultaneously influenced by both positive and negative reciprocity.

It is important to understand that by the virtue of reciprocal behavior people pay back gifts and they also take revenge even in interactions with strangers at their own cost. According to Marcel Mauss, one of the founding scholars of reciprocal behavior, refusing to accept an allocation "is tantamount to declaring war" (Mauss, 2002). It is not the refusal of the allocation itself, but the rejection of the bond of alliance that is at stake. The reason behind such rejection is the reciprocal reaction to unfair action (Gintis, 2003). It is our intrinsic motivation to punish non-cooperators, even when the behavior cannot be justified in terms of self-interest (Calabuig, Fatas, Olcina, & Rodriguez-Lara, 2016; Fehr, Fischbacher, & Gächter, 2002; Offerman, 2002). In the trust game set-up responders lack any ability to punish the proposer in financial measures as they can in an ultimatum game (Rabin, 1993). Still, they have a unique way to refuse the bond with the proposer in protest to an unfair/unequal allocation (transfer). That is, to return a major portion of money received to humiliate the proposer. If the responder reciprocates more proportionately for small transfers (e.g. $1) than she does for comparatively larger transfers (e.g. $3), we may identify those returns as a possible form of refusal of the allocation made by the proposer. We have introduced the concept of 'fair' transfer by the proposer. That is, the proposer may not trust the responder but makes at least equal allocation. In our trust experiment, a "fair' allocation requires the responder to transfer $3 more. This makes a transfer below $3 unfair to the responder. The idea of fair allocation is not new (Yamagishi et al., 2012), but has never been applied in a trust game set-up.

The experiment is identical in construction to that put forward by Berg et al. (Berg et al., 1995). In this experiment used an online questionnaire to ask respondents how they would respond to each possible transfer made by the proposer. After studying the responses, we concluded that in response to an unequal division by the proposer, responders on average return more proportionally. We offer this result as the evidence of negative reciprocity, where responders return to humiliate and/or to refuse the bond of alliance with the proposer

3. Experimental Design

The trust game experiment was conducted online using Qualtrics as a platform. A general invitation was sent out to students at the University of North Florida (Jacksonville, FL) asking about their interest in participating in a trust game experiment and getting paid based upon their responses. Altogether, 1065 students expressed interest in participating and provided important demographic information in response to the invitation. Ultimately, 128 students were chosen in such a way to reflect a good mix of students with respect to gender, race, and ethnicity since one of the broader objectives of the research was to understand whether the selection of responders has any significant gender or ethnic bias. The experiment was carried out in two parts. The first part involved a registration survey, which asked participants to complete a social, psychological, physical and demographic profile of themselves. The trust game experiment was explained where the proposer determines a transfer (split) of an initial endowment of \$10. The responder then receives three times the remainder of the endowment left by the proposer and the responder then decides how much he/she will return to the proposer. Each participant had to make contingent choices in the trust game as a responder for every possible dollar transfer (between \$1 and \$10) made to them. Each participant received \$5 to complete the registration survey as long as they completed the second and the final part, the decision-making experiment. The decision-making experiment asked respondents to choose 5 out of 28 characteristics (collected in the registration survey), which they wanted revealed to the rest of the participants. Each participant then chose 10 of the remaining 127 participants, whom he/she desired to have as proposers in the trust game based on their revealed characteristics. Depending upon how the experiment turns out, participants could earn up to \$50 from the decision-making experiment alone.

It is important to note that participants were not given detailed information of the decision-making experiment during the registration survey. Rather, they were told that their payoff in the experiment would be determined through a combination of their responses in the registration survey and the decision-making experiment. This study analyzes the contingent responses of 128 participants as responders, collected in the registration survey. Brandts and Charness (Brandts & Charness, 2000) have established that contingent choices are parallel with experimental findings. We therefore propose that the result would be similar if participants were paid based upon their actions in the registration survey instead of compensated uniformly.

4. Regression Model and Results

We have analyzed respondents' return ratios (***Return Ratio***), which is the amount returned divided by the amount transferred ($^{r}/_{t}$). We propose that a U-shaped relationship between the transfer and the ***Return Ratio*** indicates the existence of negative reciprocity in the trust game. Figure 1 illustrates how average return ratio change across different transfer amounts (***Transfer***), ranging from \$1 to \$10. It is important to notice that the return ratio decreases initially from 1.23 (for \$1 transfer) to 1.17 (for \$3 transfer), and then starts increasing.[1] As explained previously, given that the transfer is less than or equal to \$2, the division is unequal and unfair. However, any transfer greater than or equal to \$3 is fair since it gives the responder the control to make an equal division of the allocation. As such, we created a dummy variable, ***Fair***, to signify whether a transfer is fair or not. ***Fair*** is set equal to 0 when the transfer is \$2 or less, and equal to 1 for all other transfers (\$3 and more). As Figure 1 portrays, responders' return ratios are more for \$1 and \$2 (unfair transfers) than \$3 (fair transfer). However, return ratios increase for fair transfer amounts of \$3 and more. We have also added a plot of 'Fair Return Ratio', which is calculated based on the sole objective of the responder to equalize payoffs. It is important to notice that as responders are not supposed to return any amount if transfer made by the proposer is less than \$3. Therefore, the Fair Return Ratios are zero when proposer transfers \$1 or/and \$2.

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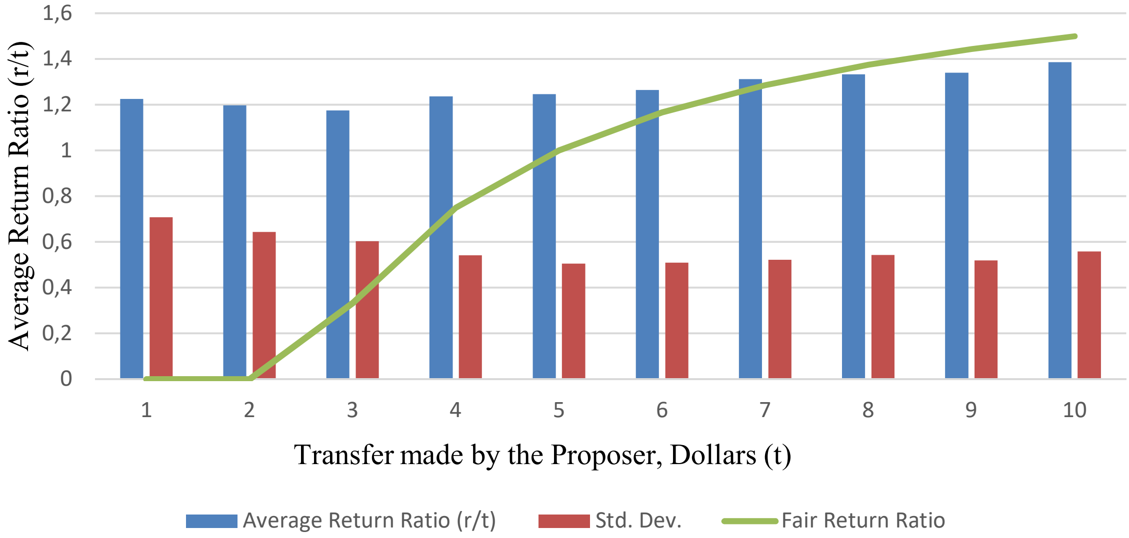
[1] Using the Levene Test, homogeneity of variance among return ratios \$1, \$2 and \$3 has been tested and established.

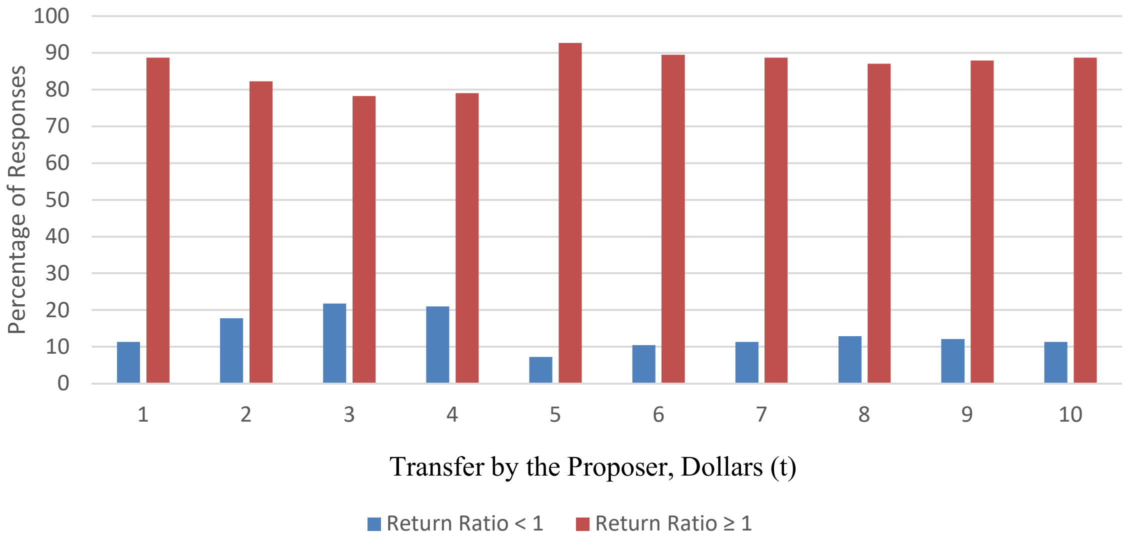
Figure 1 - Average return ratios by transfer made by proposers



Note: The transfer amount (t) ranges from \$0 to \$10. The responder receives three times the amount of the transfer ($3t$), and decides how much he/she wants to return ($r;\ r \leq 3t$) to the proposer.

Figure 2 portrays what percentage of return ratios is less than 1 and what percentage is 1 and above, by transfer amounts. It is evident that the percentage of return ratios that are 1 or above is more for \$1 and \$2 transfer amounts, than when \$3 is transferred.

Figure 2 - Characterization of responses by return ratios



Using panel data regression, we establish evidence of reciprocal reactions to unfair actions. Since each participant made 10 choices, we treated participants as the panel variable and their 10 choices by transfers (***Transfer***) as the time variable. The dependent variable in this regression is ***Return Ratio***. The Hausman test was done to determine that a random effect panel data regression model is appropriate for the data. Five different regression models were tested to check the robustness of the relation. The variable descriptions are presented in Table 1. The regression models control for some of the demographic characteristics of the respondents, such as gender, siblings, income, race and psychologic reaction to feelings hurt. The coefficient on ***Transfer*** is positive and significant at the 1% level in all five models, supporting the economic literature on reciprocity in the trust game (positive reciprocity). The coefficient on ***Fair*** is significantly negative (at 5% level), suggesting that return ratios are significantly greater for unfair transfers than fair ones (negative reciprocity). This result shows the existence of negative reciprocity and retaliation to unfair transfers (by the proposer) in the trust game. The results also suggest that respondents who earn their own living (***Independent***), in contrast to those who are dependent on their parents, return comparatively more. Although there is no multicollinearity issue in the regression results, we have dropped ***Independent*** in model 5 to make sure household income (***Income***) is consistently insignificant. It is interesting to observe that the return ratio of respondents who cry when feelings are hurt (***Cries***) is significantly more than of respondents who withdraws themselves as feelings get hurt (***Withdraws***). The result indicates that respondents who supposedly get the maximum impact by others' actions, are those who care the most about other people's feelings as well. Except for the above-mentioned variables, no other factors seemed to be significantly determining the value of ***ReturnRatio***.

Table 1 - Demographic survey and variables description

Variable	Description	Obs.	Mean	Std. Dev.	Min	Max
ReturnRatio	Amount returned (by responder) divided by mount transferred (by proposer)	1,240	1.27	0.57	0	3
Transfer	Amount transferred by the proposer (between $1 and $10)	1,240	5.50	2.87	1	10
Fair	1 if Transfer is $3 or more; 0 Otherwise	1,240	0.80	0.40	0	1
Age	Age of the respondent	1,240	23.94	5.65	18	49
Brothers	Number of brothers	1,240	1.04	0.98	0	4
Sisters	Number of sisters	1,240	1.00	1.02	0	4
Male	1 if responder is Male; 0 Otherwise	1,240	0.51	0.50	0	1
Independent	1 if the responder supports himself/herself by Self-income; 0 if parents support the responder	1,240	0.75	0.43	0	1
Income	Household income: 0 if under $25,000; 1 if $25,000 - $29,999; 2 if $30,000 - $34,999; 3 if $35,000 - $39,999; 4 if $40,000 - $49,999; 5 if $50,000 - $59,999; 6 if $60,000 - $84,999; 7 if over $85,000	1,240	2.92	2.63	0	7
Cries	1 if the respondent Cries when feelings Hurt; 0 Otherwise	1,240	0.15	0.35	0	1
Argues	1 if the respondent Argues when feelings hurt; 0 Otherwise	1,240	0.18	0.38	0	1
Withdraws	1 if the respondent Withdraws herself when feelings hurt; 0 Otherwise	1,240	0.68	0.47	0	1
AfrAmer	1 if respondent is African American; 0 Otherwise	1,240	0.19	0.39	0	1
AmerIndian	1 if respondent is African Indian; 0 Otherwise	1,240	0.02	0.13	0	1
Asian	1 if respondent is Asian; 0 Otherwise	1,240	0.19	0.39	0	1
Hispanic	1 if respondent is Hispanic; 0 Otherwise	1,240	0.21	0.41	0	1
Paclslander	1 if respondent is Pacific Islander; 0 Otherwise	1,240	0.02	0.13	0	1
Nonresident	I if the respondent is Nonresident Alien; 0 Otherwise	1,240	0.02	0.15	0	1
Other	1 if Other; 0 Otherwise	1,240	0.15	0.35	0	1
White	1 if the responder is Caucasian; 0 Otherwise	1,240	0.22	0.41	0	1

Table 2 - Data description and panel data regression result (Dependent variable: *Return Ratio)*

	Model 1		Model 2		Model 3		Model 4		Model 5	
	Coefficient	Std. Err.	Coefficient	Std. Err.	Coefficient	Std. Err.	Coefficient	Std. Err.	Coefficient	Std. Err.
Transfer	0.03***	0.004	0.03***	0.004	0.03***	0.004	0.03***	0.004	0.03***	.004
Fair	-0.06**	0.03	-0.06**	0.03	-0.06**	0.03	-0.06**	0.03	-0.06**	.03
Independent	0.23*	0.12	0.23**	0.11	0.21*	0.11	0.21*	0.11		
Income	-0.02	0.02	-0.02	0.02			-0.02	0.02	-0.03	.02
Age	-0.01	0.01	-0.003	0.01	-0.002	0.01	-0.004	0.01	0.003	.01
Brothers	-0.04	0.05	-0.04	0.05	-0.04	0.05	-0.05	0.05	-0.05	.05
Sisters	0.01	0.05	0.003	0.05	0.02	0.05	0.02	0.05	0.02	.05
Male	0.18	0.10	0.14	0.09			0.11	0.09		
Cries	0.29**	0.15	0.24*	0.14						
Argues	-0.05	0.13	-0.04	0.12						
AfrAmer	-0.15	0.15								
AmerIndian	0.10	0.39								
Asian	-0.04	0.15								
Hispanic	-0.12	0.14								
PacIslander	-0.29	0.41								
Nonresident	0.15	0.32								
Other	-0.01	0.16								
Constant	1.16***	0.26	1.08***	0.22	1.07***	0.20	1.16***	0.21	1.21***	0.21
Chi-squared	80.72		78.88		72.33		75.41		70.79	
Observations	1240		1240		1240		1240		1240	

5. Conclusion

Trust and reciprocity play a crucial role in economic interactions. Besides demographic determinants, so far trust (measured by the transfer made by the proposer) was believed to be the only action that controls the reciprocal reaction of the respondent in a pure trust game. Based on the results of this study, we propose that transfers made by the proposer trigger a positive reciprocal behavior in the responder via the desire for equality and a feeling of obligation, and a negative reciprocal behavior due to the desire to humiliate or to reject the bond of alliance in reaction to an unfair transfer. Therefore, in the pure trust game set-up, trust and reciprocity (return ratio determined by the responder) should maintain a u-shaped, rather than a linear relation. The results indicate that transfers made by the proposer may not only indicate the trust he/she puts in the responder, but also how strongly they want to make more than the responder and do not want to lose that control.

While we believe that the evidence in this study is compelling, future experiments should be run with monetary incentives tied to decisions. Efforts should be made to separate out trust and reciprocity from intention-based or unconditional other regarding preferences (J. C. Cox, 2004; J. Cox, Walker, & Schoon, 2007). As the responder cannot materially hurt the proposer, the responder must believe that a rejection of the allocation hurts the proposer psychologically. Therefore, future studies need to investigate the proposer's expectations from desired allocation and test whether the responder seeks to act in a way opposite to the proposer's belief to hurt him. That is, future research should explore fairness intentions and distribution preferences of both the proposer and the responder in trust game scenarios (Falk, Fehr, & Fischbacher, 2008). That way, the offered explanation about the u-shaped relation between transfer made by the proposer and the return ratio will be further validated.

Finally, evidence suggests that the return ratio increases with economic freedom. That is, economically independent responders reciprocate more favorably than their counterparts.

Participants were also asked how they react when their feelings get hurt. In response, they mentioned that they either cry, or argue, or withdraw themselves from the situation. Result suggest that respondents who 'cries' when their feelings get hurt return significantly more than others. This indicates that people who are most affected by the actions of others, known or unknown, are also those who care the most about feelings of others. Both the results point to the importance of psychological characteristics of participants. Therefore, trust game experimental studies should also work on the psychological profiling of the participants and tie their responses to their beliefs, socio-demographic and psychological characteristics.

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WORKFORCE DIVERSITY AND EMPLOYEES' PERFORMANCE: EVIDENCE FROM A NIGERIAN BANK

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Abstract

The study examined the relationship between workforce diversity and employee performance in selected branches of First Bank of Nigeria. The objective of the study is to examine the relationship between gender diversity and job satisfaction. Also. examine the relationship between ethnic diversity and employee intention to quit. Survey research method was adopted in this study. One hundred and twenty-one (121) copies of questionnaire were distributed and eighty-three (83) copies were returned and valid for the analysis of stated hypotheses. Pearson Product Moment Correlation (PPMC) analysis was adopted to test the relationship between variables. The gender diversity correlate with job satisfaction at a value of r = 0.891, while ethnic diversity correlate with employee intention to quit at a value of r = 0.825. The results showed a strong relationship between workforce diversity variables and employee performance of First Bank of Nigeria Plc. Alimosho branches. The study recommended that management should continue to promote equal employment and opportunity for career growth for all gender and should improve cultural awareness of the employees through social interaction.

Keywords: Diversity; Employees' intention to quit; Ethnic diversity; Gender diversity; Job satisfaction.

Introduction

Declining job-satisfaction and rising turnover are identified as growing problems within the banking sector (Tummers, 2013). Low job-satisfaction and instability in workforce is costly not only in resource terms and loss of knowledge but also to the quality of the services, the banking organization delivers (Webb & Carpenter, 2012). Furthermore, in many countries in particular the banking sector is affected by the demographic challenge and an ageing and shrinking workforce, which highlight the empirical problem of dissatisfaction and turnover even more (Bossaert, Christoph, & Timo, 2012). In this study, focus is on workforce diversity (gender and ethnicity) in the workplace and its possible importance for male and female employees' job satisfaction and turnover intentions. There are many interrelated reasons for the large and growing interest in diversity issues (Reskin & Maroto, 2010; Ibidunni et al., 2018). First, the labour force composition in many countries drifts towards larger diversity with respect to socially significant categories of difference such as age, gender, and race/ethnicity (Balleer, Gómez-Salvador, & Turunen, 2009; Reskin & Maroto, 2010), and many social scientists strive to determine the consequences of the changes in organisations and society at large.

From an organisational perspective, some researchers find that workplace diversity can give rise to mixing and pooling of different experiences and perspectives and therefore trigger innovation, creativity, and profitability for the organisation (Richard, Ford, & Ismail, 2006; Lukasz, 2018). However, opinions on diversity matters differ, and the optimism regarding diversity's mending of inequalities and promotion of innovation and profitability is challenged by insights from long-standing research on organizational demography, which points out that organisational diversity often diminishes group cohesiveness and even leads to conflict and hostility among co-workers from different categories and hence low job-satisfaction (Jain & Kaur, 2014). The overall opposition between diversity optimists and pessimists appears to be relatively unmediated. Representing both theoretical/analytical perspectives and normative attitudes, they often talk past each other rather than interact and enrich each other. Hence, based on a review of relevant literature, we account for several contrasting understandings of how gender and ethnic diversity in the workplace can be related with female and male employees' well-being at work. It is against this backdrop that a study of this kind is imperative in the banking sector in Nigeria.

1.1 Statement of the Problem

Workforce diversity has become a significant aspect in the modern-day world of work. In this study, an examination of this construct is important due to the socio-economic and political changes that have taken place in the Nigerian banking sector. As stated in the introduction, these changes were driven by various legislative measures which led to an improvement in workforce diversity (DHE, 2015). However, these legislative measures precisely focus on tackling matters of past injustices and discrimination in organisations rather than on the business need of diversity and how it influences employee behavioral outcomes such as employee performance. Given this, organisations have not been focusing much on the effects workforce diversity but on the legal side of it (van Walt & du Plessis, 2010). Besides the above, most studies on workforce diversity were conducted outside of Nigeria and most of them were focused on manufacturing firms and secondary schools (Selvaraj, 2015; Shifnas & Sutha, 2016). Furthermore, workforce diversity has not received enough attention in examining the variables that may influence employee performance (Beziibwe, 2015). Most studies about employee performance primarily focused on aspects such as training and financial resources as perceived variables that may influence employee performance (Gao, 2016; Sila, 2014).

Given the above, this study is aimed at investigating the effects of workforce diversity on employee performance in selected branches of First Bank in Lagos Nigeria by considering the effects of gender diversity and ethnic diversity on job satisfaction and employee intention to leave respectively.

1.2 Objectives of the Study

The main objective of this study is to examine the relationship between workforce diversity and employee performance in an organization. The specific objectives of this study are to:

1. examine the relationship between gender diversity and job satisfaction.
2. examine the relationship between ethnic diversity and employee intention to quit

1.3 Research Questions

1. Is there any significant relationship between gender diversity and job satisfaction?
2. Is there any significant relationship between ethnic diversity and employee intention to quit?

2. Literature Review

2.1 Diversity

Diversity is the real or perceived differences between individuals. Scott and Sims (2016) opined that human beings no matter the diversity are all naturally equipped with different talents and aptitudes. Evans and Henry (2007), said diversity means the mixture of workforce from different socio-cultural backgrounds working together in an organization. It could be seen as the characteristics of a social grouping that reveals the degree of objectives or subjective differences existing among groups (Gupta, 2013). Scott and Sims (2016) defined workforce diversity "as a strategy that promotes and supports the integration of human diversity at all levels and uses focused diversity and inclusion policies and practices to guide this approach in work environment" . All these definitions simply show that diversity is all about these characteristics that make us different or similar to one another. In an organizational setting, a diverse workforce consist of a mixture of employees from various genders, ages, races, ethnic backgrounds, religious beliefs and so on. Often diversity is distinguished along the primary, secondary and tertiary or organizational dimensions. Differences among employees can be categorized into two aspects; primary differences such as; age, etc. and the secondary differences such as; educational background, communication style (Aydan, 2016).

The primary dimension reveals the key dissimilarities among diverse individuals as well as the highest impact on initial encounters, it could be quickly detected and it also serve as a filter through which people view the world. It includes visible identity characteristics such as; gender, age, sexual orientation, physical abilities, ethnicity, race (Sayers, 2012). Secondary differences such as; educational background, communication style, marital status, organizational role and position, religion, geographic location, income, work experience and work style, are those qualities that are not noticeable in the first encounter and can even change throughout different encounters. (Sayers, 2012). According to Griffin and Van Fleet (2014), factors contributing to increased diversity within the workplace are globalization, government legislation and judicial decisions, and the composition of the labour force.

2.1.1 Gender Diversity

According to Powell (2011) gender is the physiological inference of someone being either male or female. The study of gender diversity focuses on how individuals believe that males and females differ. These gender variations influence the manner in which individuals react to the behaviour of others in the work settings or any other group coalition. Gender diversities are visible in prejudice, stereotypes, and discrimination.

In the last decades, those organizational barriers that hinder women from advancing to the top in their career have been a vital area in organizational research. Assefa, (2014) in their study discovered that women are almost if not completely absent when it comes to occupying senior positions in organizations. However, male directors often form an elite group at the top of the corporate world and only very few women are able to breakthrough these glass ceiling into this elite group, despite making inroads into middle management. This point out that gender in the board of directors in some big organization is a barrier for career advancement. Assefa, (2004) argued that this is a matter of concern, because the talents of women are not being fully utilized. The private sectors is seen and characterized as influential, powerful, financially important and generally not controlled by the state. Historically, the private sector, including the board of directors has been male dominated where men have controlled the majority of high-level positions and especially those related to power (Healy, kirton, & Noon, 2011; Abdussalam, 2018).

One of the most prevailing metaphors used to describe women's absence in senior organizational positions has been that of the 'glass ceiling'. Mavin (2016) said the phrase 'Glass ceiling' was made up in the 1960s. This is used to describe a subtle obstacle that is so clear but yet very powerful that it can hinder women from claiming up the managerial ladder. Glass ceiling was coined to describe those organizational practices and processes which creates difficulties and limitations in which women encounter when trying to attain the highest position of their particular field. Here, women may be unable to reach the top of the management hierarchy even though they can see it (Scott & Sims, 2016; Simbarashe, Hlanganipai, Wiseman & Tlou, 2019).

Removing the glass ceiling and other obstacles to women's success, represents a major challenge to organizations. As such, those policies that promotes equality in pay and other benefits programs for women; policies that promotes equality in pay for jobs of equal value and encourage other benefit programs of special interest to women are needed in organizations.

2.1.2 Ethnic Diversity

Ethnicity could be seen as an assembly of individuals who share common cultural traditions and customary practices and also provide their members with a self conscious identity as a nation (Sayers, 2012). Ethnic diversity implies diversity in language, religions, races and cultures. There has been an increase in multicultural workforce in the organization for utilizing greater participation and synergy to improve and increase both employee satisfaction and business performance. A moderate level of ethnic diversity has no effect on team performance in terms of business outcomes i.e. sales, profit, and market share. However, if at least the majority of team members are ethnically diverse, then more ethnic diversity has a positive impact on performance (Gupta, 2013; Simbarashe et al., 2019). Following the raise of diversity in recent times, there has be a raise in work groups with the intention of making increased participation to enhance employee and organizational performance as a whole. However, in as much as the nature of the composition of employees is speedily getting more and more varied in terms of ethnicity, age, gender, education, and so on. Similar attention has been growing with respect to the effect of these diversities in academic institutions (Scott & Sims, 2016).

The growth of multi-cultural in organizations today comes as a result of the increase of different cultures in society and it thus spread through the ancestral, educational, and religious circles. Scott and Sims (2016) said the increase in performance of teams comes as a result of the diverse cultural composition of employees and this is seen as the benefit of embracing various ethnical perceptions for finding solutions to problems and enhancing the outcome of team members after they have learned ways in which they can make use of their dissimilarities for their advantage. According to Harrison and Klein (2007) firms can experience negative consequences of having demographic diversities like race/ ethnicity, nationality, gender, and age. It is important to note that individuals from the minority groups are more likely to be less satisfied with their jobs, less committed to the organization, have problems with their identities and feel or experience discrimination (Forma, 2014). Nevertheless, as the minority group grows, most of the problems encountered tend to fade away. Based on the study of Ngao and

Mwangi (2011) ethnicity can stand as a replacement or substitute for cultural background and ethnic dissimilarity can bring about positive creative and innovative performance among members, seeing as it expands the point of view of employees in the organization.

2.2 Employee Performance

Durga (2017) defined performance as the act of executing a task or an accomplishment or achievement. He adds that employee performance is how well an employee is effectively fulfilling his/ her job requirement or discharging his/ her duties so as to achieve good results. O'Flynn, Ricciotti, Nicholas, Lau, Sammarino, and Fisher, (2001) said employee performance is defined using three criteria. First criteria, is that employees' output meets the standard of performance set by the organization's external customers. Secondly, employee performance can be defined in terms of how the social processes utilized in the performance of their jobs enhances or maintain the capability of the employees to work together on subsequent group tasks. Finally, that employees' satisfaction were met instead of them being frustrated by the group performance.

Performance is an individual's behaviour and results. It is also seen as the way in which people get their work done (Armstrong, 2012; Ayat Mohammed, 2019). However O'Flynn, et al. (2001) argues that the performance of employees is not truly representative of what a group performance is. Rather, it is the personal experience of group members and the subsequent ability of the employees to perform in the future that also defines the employee's performance. They argued that there are multiple dimensions when it comes to rating of performance seeing that different constituents have their different performance criteria and access to data.

2.2.1 Job Satisfaction

According to Dixit and Bhati (2012), job satisfaction is an affective and emotional response to various facets of one's job. Hafiza, Shah, Jamsheed, and Zaman (2011) describes it as being an emotional response that results from the employee's perceived fulfillment of their needs and what they believe the company to have offered. Even though in recent times researchers have tried to replicate current theoretical footings of job satisfaction, Jain and Kaur (2014) definition which happen to be one of the initial definitions of this model is still the most cited. They defined job satisfaction as any combination of psychological, physiological, and environmental circumstances that causes a person truthfully to say, I am satisfied with my job (Jain & Kaur, 2014; Kim, Kim & Han, 2018). In general, most definitions cover the emotional feeling an employee has concerning their job. This could be the job in general or their attitudes towards specific features in the physical work setting, such as: their colleagues, salary or working conditions (Hope, Obianuju, & Chibuzoh, 2017).

2.2.2 Employees' Intention to Quit

Intention to quit is generally conceptualized as an employee's conscious and deliberate readiness to leave from his or her organization (Guchait & Cho, 2010). Though, it is not considered as an actual behavioural outcome (Kehoe & Wright, 2013), it is still one of the key factors responsible for the actual turnover. According to Kehoe and Wright, (2013), there exists a strong association between behavioural intentions and actual turnover. Fugate, Prussia, and Kinicki (2012) consider employees' intention to leave a very costly affair especially when it is characterized by cognitive withdrawal. In an organization with different ethnic groups like Nigeria where competitive pressures are very high, the retention of employees can prove highly beneficial for achieving a sustainable competitive advantage (Kundu & Gahlawat, 2016; Silvestrelli, 2018) and hence, it is worth to find out the factors responsible for lowering intention to leave among employees. Several studies have found that the efficient use of diversity policies considerably helps in lowering voluntary turnover or increasing employee retention rate (Boon, Hartog, Boselie, & Paauwe, 2011; Kehoe & Wright, 2013). Guchait and Cho (2010) have reported that the application of bundle of management practices including staffing, training, appraisal, equal employment opportunity, working conditions, etc. results in lowering the intention to leave among employees.

2.3 Social Identity Theory

This study was guided by the social identity theory proposed by Trajfel and Turner (1979) as it considers attributes such as age, gender, ethnicity and education, which is being investigated in this study. The social identity theory explains that employees have a tendency of classifying themselves based on groups in which they fit in. Such group maybe be based on age, gender, ethnicity and education, amongst others. According to the authors, these groups are the basis of egotism and self-confidence or agony and low self-confidence. In most instances, a group will develop high self-confidence through discriminating and prejudging members of other groups, what the Trajfel and Turner (1979) describe as in group and out group classification. These discriminatory practises and biased perceptions, for example on race may result into racism which can further lead to constant political and economic battles like the case of whites and blacks in South Africa and Zimbabwe. This theory further explained that an employee work behaviour is defined by the inside principles of the group to which they belong. In consequence, this directly influences the performance of the employee.This theory opens up the need for this study to investigate how the phenomenon of gender diversity and ethnicity diversity contribute towards employee performance at First Bank of Nigeria through identifying their effects.

2.4 Empirical Review

In view of the relevance of workforce diversity in enhancing employee performance, it was evident that in the literature that workforce diversity stimulates employee performance. For instance, Eugene, Lee, Tan, and Yang (2011) carried out a study on the effects of gender diversity and job satisfaction at the Malaysian airline. The first objective of this study is to determine the relationship between workforce diversity and job satisfaction. This study found out that there was a significant positive relationship between gender diversity and job satisfaction. Furthermore, Eugene et al. (2011) found out that a 10% increase of women in Airline industry for the past five decades resulted in an increase in productivity and GPD by 5% and 1%, respectively. Kyalo (2015) also reported similar results in a study conducted in the insurance sector in Kenya, indicating that gender diversity was significantly related to job satisfaction. Kyalo (2015) further observed that the recruitment strategies in insurance sector favour and promote women; hence, most of the insurance benefit from the varied skills and knowledge of diverse gender teams. Another conducted study by Ngao and Mwangi (2013) in the Malawian Port Authority revealed similar findings that gender diversity had a huge positive effect on job satisfaction and organisational performance. In support of Kyalo (2015), Ngao and Mwangi (2013) stated that the main reason for this maybe that females and males think differently thus if their ideas are put together, they lead to better decision making, creativity and innovation and improved job satisfaction vis-a-vis employee performance. In addition, Kyalo (2015) found gender diversity positively related to job satisfaction. Based on these findings, gender diversity was found to be positively affecting job satisfaction even though it was not an area of concern in the organisation (Selveraj, 2015).

Based on the second objective, which is to investigate the effects of ethnic diversity on employees' intention to quit, the results of a study conducted by Odhiambo (2014) study in the education sector in Kenya, ethnic diversity was found to be significantly related to employee intention to leave. Odhiambo (2014) further observed that in most homogeneous schools, ethnic diverse teams performed poorly as compared to homogeneous teams and ethnic diverse teams in heterogeneous schools performed better as compared to homogeneous teams. Ngao and Mwangi (2013) also reported that increased ethnic diversity results in improved employee intention to quit in the Kenyan Port Authority. Another study by Kyalo (2013) in the telecommunication sector in Kenya reported the same findings that ethnic diversity was positively and significantly related to intention to quit. Kyalo (2013) further observed that most telcommunications in Kenya accommodate all members from different ethnic groups to participate in problem solving and decision making thus resulting in increased team cohesiveness and performance. Contrary to the above studies, a study conducted by Selvaraj (2015) in Singapore manufacturing industry revealed that there was no relationship between ethnic diversity and employee intention to quit. The study further concluded that employees in Singapore manufacturing industry neither view ethnic diversity as a boon for them nor reject it as a white elephant, as they gave neutral responses (Selvaraj, 2015).

2.5 Hypotheses

Based on the objectives, literature review and theoretical framework, the following hypotheses can be conveyed:

> **H$_{O1}$**: *There is no significant relationship between gender diversity and job satisfaction*

> **H$_{O2}$**: *There is no significant relationship between ethnic diversity and employee intention to quit.*

3. Methodology

The study employed survey research design. This design was used because it gives greater room to study the subject matter and ensures that inferences can be made about some characteristic behavior of the population in the study. The population of the study was First Bank Nigeria Plc. All branches of the bank share the same policies and procedures as the Head Office. The study selected a sample that comprised of branches of First Bank Nigeria in Alimosho Local Government Area (LGA) Lagos State. The choice of Alimosho LGA was informed due to the size. It is the largest LGA in Lagos State. The total sample size of the study was 121 employees. This comprised of all categories of employees; entry level, junior and senior employees of the bank. Purposive sampling technique was adopted in this study. The sample unit possesses the particular set of characteristics e.g. knowledge, experience, etc. (Dhivyadeepa, 2015; Barran & Jones, 2016). Data were collected through the use of questionnaire. The copies of questionnaire were administered to the respondents in the five branches used for this study. The banking industry formed the basis for this study because of the industry is associated with a high rate of employee turnover activities resulting from employees' thirst for more ethically conducive working condition (Gberevie, 2010). The study population from which the sample was drawn for the study was money deposit banks formerly known as commercial banks in Lagos state, Nigeria. The reason for choosing this bank is because it has the largest asset base (Uwuigbe, Uwuigbe, Igbinoba, Adegbola & Otekunrin, 2016). The research instrument was adopted from the studies of Langford (2009), Green, López, Wysocki, and Kepner (2002), and Galbreath (2010) who successfully used survey questionnaire to measure gender and ethnic diversity levels. The study adopted items from previous study (Adeniji, 2011) who successfully used survey questionnaire to measure job satisfaction levels. The scale for intention to quit was taken from Boshoff and Allen (2000) study. This scale has been consistently and reliably used by various researchers to measure employees' turnover intentions (Kundu & Gahlawat, 2016).

The research instrument was subjected to content validity. Academics specializing in human resource and organizational behaviour validated the instrument. Relevant research literature was used for the content validity of the study. Cronbach's coefficient alpha was used to determine the internal consistency and reliability of the multiple item scales. The alpha value for the construct indicates that the items that formed them had reasonable internal consistency reliability of 0.728. Hence the instrument is considered appropriate for the study (George & Mallery, 2003). The data for the study was analysed using Pearson's Product Moment Correlation Coefficient analysis with the help of Statistical Packages for Social Sciences (SPSS) software.

4. Results and Discussion

A total number of 83 copies of questionnaire were filled, returned, and usable for the study which represents a return rate of 68.6% while 38 were rejected due to large unfilled parts.

H_{O1}: There is no significant relationship between gender diversity and job satisfaction.

Interpretation**:** From the hypothesis test table 1, gender diversity was shown to have a significant positive relationship with job satisfaction with the correlation coefficient of 0.891 which is very high and probability value of 0.000 (p-value < 0.01) which is less than the significant level at 0.01, 2-tailed test. Based on this result, the research hypothesis which states that, there is no significant relationship between gender diversity and job satisfaction is therefore rejected. This implies that as First Bank of Nigeria improves on gender equality and fair treatment among her employees, job satisfaction will be enhanced.

Table 1 - Result for the relationship between Gender diversity and job satisfaction

		Gender diversity	Job satisfaction
Gender diversity	Pearson Correlation	1	.891 **
	Sig. (2-tailed)		.000
	N	83	83
Job satisfaction	Pearson Correlation	.891 **	
	Sig. (2-tailed)	.000	
	N	83	

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

The findings from this study revealed that most of the respondents agreed that the organization does not discriminate when it comes to employing different gender into the organization and there is equal opportunity for females to develop on their career. This shows that the management First Bank of Nigeria Plc. keeps to the diversity policies and implement its practices. This study does not support the claim of defuse Arokiasany (2013) that organizational leaders prefer to hire more male employees than female because it is believed that the male have the capacity to be highly effective than the female employees. Based on the result of the data analyzed and the hypothesis tested, it is evident that gender diversity has a significant relationship with job satisfaction. This result is in line with the findings of Eugene et al. (2013); Ngao and Mwangi (2015). However, negative attitudes like stereotype, prejudice, discrimination, sexual harassment, etc. on and against opposite gender can account for the negative effects of gender diversity on employee performance. This can account for inconsistence in employee performance. On the other hand, organisations that create an inclusive environment for all employees irrespective of gender and creates policies that eliminates discrimination from the workplace can benefit from gender diversity (Powell, 2011). A significant relationship between gender diversity could also mean that some employees like to work with opposite gender so long as they can carry out their job professionally.

H_{O2}: There is no significant relationship between ethnic diversity and employee intention to quit.

Interpretation**:** From the hypothesis test table 2, ethnic diversity was shown to have a significant positive relationship with employee intention to quit with the correlation coefficient of 0.825 which is very high and probability value of 0.000 (p-value < 0.01) which is less than the significant level at 0.01, 2-tailed test. Based on this result, the research hypothesis which states that, there is no significant relationship between ethnic diversity and employee intention to quit in First Bank of Nigeria Plc. is therefore rejected. This implies that as First Bank of Nigeria policies encourages diverse cultural composition and frown on tribalism among employees, intention to quit will eventually reduced.

Table 2 - Result for the relationship between Ethnic diversity and employee intention to quit

		Ethnic diversity	Employee intention to quit
Ethnic diversity	Pearson Correlation	1	.825 **
	Sig. (2-tailed)		.000
	N	83	83
Employee intention to quit	Pearson Correlation	.825 **	1
	Sig. (2-tailed)	.000	
	N	83	83

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

The result does not concur with Selvaraj (2015) findings, which reported that in an ethnic diverse group, there is a high probability of ethnocentric views among members, hence creating tribal conflicts, which result in reduced group cohesion and performance. Bleaney and Dimico (2016), support the above, stating that ethnic based conflicts negatively affect the reputation, performance and profits of the organisation. However, Van Knippenberg, Van Ginkel and Homan (2013) argued that ethnic diversity brings better problem solving solutions, creativity and innovation amongst employees in an organisation. Based on Odhiambo (2014) argument, the reason why we found a positive effect of ethnic diversity on employee intention to quit is due to the moderating effect of ethnic demography. This means that in ethnically heterogeneous organisations (such as First Bank of Nigeria) ethnic identities of team members may be less salient and therefore, creating less distruction on employee performance as a . This means that ethnic diversity does affect employee intention to quit in First Bank Nigeria Pls. Majority of the employees agree that there is cooperation among colleagues. It was noticed that in First Bank of Nigeria where quota system policy is used as part of control measure during recruitment exercise has yielded positively on employee intention to quit.

5. Conclusion and Recommendations

From the findings, the effects of workforce diversity on employee performance in organizations particularly the banking industry appears to be positively significant. The answer to the research questions is in the affirmative, confirming that there is a significant relationship between workforce diversity (gender and ethnicity) and employee performance. It is discovered that an organization that has a good mix of male and female employees is more likely to perform better than an organization that is dominated by same gender. Reason being that both gender think and acts differently and if an organization embraces such diversity, then it is indirectly welcoming different ideas that the male and female employee will display.

The study recommends that First Bank of Nigeria management should sanction negative attitudes like stereotype, prejudice, discrimination, sexual harassment, etc. on and against opposite gender of which can account for employee dissatisfaction and eventually affect the overall employeel performance. Also, management should continue to promote equal employment and opportunity for career growth for all gender so as to enhance job satisfaction on the part of the employees, leading to increase in overall organizational performance in First Bank of Nigeria.. To encourage gender diversity, managers should create flexible working policies that can help female employees to manage their work and their personal life (work-life balance) without clashes there by . By doing this, they can be sure to find out if their policies are supporting diversity in terms of hiring both male and female, promotion and retention.

Management should put in place measures in curbing ethnocentric tendencies among employees. Equality at all levels should be enforced irrespective of ethnic background in order to enjoy retention outcome prospects. Also, management should encourage social interactions between employees. With this, employees can learn about the culture of fellow colleagues. Such knowledge can encourage tolerance among the employees and knowledge of other culture can be help to successfully carried out a specific task that requires such knowledge when the need arise. Ethnic diversity can help the in the bank service coverage, especially with the bank operations where they have to work with customers from different ethnic group, and having ethnic diverse workforce can improve performance. Hence management should improve cultural awareness of the employees. Managers should try to create a holiday calendar that is culturally diverse as this can be an avenue to create culture awareness. This can make the work environment more welcoming for the employees and can help minimize misunderstandings and enhance performance.

5.1 Suggestion for Future Research

This study was limited to the banking industry in Nigeria and hence more studies should be conducted to focus on other sectors like the manufacturing industry. The study also suggests that further studies should be conducted on the relationship among age diversity, educational diversity and employee performance in other sectors. Similar study should be conducted comparatively on private and public or government organization. This study focused on few workforce diversity, however similar study can be conducted focusing on how different dimensions of diversity affects organizational performance and longevity.

5.2 Contribution to Knowledge

The study has added to existing literature on workforce diversity and employee performance by empirically validating that having a diverse workforce and creating an inclusive environment can enhance employee effectiveness.

In addition, this study has contributed to knowledge by demonstrating that workforce diversity is statistically and positively correlated with employee performance and it also confirmed that there is a significant relationship between workforce diversity and employee performance.

Moreover, since most of the studies on workforce diversity laid emphasize on one aspect of workforce diversity on employee performance, this study has brought together two important aspects of workforce diversity (gender and ethnicity) to test their influence on employee performance. Hence, this study will be a reference for future research, as it will aid future studies on diversity in the workplace.

Finally, the study has been able to gather relevant literatures and has given in-depth knowledge about diversity issues in the workforce and how management can benefit from it.

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A STUDY OF THE INFLUENCE OF ENTREPRENEURIAL ORIENTATION ON THE BUSINESS PERFORMANCE OF AUTO ARTISANS FIRMS WITHIN LAGOS STATE METROPOLIS IN NIGERIA

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Abstract

This study investigates the relationship between entrepreneurial orientation and business performance of small scale auto artisans within Lagos state metropolis. Descriptive survey research design was adopted using quantitative research approach. Questionnaire was used to elicit information from the respondents selected through multistage sampling technique. Descriptive statistics were used to present a snap view of the data collected, while correlation, regression analysis and ANOVA were used to test the hypotheses. Results of the analysis established that all the entrepreneurial orientation dimensions (innovativeness, risk taking, proactiveness, competitive aggressiveness, and autonomy) are significantly related to one another and business performance. Also all the entrepreneurial orientation dimensions individually and jointly significantly predicted and influenced business performance. Findings of the study also revealed that the degree of entrepreneurial orientation is related to the year/period the business has been in operation. The study concluded that the competitive nature of contemporary business environment, require that firms are highly entrepreneurial-oriented to succeed. The study recommended that small scale entrepreneurs should develop capability that will foster entrepreneurial orientation so as to build a formidable learning and adaptive organization.

Key words: Innovativeness; Risk taking; Proactiveness; Competitive aggressiveness; Autonomy; Small scale artisans; Business performance.

1. Introduction

The connection of entrepreneurship to economic growth and development is founded on simple instinct- the conversion of ideas into profitable commercial opportunities. The above logical interrelationship has propelled growing recognition of entrepreneurship as a dynamic feature of contemporary business world (Thurik & Wennekers, 2001; Arunma, 2009; Rahim, 2017).

The study of entrepreneurship dates back to the prominent work done by Richard Cantillon and Adam Smith in the late 17th and early 18th centuries (Baporikar, 2013). In the opinion of Drucker (1985), entrepreneurs are people who foresee change and capitalize on opportunity to create commercial and economic value. Entrepreneur in French parlance refers to somebody who "undertakes" and by so doing inspired economic development through innovative ways of doing things (Gregory, 2001). From economics perspective, an entrepreneur is a person who is willing to bear the risk of a new business venture if there is reasonable opportunity for profitable return (Carree & Thurik, 2003). In Nigeria, entrepreneurship spirit and practice is as old as the history of mankind (Olagunju, 2008). According to Ogundele (2007), the endorsement of indigenization decree of 1978 and government privatization policy of the early 80s' propelled an intense change to entrepreneurship development in Nigeria.

Entrepreneurship in Nigeria cuts across peddling business, street hawking, retail transaction, small scale artisans, furniture/upholstery business and repairs and maintenance works among others. Entrepreneurship impacts economic performance in both developed and developing nations in different ways such as employment generation, poverty reduction and nation's socio-economic development among others (Ghavidel, Farjadi, & Mohammad, 2011; Sulaimon, Rahim, Akintunde, & Ajiroba, 2015). In the opinion of Cioppi, Musso, Pencarelli and Savelli (2014) and Hassan, Maina, and Mahammad (2016), the degree of entrepreneurship success is contingent on how the operators react to the development in the marketplace by adopting proactive strategies to sustain competitive advantage. Entrepreneurs engage in numerous forms of behaviors prior to the commencement and subsequently after forming the organization. Such behavioral tendencies, according to Drucker (1985) and Dess, Lumpkin, and McFarlin (2005) are linked to diverse factors such as innovativeness, doggedness, entrepreneur personality traits and growth pattern of the business.

Behaviors preceding the commencement of business venture comprise idea generation/screening, resources gathering and allocation of investment among others (Baron, 2007). Behaviors subsequent to commencing a business relate to marketing decisions, investment decisions and managerial behaviors (Chell, 2008). As expressed by Stevenson and Jarrillo (1990), a business venture and its owner can be labeled as entrepreneurial if its pattern of behaviors and practices are preoccupied with the recognition, evaluation and utilization of opportunities, independently of its directly owned and controlled resources. The idea of entrepreneurial orientation (EO) is founded on the perspective that certain skills and capabilities are pivotal to business success. The dimensions advocated by Lumpkin and Dess in 1996 have come to be the most widely used entrepreneurial orientation measures in research (Lumpkin & Dess, 1996). These dimensions are: innovativeness, risk taking, proactiveness, competitive aggressiveness, and autonomy. Entrepreneurial orientation connotes the distinguishing features of a firm as reflected in its management competence to take quality decisions and engage in innovative business practices (Lumpkin & Dess, 2001). According to Wiklund and Shepherd (2003), EO connotes the strategy making methods that offer business enterprises a strong basis for business success. With growing complexity in managing business activities, entrepreneurial orientation (EO) can be considered as one of the key factors to ensure the success and sustainability of business organizations.

A vibrant automobile sector has played major roles in the industrial growth of many nations. However, Nigeria is yet to fully develop her automobile manufacturing industry and repair/maintenance services compared to those that of the developed world. There is therefore, a necessity to take a deeper look at the developments in the sector with a view of repositioning it towards progress and sustainability. Previous researchers reported that EO influence firm performance (Lumpkin & Dess, 2001), some contended that the link between the two variables is context specific (Wiklund & Shepherd, 2003), while others claimed that the relationship between the two variables is contingent on a number of factors such as environment, financial capability, and culture (Hermann, Alexander, & Matthias, 2010). The contradiction between EO and performance appears to be ongoing. Based on a review of relevant literature, this study account for numerous diverse views of how EO is related to business performance. The paper provides the reader with an in-depth understanding and analysis of the issues introduced above in order to explain and offer some significant implications related to the topical issue. EO affects the degree in which businesses develop skills and capabilities to cope with changing business environment. It is against this backdrop that a study of this nature is imperative in the auto artisans sector in Nigeria.

1.1 Statement of the Problem

Some decades ago, numerous global automotive firms were choosing Nigeria to launch markets for their cars. Most prominent among the automotive brands in Nigeria are Hyundai, KIA, BMW and Mercedes Benz to mention a few. Most of these cars are configured with up-to-date navigational devices and information systems among others, thus, requiring adept skills to repair and maintain. In addition, the development has changed the nature of auto artisan works to the one that requires innovative talents and capabilities. Small scale auto artisan businesses have come to be a vital occupation due to a growing automobile market in Nigeria and in line with the growth of automobile businesses, investors have ventured into this sector. Academics have noted that starting a business is a risky venture and noted that the chances of small-business owners surviving the first five-years is very narrow, hence the need to develop capability to overcome some of the teething challenges (Akabueze, 2002; Taiwo, Ayodeji, & Yusuf, 2012). According to Lukman, Moshood, Morufu and Bolaji (2016), indigenous entrepreneurs lack competitive edge due to inadequate competence in critical areas such as managerial competence, social networks, technology adoption and institutional support among others. The report of a study carried out by United Nations Industrial Development Organizations –UNIDO reported that the rate of business mortality in Nigeria is very high, with only 20 per cent of small businesses struggling to survive and the remaining 80% showing high tendency of failure (UNIDO, 2017).

A study conducted by Small and Medium Enterprises Development Agency of Nigeria-SMEDAN (2013), reported that the capability gap by sectoral analysis indicated that competent artisans are readily available in most of the sectors surveyed in Nigeria, but the capacity utilization is on the average. As observed by Dangogo and Muhammed (2014), the foremost difficulty of small businesses in Nigeria is not only their small size but poor learning and adaptive capability which impede their growth prospect and sustainability. Against the aforementioned backdrop, small businesses require entrepreneurial orientation to convert these challenges to opportunities. The influence of EO on firm performance is an extensively studied area within the field of entrepreneurship, but the outcomes of these findings vary from a strong positive relationship to low and no significant relationship (Lumpkin & Dess, 2001; Hughes & Morgan, 2007; Rauch, Wiklund, Frese, & Lumpkin, 2009). The contradictory findings concerning the relationship between the two variables suggest the need for further research, particularly, in the context of Small and Medium Scale Enterprises-SMEs' in a developing country like Nigeria. Deriving from the aforementioned, this study seeks to fill some of the aforementioned lacuna identified in the literature by investigating the influence of entrepreneurial orientation on business performance of small scale auto artisans within Lagos state metropolis in Nigeria.

1.2 Objectives of the Study

This study seeks to accomplish the under listed objectives.

1. To investigate the relationship between entrepreneurial orientation (comprising of innovativeness, risk taking, proactiveness, competitive aggressiveness, and autonomy) and business performance of auto artisan firms within Lagos state metropolis in Nigeria.
2. To examine if the degree of entrepreneurial orientation differs with respect to years of operations of auto artisan firms within Lagos state metropolis in Nigeria.

1.3 Research Questions

The study hypothesized that:

1. What is the relationship between entrepreneurial orientation (comprising of innovativeness, risk taking, proactiveness, competitive aggressiveness, and autonomy) and business performance of auto artisan firms within Lagos state metropolis in Nigeria?
2. Does the degree of entrepreneurial orientation differ with respect to years of operation of auto artisan firms within Lagos state metropolis in Nigeria?

2. Literature Review and Theoretical Framework

2.1 Definition and Meaning of Entrepreneurial Orientation

The landmark research conducted by Miller in 1983 laid the foundation for the concept of entrepreneurial orientation in academic literature (Covin & Lumpkin, 2011). According to Miller (1983), a firm is considered to be entrepreneurially oriented if it engages in product-market innovation, embarks on somewhat uncertain ventures and forge a preemptive and innovative move to outperform competitors. The notion of EO describes the outlook of companies who pursue innovative and risky ventures. There are three approaches to operationalizing a firm's entrepreneurial orientation. These are: managerial perceptions, firm behavior, and resource allocation. Managerial perception encompasses firm-level factors such as strategy, structure, decision-making practices that are related to firm performance (Naman & Slevin, 1993). As reported by Covin and Lumpkin (2011), theorizing entrepreneurship as a firm behavior has numerous advantages. Firstly, firm behavior can be openly perceived and evaluated. Secondly, organization-level characteristics, such as entrepreneurial strategy-making procedures or talent of the management team, permit (or obstruct) entrepreneurial activity. Thirdly, firm behavior can be sustained through the formation of tactics, configurations, cultures and other organizational occurrences, making it responsive to managerial intervention and control. As pointed out by Covin and Wales (2011), the concept of EO does not have a commonly acknowledged meaning. Entrepreneurial orientation, according to Lumpkin and Des (2001) refers to the processes and practices of decision making undertakings that promote new opportunities. Schumpeter (1934) defined entrepreneurial orientation as the procedure by which people or establishments discover and exploit novel business opportunities within an industry. Zahra, Sapienza, and Davidsson's (2006) conceptualized EO as the guidelines and standards used for decision making. In the opinion of Sandeep and Harpreet (2012), EO relates to a firm‘s strategic orientation which captures the degree of innovativeness, readiness to take risk, technological capability and preemptive stance toward competition. Notwithstanding the contradictions in defining EO, scholars have generally considered EO as the most appropriate factor determining entrepreneurship development (Wales, & Gupta, 2011).

2.1.1 Dimensions of Entrepreneurial Orientation

There has been huge debate regarding the measurement of entrepreneurial construct. The two views that dominated academic literature on EO are: uni-dimensional and multidimensional. The uni-dimensional view of EO is credited to Miller (1983) and Covin and Slevin (1986), while Lumpkin and Dess (1996) is credited as the scholar who promoted multidimensional concept. The two perspectives generalize that EO denotes specific organizational–level behavior that offer a basis for entrepreneurial actions (Lumpkin & Dess, 2001). The most common dimensions of EO are discussed below.

Innovativeness

Innovativeness is a vital component of EO because it mirrors the structure through which firms seek new opportunities founded by changes in product line and investment in both human and material resources (Lumpkin & Dess, 2001). According to Dess, Lumpkin and McFarlin (2005), innovations can be categorized into: technological innovativeness, product-market innovativeness and administrative innovativeness. Technological innovativeness includes mainly research and engineering efforts directed at developing new products and production processes. Product-market innovativeness relates to market research, product strategy and innovation in marketing communication. Administrative innovativeness embraces uniqueness in management styles, control systems and organizational structure.

Risk-taking

Risk taking is a dimension that exemplifies the facet of a firm‘s strategic posture to venture into business areas whose outcomes are not only difficult to predict but very risky. Risk-taking is usually linked with entrepreneurship because the notion of entrepreneurship includes some element of risk-taking. Accordingly, strategic risk-taking connotes actions such as venturing into the unknown, heavy borrowing and/or commitment of substantial portions of corporate assets into investment decision (Baird & Thomas, 1985).

Proactiveness

Proactiveness relates to opportunity-seeking and forward-looking viewpoint characterized by the introduction of new products and services ahead of competitors (Okpara, 2009). The crux of proactiveness is the zeal to act ahead of rivals and by so doing drive first mover advantage (Ambad &Wahab, 2013).

Competitive Aggressiveness

Competitive aggressiveness narrates the capability and scope of a firm‘s operations on the basis of a resilient aggressive posture and adaptive reaction to competitors' actions (Lumpkin & Dess, 2001; Kraus, Harms, & Schwarz, 2005). Businesses that possess competitive aggressiveness posture tend to adopt a hostile posture or unconventional approaches towards rivals in an effort to outperform competitors (Lyon, Lumpkin, & Dess, 2000).

Autonomy

Autonomy is connected to the capability to make independent decision or take action by an individual in an attempt to create a new venture or a novel business idea (Rauch et al., 2009). Autonomy offers a basis to empower organizational members, the liberty/flexibility to launch new product and entrepreneurial creativities to resolve teething problems (Covin & Wales, 2012; Arisi-Nwugballa, Elom, & Onyeizugbe, 2016).

2.2 An Overview of the Connection among Entrepreneur, Entrepreneurship and Entrepreneurial orientation

Despite the connection among entrepreneur, entrepreneurship and entrepreneurial orientation, there are sharp distinctions among them. The term entrepreneur is formerly derived from the French parlance "entreprende", which refers to an undertaking of an idea, to seek for an opportunity, being innovative and ability to accomplish individual's desires by venturing into business (Kuratko & Hodgetts, 2004). As expressed by Shelton and Darling (2001), an entrepreneur is a person or an innovator who recognizes, develops and transforms opportunities into practical ideas that create value. Norman and John (1983), depict two types of entrepreneurs: the craftsman-entrepreneur and the opportunistic-entrepreneur. The craftsman-entrepreneur refers to a person with specific technical training, degree of confidence and those inclined to seek business opportunities. The opportunistic-entrepreneur on the other hand, possesses high notch flexibility/orientation with a tendency to acquire higher level of education and social consciousness (Smith, 1967). From the viewpoint of social psychology, entrepreneurship has been deliberated as intentional and planned behavior by an individual (Krueger, Reilly, & Carsrud, 2000). Entrepreneurship, according to Shane (2003) refers to such activities that encompass the searching, assessment and utilization of opportunities to produce innovative goods and services through organized markets and processes.

Entrepreneurship, according to Pirich (2001) is not a static phenomenon and its horizon extends beyond mechanical and economic factor. Entrepreneurship has to do with change and is usually connected with choice-related issues and risk taking to capitalize on opportunities. According to Conner (1991), entrepreneurial orientation is the core of resource-based theory which advocates that the resources needed to compete in the market are fundamentally contingent on entrepreneurial orientation. In the opinion of Covin and Wales (2012), entrepreneurial orientation of an organization is reflected by the degree to which the top executives are motivated to take business-related risks and capability to adapt to change with a view of competing aggressively to gain competitive advantage. Scholars such as Drucker (1985) and Covin and Lumpkin (2011) maintained that an entrepreneur require some psychological characteristics such as risk taking, capability and doggedness among others to succeed. McGuinness (2008) posits that the dissimilarity between entrepreneurial orientation and entrepreneurship is the distinction between content and process which elucidate the progression of how to be entrepreneurial. In the opinion of Lumpkin and Dess (1996), the distinction between entrepreneurial orientation and entrepreneurship is that EO exemplifies vital entrepreneurial practices that answer the question of how new businesses are created, whereas the term entrepreneurship discusses the content of entrepreneurial decision by focusing on what entrepreneur undertake.

2.3 The Connection of Entrepreneurial Orientation to Business Performance

Performance is an expansively used notion in many fields of studies as a measure of how an entity is performing. Performance is an assessment of how well a firm achieves its intended objective. From organizational viewpoint, performance relates to how well the business organization is managed and the value the firm offer to its stakeholders (Wu & Zhao, 2009; Prabin, 2016). According to Antony and Bhattacharyya (2010), business performance is viewed as a measure of organizational success with respect to the worth it provides to both internal and external customers. The relationship between EO and business performance is contingent on the indicators adopted to evaluate performance (Lumpkin & Dess, 2001; Stam, Souren, & Elfring, 2013). A number of scholars elucidate multiplicities of performance indicators; nonetheless, the consensus is between financial and non-financial measures. Non-financial measures comprise high satisfaction and global success ratings made by owners or business managers, customer satisfaction and corporate reputation, while financial measures consist of issues such as sales turnover, return on investment, profitability growth, liquidity structure and leverage ratio among others (Combs, Crook, & Shook, 2005).

Large streams of research have documented positive relationship between EO and firm's performance (Kraus, Rigtering, Hughes, & Hosman, 2012; Karaoglu, Bayrakdaroglu & San, 2013). As submitted by Lumpkin and Dess (2001), EO is a source of competitive advantage, therefore, possession of higher intensities of EO permit firms to recognize and capitalize on opportunities faster than non-entrepreneurial companies. The relationship between EO and business performance differ across studies. While some scholars have reported that companies that adopt entrepreneurial orientation perform much better than firms that do not (Lee, Lee & Pennings, 2001; Wiklund & Shepherd 2003), other academics reported lower correlations between EO and firm performance (Lumpkin & Dess, 2001; Dimitratos, Lioukas, & Carter, 2004), while some researchers were unable to discover any significant relationship between EO and business performance (George, Wood, & Khan, 2001; Covin & Wales, 2012).

2.4 Theory of Creative Destruction

A renowned economist in the 20th century, Joseph Schumpeter (1951) promoted the theory of creative destruction founded on how the entrepreneur drives innovation and engagement to create disruptive changes. Innovative behavior by the entrepreneur is seen by Schumpeter as a crucial endogenous cause of change that drive economic system (Van Praag, & Versloot, 2007). Other scholars such as Drucker (1985) sponsor the "creative imitation theory" connected to the notion of change that enable exploitation of opportunities by an entrepreneur. Accordingly, innovation represents the medium through which entrepreneurs initiate to produce innovative products. Inkele and Smith's (1974) recommended the need-to-improve theory to enrich theoretical understanding of entrepreneurial development which describes the behavior of entrepreneurs and inspire people to continually pursue innovative business ideas. Kirzner (1973) proposes "theory of entrepreneurship alertness" which holds that alertness is a collective trait required by prosperous entrepreneurs to succeed. The alternative description advocated by Kirzner (1973) submits that the preponderance of innovations may be much more incremental to create radical change. According to him, innovation does not materialize automatically, but is driven by entrepreneurship and as such requires public policies support.

2.5 Empirical Review

Arief , Thoyib and Sudiro (2013) found that EO is positively connected to firm performance with strategic flexibility playing an intermediating role. The outcome of a research conducted by Baker, Mahmood, and Ismail (2015) on a sample of 500 managers of SMEs' in Malaysia also reported similar findings between EO and performance of SMEs. Results of the study carried out by Amin (2015) among SMEs' randomly selected from the electronic and electrical sector and beverage industries in Malaysia reported positive association between EO and business performance. Civelek, Rahman, and Kozubikova (2016) carried out a study on a sample of 1141 SMEs out of which 740 were micro enterprises. Findings of their study reported that younger micro firms are more proactive, innovative and willing to take risks than the older micro businesses. George et al. (2001) and Wiklund and Shepherd (2003) reported insignificant link between EO and business performance. The relevance of context to the connection between EO and business performance is highlighted in a meta-analysis study carried out by Rauch, Johan, Micheal, and Lumpkin (2004), who reported that 'national culture' is a very influential moderator in EO-performance relationships. Okeyo, Gathungu, and K'Obonyo (2016) examined the link between EO, business development services, business environment and firm's performance. The outcome of their study revealed that business development services play an intervening role in the EO and performance relationship and that external environment control this association. In addition, the study findings demonstrated no role of internal environment on the EO-firm's performance.

A research carried out by Muthee-Mwangi and Ngugi (2014) examined the influence of the dimensions of EO on the growth of Micro and Small Enterprises (MSEs) in Kenya. The results exposed that the dimensions of EO (risk-taking, innovativeness, proactiveness, and entrepreneurial managerial competence) exert significant positive effect on the growth of MSEs'. A study carried out by Soininen (2013) investigated major drivers and performance influence of EO on SMEs' during economic predicament. The results discovered that the dimensions of EO had a major positive influence on a company's long-run growth, signifying that EO has positive implications on business performance. In addition, the study reported that during the time of economic crisis, the diverse dimensions of EO had both positive and negative influence on the performance of SMEs'. A study carried out by Matchaba-Hove, and Vambe (2014) in the retail sector in South Africa reported that the dimensions of EO such as competitive aggressiveness, innovativeness, and proactiveness had a substantial positive effect on the success of the business, but autonomy and risk-taking do not. The study conducted by Kusumawardhani (2013) assessed the connection of EO to the performance of Indonesian SMEs'. Findings of the study revealed that pro-activeness was the only dimension of EO that exerts influence on SMEs' performance.

2.6 Research Hypotheses

Based on the objectives of the study, it is hypothesized that:

> ***Ho1****: There is no significant relationship between entrepreneurial orientation (consisting of innovativeness, risk taking, proactiveness, competitive aggressiveness, and autonomy) and business performance of auto artisan firms within Lagos state metropolis in Nigeria.*
>
> ***Ho2****: The degree of entrepreneurial orientation will not significantly differ with respect to years of operations of auto artisan firms within Lagos state metropolis in Nigeria.*

3. Methodology

This study used descriptive survey research design to gather quantitative data on the variables of interest. Most of the auto artisan businesses are small scale in nature and operate as an informal business; this poses challenges in getting a reliable sampling frame for the study. The sample is determined based on simplified formula proposed Godden (2004) for computing sample size from infinite population.

$$n = \frac{Z^2 \text{ x } P(1-P)}{\varepsilon^2}$$

$$n = \frac{1.96^2 \, x \, 0.50(1-0.50)}{0.05^2}$$

$$n = 384.16$$

$$n = 385$$

Where

n = Minimum Sample Size.

Z = Z-value (95% confidence level which is 1.96).

P = Population Proportion of 50% (0.05).
C = Confidence interval or Margin of error allowable in the sample estimate of population which is estimated to be 5% (0.05).

Using the formula, the researcher arrived at 385 sample size for the study. The auto artisan services investigated in this study comprises of auto mechanics, auto electricians, auto panel beater and auto sprayers. The survey was addressed to the owner-managers of the firms, since policy issues and business decision are generally handled by the owner-managers of the company. The choice of auto artisan is based on the fact that automotive services have evolved from mechanical based repair to high-tech profession with cohesive electronic and computer systems that require dexterity and innovativeness on the part of the operators. Majority of auto artisans in Nigeria are independently owned and operated businesses, as such there may be some sort of limitations to the degree of their entrepreneurial orientation and by extension their performance. The choice of Lagos state as the study area is founded on the statistics published by Small and Medium Enterprises Development Agency of Nigeria in 2013, that Lagos state has the highest number of SMEs', and its urbanization status has attracted growing number of micro enterprises such as auto-artisans firms (Small and Medium Enterprises Development Agency of Nigeria, 2013). In addition, its cosmopolitan nature makes this study very relevant to her mega city plan.

This study adopts the multistage sampling technique. Firstly, the population was stratified into four: auto mechanics, auto electricians, auto panel beater and auto sprayers. In the second stage, volunteer sampling technique was used to identify those that are willing to participate in the survey. In the third and final stage, each of the auto artisans in the study population was labeled and simple random sampling technique (via lottery approach) was adopted to ensure each auto artisan had an equal chance of being selected. The two variables investigated in this study are: entrepreneurial orientation and business performance. This study used the five dimensions of EO which was developed by Lumpkin and Dess (1996). In measuring business performance, self-reported measures by the owners/managers were used, because it has wider application and validity (Yang, 2008). The justification for using perceived performance measures (such as customer retention, speed of service delivery, quality of design, flexibility strategy, networking practices, growing customer base, corporate reputation and declining customer complaints among others) is due to the commonly held belief that small enterprises may be reluctant in disclosing confidential financial information about their business (Al-Swidi & Al-Hosam, 2012; Messersmith & Wales, 2013).

Questionnaire was used as instrument of data collection and anchored on a five-point Likert scale ranging from "not true at all" to "very much true". In all, 26 items were adapted to measure entrepreneurial orientation and 8 items to evaluate business performance. To confirm the suitability of the survey instrument (questionnaire), validity assessment was evaluated through face and content validity. Face and content validity was carried out by contacting two university academics with expertise in entrepreneurship and business management to peruse the instrument. Subsequently, pilot study was conducted to determine the internal consistency of the measures. As indicated in Table 1, the pilot study recorded Cronbach Alpha values that exceeded α=0.7 for all the constructs, indicating that the scales are reliable and trustworthy for data analysis (Hair, Money, Page, & Samouel, 2007).

Table 1 – Reliability Test

Constructs	No of items	Cronbach's Alpha
Innovativeness	7	.811
Proactiveness	6	.736

Risk-taking	5	.713
Autonomy	4	.722
Competitive aggressiveness	4	.702
Business performance	8	.731

The data collected with the aid of questionnaire were analyzed using descriptive statistics. The data analysis technique consists of frequency distribution and percentages. Pearson correlation, regression analysis and ANOVA were used to test the hypotheses.

4. Results and Discussion

Out of the targeted sample size of 385, a total number of 291 copies of questionnaire were comprehensively filled, returned and usable for data analysis, which represents a return rate of 75.58%. Table 2 shows the number of operators surveyed.

Table 2 – Number and Spread of Surveyed Auto artisan Operators

S/No.	Auto artisans Operators	No of operators surveyed	% of Total Surveyed
1.	Auto mechanics	98	33.68
3.	Auto electricians	73	25.08
4.	Auto panel beater	66	22.68
5.	Auto sprayers	54	18.56
	Total	291	100%

As shown in Table 3, 92(31.6%) of the auto artisan surveyed commenced their businesses between 1-5 years, 135(46.4%) launched operation between 5-10 years and the remaining respondents 64(22%) began operations between 11 years and above. As regards the size of operating capital, 50(17.2%) operate with less than N1,000,000, 98(33.7%) operate their businesses with capital between N1,001, 000-N5,000,000, 69(23.7%) have capital size between N5,001,000-N10,000,000, and the remaining 74(25.4%) firms have capital size between N10,001,000 and above. A large percentage (78.4%) operate as one man business and the remaining respondents 63(21.6%) operate as partnership. Monthly turnover of the firms surveyed revealed that a large majority 112(38.5%) recorded monthly turnover of less than N1,000,000, 89(30.6%) have documented turnover between N1,001,000-N5,000,000, 76(26.1%) raked between N5,001,000-N10,000,000, and the remaining firms 14(4.8%) indicated turnover between N10,001,000 and above. In term of employment size, a large majority 243(83.5%) of the firms have less than 10 employees, some 37(12.7%) have between 11-20 employees and the remaining firms constituting 11(3.8%) surveyed have 21 employees and above. The fact that the large majority have employees less than the required 20 employees as outlined in most definition of small scale enterprises may be connected to the fact that most auto artisan form of employment is done through apprenticeship and the employment condition is subject to training duration that is not permanent.

Table 3 – Profile of Firms Covered in this Study

Profile	Frequency	Percentage (%)
Duration/ Years of Operation		
1 - 5 years	92	31.6
6 - 10 years	135	46.4
11 years and above	64	22
Size of Operating Capital		
Less than N1,000,000	50	17.2
N1,001,000 – N5,000,000	98	33.7
N5,001,000 – N10,000,000	69	23.7
N10,001,000 and above	74	25.4
Form of Ownership		
Solo Operator	228	78.4
Partnership	63	21.6
Number of Employees		
Less than 10 Employees	243	83.5
11 – 20 Employees	37	12.7
21 Employees and above	11	3.8
Monthly Turnover		
Less than N1,000,000	112	38.5
N1,001,000 – N5,000,000	89	30.6
N5,001,000 – N10,000,000	76	26.1
N10,001,000 and above	14	4.8

4.1 Research Hypothesis One

What is the relationship between entrepreneurial orientation (consisting of innovativeness, risk taking, proactiveness, competitive aggressiveness, and autonomy) and business performance of auto artisan firms within Lagos state metropolis in Nigeria?

Table 4 – Means, Standard deviations, and Correlations matrix of Entrepreneurial Orientation and Business Performance

Variables	Mean	SD	1	2	3	4	5	6
Innovativeness	3.53	.759	1					
Risk taking	3.46	.667	.522**	1				
Proactiveness	3.63	.678	.500**	.560**	1			
Competitive aggressiveness	3.11	.929	.300**	.407**	.495**	1		
Autonomy	3.25	.548	.376**	.414**	.557**	.518**	1	
Business performance	3.44	.608	.727**	.778**	.827**	.692**	.661**	1

*p<0.05 Pearson Correlation is significant at 0.01 levels (2-tailed) and N = 291

Table 4, shows the descriptive statistics (mean, and standard deviation) of entrepreneurial orientation and business performance. The mean values for both variables (entrepreneurial orientation/its dimensions and business performance) ranged from 3.11 to 3.63, which is relatively high and standard deviations ranged from .548 to .929. Preliminary analysis was run to ensure that all multivariate assumptions (normality, homoscedasticity, linearity, test for independence of the error terms, and multi-collinearity) were met. As revealed by the results of multivariate assumptions test, all the aforementioned conditions were satisfactorily met. To study the nature and direction of relationship between entrepreneurial orientation and business performance, Pearson correlation analysis was conducted.

As depicted in Table 4, inter-correlations among entrepreneurial orientation and its five dimensions revealed low to moderate positive and statistically significant correlations (the correlation ranged from .300 to .560 and $p< 0.01$). Likewise, there exists a statistically high positive significant correlation among all the entrepreneurial orientation dimensions and business performance. Specifically, Innovativeness and business performance ($r=.727$, $p<0.01$), risk taking and business performance ($r=.778$, $p<0.01$), praoctiveness and business performance ($r=.827$, $p<0.01$), competitiveness aggressiveness and business performance ($r=-.692$, $p>0.01$), and autonomy and business performance ($r=.661$, $p<0.01$). The patterns of the correlations among entrepreneurial orientation/its dimensions and business performance confirmed the dimensional structure proposed by Lumpkin and Dess (1996) and its associated influence on business performance (Karaoglu et al., 2013). Following the confirmation of association among entrepreneurial dimensions and business performance of auto artisans, multiple regression analysis was run to determine the influence of EO on business performance. The regression model is depicted in Table 5.

As shown in Table 5, the regression Model shows the following statistics $F(1, 289)= 1585.685$, $p=.000$, adjusted $R^2 = .964$ and $R^2=96\%$. The ANOVA sub-analysis in Table 5 also shows that the EO dimensions significantly predict the relationship between entrepreneurial orientation and business performance ($F=1585.685$, $p=.000$). The Coefficient row in Table 5, indicated that all EO dimensions significantly predicted the model- proactiveness ($\beta=.325$, $t=20.941$, $p =.000$), risk taking ($\beta=.288$, $t=20.051$, $p =.000$), innovativeness ($\beta=.292$, $t=21.481$, $p =.000$), competitive aggressiveness ($\beta=.268$, $t=19.701$, $p =.000$), and autonomy ($\beta=.112$, $t=7.903$, $p =.000$). The dimension that contributed most to the model is proactiveness ($\beta=.325$, $t=20.941$, $p =.000$).

The outcome of this study is similar to the research carried out by Kemelgor (2002) who reported a substantial association between EO and business performance among firms in the Netherlands and the U.S. Results of a study conducted by Hermann et al., (2010) reported similar results that demonstrated a positive link between EO and business performance in the Austrian Electrical and Electronics Industry in Europe, but only in situations in which a dynamic environment is combined with high opportunity to financial capital or a relatively stable environment combined with low access to financial capital. Wiklund and Shepherd (2005) corroborates Hermann et al. (2010) findings and asserted that there is lack of comparisons and the difficulty of generalizing the association between EO and business performance in European context. Research conducted by Jocelyn (2018) among 32 women in fishery-related occupation in Sagay City Coastal Areas in Phillipines reported findings that corroborate the outcome of this study. The study reported the need for high level of orientation in terms of innovativeness, pro-activeness and risk-taking in managing small-businesses.

Findings of the study done by Vanessa, Amalia and Flavio (2016) which tested the association between EO and firm performance in small Brazilian enterprises corroborates the findings of this study. Research carried out by Kumarpeli, and Semasinghe (2015) in Sri Lanka reported a finding that is similar to this study. Their study reported that EO has an influence on the growth of SMEs'. Similarly, the results discovered that innovativeness and risk-taking have a positive impact on the growth of SMEs'; on the other hand, pro-activeness has no significant effect on the growth of SMEs. A study done by Kraus et al. (2012) on the influence of EO on the performance of 164 SMEs' in the Netherland during the global economic and financial crisis reported findings that substantiate that all the EO dimensions contribute to business performance. Yu-Ming et al. (2018) using a survey of 324 small and medium-sized enterprises (SMEs) in China, discovered a similar positive association between entrepreneurial orientation and performance of SMEs' in the area of absorptive capability, environmental dynamism, and technological innovation.

Table 5 – Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	.982	.964	.964	.114

ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	103.600	1	20.720	1585.685	.000
Residual	3.724	289	.013		
Total	107.324	290			

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	B		
(Constant)	.258	.047		-5.390	.000
Proactiveness	.292	.014	.325	20.941	.000
Risk taking	.263	.013	.288	20.051	.000
Innovativeness	.234	.011	.292	21.481	.000
Competitive aggressiveness	.157	.008	.268	19.701	.000
Autonomy	.125	.010	.112	7.903	.000

4.2 Research Hypothesis Two

The degree of entrepreneurial orientation will not significantly differ with respect to years of operations of auto artisan firms within Lagos state metropolis in Nigeria.

Table 6 – Descriptive statistics: Entrepreneurial orientation and years of operation

Age groups	N	Mean	Std. Deviation	Std. Error
1 – 5 years	92	3.42	.584	.061
6 – 10 years	135	3.30	.560	.048
11 years and above	64	3.74	.641	.080

Table 7 – ANOVA: Entrepreneurial orientation and years of operation

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	8.361	2	4.180	12.166	.000
Within Groups	98.963	288	.344		
Total	107.324	290			

Source: Field Survey, 2017.

Table 6, shows that the auto artisan operators that have been in business for 11 years and above demonstrate tendency of high degree of entrepreneurial orientation (as revealed by the mean value), follow by those in business within 5-6 years, and lastly, those that have been in business between 6-10 years. To determine whether the variation is significant ANOVA was run. As depicts in Table 7, the degree of entrepreneurial orientation is significantly related to the number of years of firm's operations F (2, 288) = 12.166, p-value was equal to .000, which indicates that $p<.05$. Although the means scores across the years of operations (as shown in

Table 6) varies, the effect size, computed using eta-squared was .078 and considered to have a medium effect (Cohen, 1988, cited in Pallant, 2010). From the above results, hypothesis two which postulates that no significant difference exists between the degree of entrepreneurial orientation and years of operations among auto artisans in Lagos state, Nigeria is not supported by the finding of this study. However, the medium eta squared value of .078, signifies that the results is slightly dependent on sample size effects.

Results of this analysis indicate that over time businesses develop vibrant competences through learning, knowledge building, adaptive capability that enable them to act innovatively to exploit opportunities better than those that are just coming into the market. As expressed by Sambamurthy, Bharadwaj, and Grover (2003), by developing capabilities and skills through knowledge building, businesses craft strategies that help them to cope and manage change. In addition, a firm that has been in business for long may have more competences to innovate which accelerate the flow and transformation of novel knowledge, contribute to the generation of new knowledge and technological advancement that enhances firm's performance (Wiklund, 1999).

5. Conclusion and Implications

This study investigates entrepreneurial orientation and business performance of auto artisans firms within Lagos state metropolis in Nigeria. Findings of the study revealed significant positive relationship among all the dimensions of entrepreneurial orientation. Similarly, all the five dimensions of EO significantly influence business performance of auto artisan operators. In addition, the study documented that the degree of EO is significantly related to the number of years the firm has been in operation. The quest for entrepreneurship in Nigeria across sectors is remarkable; nonetheless, the realization of the full potential of these opportunities has been dampened by a number of factors which is connected to weak capability in developing entrepreneurial orientation. Entrepreneur's capability to tap into sustainable business opportunities is only realistic with high spirit of entrepreneurial orientation which requires constant orientation to develop and transform business idea into profitable venture. As expressed by Lackner 2002 (cited in Hermann et al., 2010), EO does not a constitute a secret defensive tactic under all environmental circumstances, therefore, EO might rather be pursued in fast changing environments that offer innovative opportunities and where the business has adequate financial resources.

The reality of EO in a business setting is the outcome of organizational practices, decision making techniques and styles employed by the firm in the quest to act entrepreneurially (Sascham, Coen, Mathew, & Vincent, 2012). As expressed by Amron, and Mahmud (2015), business performance of small scale businesses can be enhanced if the operators innovate and develop strategic perspectives of managing business. According to Del Baldo and Aureli (2012) and Lukman et al. (2016), for entrepreneurs to gain competitive advantage, issues such as managerial knowledge, social network and institutional support among others should be addressed. Similarly, to enhance the commercial viability and competitiveness of entrepreneurship, there is need for the operators to transit from their traditional approaches to contemporary practices, which require high entrepreneurial orientation (Lukman et al., 2016). Entrepreneurs need to develop the required business orientation in order to cope with the challenges that inhibit business development and sustainable competitive advantage. Entrepreneurs that are risk-tolerant and innovative, jettison the conventional authoritarian and hierarchical configurations predominantly noticeable in most businesses (Kuratko, Ireland, & Hornsby, 2001; Amron, & Mahmud, 2015). In addition, EO is significantly connected to intangible outcomes such as knowledge management, capacity expansion and job satisfaction that are instrumental to improving business performance (Aktan & Bulut, 2008). As expressed by Walter, Auer and Ritter (2006), EO is considerably desirable particularly in hostile and dynamic business environment, thus, the adoption and application of entrepreneurial orientation represent the much needed requisite trait needed to build successful business enterprises.

This study has contributed to existing studies by empirically demonstrating the link that exists between entrepreneurial orientation and business performance of auto artisans, especially in developing nations, such as Nigeria. Therefore, successive studies can gain insights about how entrepreneurial orientations shape business performance. This study demonstrated the practicability and worth of replication of research study concerning the contradiction between EO and business performance. The findings of this study are expected to inform and guide small scale entrepreneurs in crafting preemptive decisions that are capable of increasing their competitiveness and overall performance. The outcome of this study is also anticipated to instruct a new perspective in public policy intervention to strengthen small scale business growth and sustainability.

5.1. Limitations and Suggestion for Further Studies

This study has some limitations owing to the limited nature of its geographical area, relatively small sample size and conceptual scope. First, it focuses on only auto artisan operators, thus, other businesses in other sectors of the economy are outside the scope of this study. Academics need to conduct research on the actual situation in other key sectors of the economy and in other states of the federation. Thus, it would be meaningful if the sample size and study context are broaden to enlarge the generalization and conclusions drawn from the findings of this study. Second, the study used self-reported data obtained through a cross sectional survey method. Empirical research design using cross-sectional data may result to other causal interpretations; therefore, a longitudinal methodology towards broader understanding of EO and business performance link would contribute to literature. The third limitation of this study is the absence of how personal and socio-demographic factors influence the relation between EO and business performance of auto artisans. Given this recognition, the propositions highlighted in this paper should be examined to see if and how the association between the variables under investigation differ with respect to socio-demographic variables.

5.2 Recommendations

This study offers the following recommendations:

1. Business organizations, particularly small business ventures must develop capability that will foster entrepreneurial orientation particularly the proactiveness dimension (which was found to be the most influential dimension in the context of this study), through formation of professional association, networking, and participation in entrepreneurship training and development. This will provide a basis for building a formidable learning and adaptive organization that will foster understanding and development of absorptive capacity to cope with growing complexity of business environment in Nigeria.
2. To develop the needed entrepreneurial orientation, there is need for small scale business entrepreneurs to capitalize on entrepreneurship training and development programmes outlined by the Federal Government of Nigeria through various agencies such as National Directorate of Employment-NDE, Small and Medium Scale Development Agency of Nigeria-SMEDAN, Bank of Industry-BOI among others to enable them improve their capability and knowledge.
3. In order to promote small scale entrepreneurship in Nigeria, it is vital to develop a culture of entrepreneurial risk taking. This will encourage and promote the degree of

business formation and development. This can be accomplished through entrepreneurship education and campaigns, as well as specific training and development initiatives tailored to forge the drive and tenacity of aspiring entrepreneurs to venture into business.

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CORRUPTION: WHERE AND WHY (AND HOW TO BEAT IT)?

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Abstract

Corruptive environment is a phenomenon we are facing every single day through different point of views. It can have positive or negative impact from both macro and micro perspective. The study is focusing on two key questions: WHERE corruption is occurring (geographical, phenomenal levels etc.) and WHY is it occurring by identifying factors causing it (country specific factors). While the question "where" is relatively easy to answer, the question "why" requires a significantly more complex response. Country analysis was made according to their rankings through Corruption Perceptions Index, published annually by Transparency International. I have researched the main factors that affect the level of corruption in each group of countries, or rather tried to find similarities and differences between individual groups of countries with regard to what affects the level of corruption in these groups. A basic model of three factors (risk, benefit, and awareness) was created based on several known, scientifically confirmed factors that either generate or reduce corruption and affect the level of corruption in each country respectively. Depending on the level of corruption analyzed, countries can be placed into five classes by their common characteristics. During the discussion, the results of the study were then compared with the results of the already-known research, and the matches and differences defined. The findings were also commented upon with the aim to answer the question of how to fight corruption.

Key words: Corruption; causes of corruption; corruption: where?; corruption: why?; fight against corruption.

1. Introduction

Corruption is a phenomenon that has existed in society since time immemorial. However, lately, it is being more and more mentioned and stressed, with research on corruption itself and its negative impacts becoming more frequent only after 1995 (when both countries, as well as international institutions, became increasingly aware of the negative effects of corruption; until then, corruption was treated with a somewhat neutral attitude). Due to the proven negative effects (especially according to research) of corruption, countries are striving to prevent or at least limit its spread.

Corruption is mainly a consequence of circumstances that do not allow equal access to goods, services and rights. Among these circumstances are poor and overly written laws (the rule is that the most corrupt countries have the most laws, which are also the most extensive), lack of political will, inefficiency of state institutions, poor quality of management, great discretionary power of civil servants, values of society and tolerance to corruption. They are created due to the greed of individuals, lack of integrity, ignorance, lack of responsibility, excessive complaisance (www.acfe.si). Most experts and researchers who used to be or are still engaged in corruption more or less agree that it is endangering both social stability and security as well as values, and is impeding the economic and social as well as political development of countries, while at the same time threatening man as an individual.

The word corruption is derived from the Latin word "corruptus", which means corrupt and, in legal terms, an abuse of a trusted position in one of the branches of power (executive, legislative, judicial) or in political or other organizations, with the intent to obtain, for oneself or others, material gain that is not legally justified.

The impact of corruption on the functioning of society is negative in the long run, which is why the domestic and international community is paying more and more attention to it. Due to the negative effects of corruption, all countries are trying to intervene in this area in order to prevent or at least limit its spread. Corruption occurs always and everywhere, where the profit and benefits of individuals, groups, or businesses are involved and is represented in all spheres of social and political life. It appears in the form of bribery, acquaintances, associations, nepotism and privileges, and definitely cannot be easily detected. It reduces economic growth, increases poverty, lowers the quality of services, draws public resources and consequently undermines the credibility of politics, influences decision-making processes, and destabilizes democratic systems (Dobovšek, 2005, p. 24).

If corruption is to be understood, it is necessary to know the reasons why it occurs. There is never only one cause; there are numerous causes and they act together in combinations that allow corruption. The causes arise from political, social, economic conditions of each country, as well as from historical development, customs and culture (Horvat, 2008, p. 6).

Why is it important to distinguish between corruption and other criminal acts, for example, theft or fraud, explains Senior (2006, p. 30, 31). There are two sides to theft: the one which steals and the one which has something stolen (the one which steals might rob an individual, community or state), whereas corruption comprises of three sides: the one which offers the bribe, the one which takes the bribe (both sides benefit in doing so), and the third which is harmed (the state, taxpayers, the company, etc.) or is in a worse position because of it. Or, as he simplified, if someone takes 10 pounds from someone's wallet, the one who steals the money is better off, while the other is worse off (only that person is affected). And, if a contractor bribes an official to win a tender, those companies that have failed to win are worse off, and if this contractor then bribes the official to accept a higher price for the service, indirect influence (indirect damage) on the taxpayers also occurs. Fraud is only a more sophisticated form of theft, with the same result, which is an injured party, however, the victim can hope for compensation if the thief or fraudster is brought to justice. Nevertheless, if it is known that the thief or the fraudster will not be judged for bribery of the court or police, it can be assumed that corruption is more harmful to the society than theft or fraud. In addition, corruption is concealed, it affects a third party, and those who suffer due to it will never be able to identify the causes for their suffering and they will never receive any repayment for it.

2. Corruption: where?

Corruption occurs everywhere where money is involved. There is, in general, more corruption where management of foreign money, that is, taxpayers' money is involved. Roughly speaking, if the question "corruption: where?" is asked, three different areas of corruption occurrence can be defined as:

- A geographically defined notion;
- The levels on which it occurs (especially as corruption in the public administration);
- An environment in which it occurs.

If we say "where" and by that mean a geographical concept, we can roughly say that corruption is largely geographically dependent. The highest level of corruption is in Asia (mostly in Central Asia) and Africa (North and Central Africa), as well as in South America (according to the Transparency International map) (Figure 1).

Figure 1 – Map of corruption (darker color, more corruption)

Source: https://www.transparency.org/cpi2017

However, if by "where" we mean where corruption does occur in the state administration (if corruption is primarily considered as a phenomenon in the public administration), three levels of corruption can be identified (Dobovšek, 2008):

- *Micro-level* presents small gifts to public officials for achieving the desired service, which is the officials' duty anyway. Corruption at this level is tied to those officials who deal with documentation and license issuing. People are very tolerant of this, it has become a part of

everyday life, and the amount of unlawfully acquired funds does not exceed the average monthly salary of an official;
- *Middle level* includes public officials at a higher level. It is most widespread at the local level, where the local politics, with its help, achieves solutions that fall within the competence of the middle level of public officials. The public does not tolerate such corruption; it can amount to a few monthly salaries of an individual official;
- *Macro-level* corruption is linked to government procurement through the conclusion of major contracts, the performance of major work in the country (e.g. construction) and other major investments. It is the most dangerous part of the corruption that takes place in the highest social and political circles and is enabled through the abuse of functions and positions, political power, and the abuse of social status. Such forms of corruption usually remain hidden, and if they are detected, the main players remain undetected. Typically, those are representatives of elites who through corruption transfer large amounts of money.

However, corruption can also be distinguished according to the environment in which it occurs. According to this criterion, we distinguish four forms of corruption:
- *Corruption between public officials and private individuals*, which is a form of corruption where a private person wants to obtain a "kind of" favor and is usually a minor form of corruption, which is, however, a good basis for social degradation;
- *Corruption between public officials and politicians*, where it comes to returning services on a personal level;
- *Corruption in the private environment*, which is the most common form of corruption in the economy and is reflected in the abuse of economic contracts (e.g. giving priority at public tenders);
- *Corruption between individuals and politicians*.

3. Corruption: why?

3.1 Corruption – risk, benefit and awareness

In his work Liberalism: The Classical Tradition, Ludwik von Mises (1927) explained some of the laws necessary for participation in the market economy, which are:
1. Private property, i.e. private ownership of production assets. Individuals have the right to own and use not only goods that are ready for consumption, but also factors of production from which goods can be produced and services for sale and use offered;
2. Freedom, namely the freedom of every individual, without distinction, which is to be guided by his own goals and plans, based on which he is voluntarily included in the social system of division of labor through a contract and a mutual agreement;
3. Peace, namely, the abolition and the elimination of violence in human relations, for an individual can only feel safe to direct his mind and efforts toward creative improvements in the human situation when in the environment of peaceful integration;
4. Equality, namely equal personal and political freedom before the law, with which each individual has the freedom to choose to join the system of division of labor according to his own consideration regarding what is the most profitable, without legal obstacle or restriction;
5. Inequality of wealth and income, that is, the financial situation of each individual depends on his success in serving others in the system of division of labor, whereby the relative income and financial situation of the individual inevitably reflect different achievements in this endeavor;

6. A government with constraints, which means that political authority with its powers and responsibilities is limited to those tasks that are necessary to ensure peace in which the freedom and property of an individual are protected against oppression and violence.

Of course, these laws can also be identified as the idealization of the liberal state and are of more economic or philosophical nature, but the fact is that if one of these laws is not fulfilled, corruption falls on fertile soil. Therefore, are the countries where production assets were or still are in their possession usually at the top of the list of the most corrupt countries. Moreover, if an individual has no freedom, if others decide about him and his goals, then is the individual often forced into corruption actions in order to achieve his goals. Also, at the top of the list, there are usually countries that are at war.

Equality before the law, both personal and political, is also important, for if there is none, then there is no rule of law, and this in itself allows for the development of corruption. The rules of the game have to be the same for everybody. The inequality of wealth and income are not an important factor at all at first glance, however, when placed opposite the socialist equilibrium, it can immediately be seen that without the fulfilment of this law we fall into corruption. And a government without restrictions, where there are too many laws, regulations and other legal acts, where the government takes the discretionary power or even adapts the entire legal system, is the generator of corruption at all levels of decision-making or management in the country.

Failure to comply or non-compliance with one of these laws leads to corruption. However, corruption itself is a phenomenon too complex to be explained only by this.

In order to better define or find out corruption: why?, I tried to simplify the problem and I combined several influential factors in one of my previous researches (together with Mahić, 2017). Thus, in this article, I considered corruption as an illegal or criminal offense (legislation, political and economic environment, etc., which refers to the previously described Mises law) together with the conditions for its creation in one part and as a set of ethics, morals, religions, customs and traditions in the second part.

In his study, the Nobel Prize winner Becker (1974), with the help of economic analysis, presented what influences unlawful or criminal behavior. Simply put, in his opinion, man is a rationally thinking being and the decision of whether or not a person will commit an unlawful act is influenced by three factors:

1. The benefit which is acquired through an unlawful act;
2. The likelihood of being caught;
3. The expected penalty if caught.

By comparing the first factor to the other two, the person then rationally decides whether or not the unlawful act is worthwhile, which is explained by the model of choice, i.e. when the perpetrator or the potential perpetrator prefers the risk, or when the risk is on the verge and the perpetrator considers whether the real income from the crime is greater or lesser than the one that would be received in less legally risky activities, and then rationally decides. And precisely this condition of "optimality" is, according to Becker, the main decision-making principle, and not, for example, the effectiveness of the police or the court. In short, it is about weighing the potential positive and negative effects (costs and benefits) and not about thinking whether it is right. Although this is a simple model, it can easily be applied to an individual unlawful (and also to an immoral) act, therefore also corruption.

The Theory of Rational Choice, which arises from the Theory of Intimidation, also considers similar weighing of expected results (benefit/risk, penalty), however, it also takes into account the findings of the Economic theory [1] and transfers them to the behavioral field. The Theory of Rational choice emphasizes the expected benefit (rewards and penalties) of legal behavior against the unlawful. If Becker's model of choice is summed up, corruption (simplified) is also dependent on the ratio between the benefit that a person who commits a corruption act expects, the level of penalty[2] and the possibility of being caught. So, the higher the benefit, the smaller the chance of being caught, and even if one is caught, the penalty is low - the higher is the degree of corruption and vice versa; smaller benefits, greater possibility of being caught and high penalties discourage people from corruption (man rationally estimates if it is worth the risk).

The degree of corruption is thus (according to Šumah and Mahić, 2017):

$$DC = f\,(BE, LP, CC) \qquad (1)$$

DC: the degree of corruption
BE: benefit
LP: the level of penalty
CC: the chance of being caught

The level of penalties and the possibility of being caught can also be called risk:

$$RI = f\,(LP, CC) \qquad (2)$$

RI: risk or hazard, which depends on the possibility of being caught and the level of penalties, if one is caught.

Whereby:
$RI = 0$, if $LP = 0$ in $RI = 0$, if $CC = 0$

Thus, the degree of corruption (SK) is simplified:

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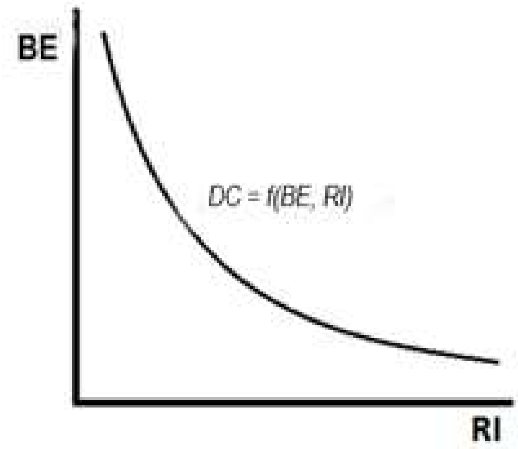
[1] Economic Theory: Increasing revenue or increasing economic opportunities reduce crime as well as deviant behavior in line with the theory of rational choice. Economic recessions and a decline in economic growth lead to an increase in crime, as opportunities for progress and achievement of the standard are reduced (Aljaž, 2009).

[2] The possibility of being caught are elements of intimidation. But what is a fair penalty, or the level? Cesare Beccaria (2002), as one of the pioneers of modern criminal law, said that as long as the penalty is quick and follows the offence immediately, it is more fair and useful, since the goal of state repression is to prevent the delinquent from committing new damage to their fellow citizens, and to prevent other services of similar acts. Too many rigid penalties are of no importance because they make people insensitive and therefore have an opposite effect than desired. The penalties must be proportional to the social harm caused by the offense and calculated to achieve their real purpose. Penalties for them may only be enforced by law. Laws must be clear and understandable, and courts must not interpret them in their own right. The criminal procedure must be public, the defendant must be provided with defense, torture must be abandoned. The death penalty is not necessary, except in exceptional circumstances. In the 1990s, Tom R. Tyler (Meško, Flander and Eman, 2016: 13) published a work entitled "Why people obey the law?" His study showed that people are more respectful of the laws if they believe in the legitimacy of the authorities and law enforcers than in the intimidating role of criminal sanctions. His work has prompted a number of empirical tests of the legitimacy of authorities, notably the police and criminal justice. And it is precisely the fact that people respect the laws more if they believe in the legitimacy of authorities and law enforcers that is crucial in the fight against corruption.

$$DC = f\,(BE, RI) \tag{3}$$

The fluctuation of the degree of corruption, dependent on benefits and risks is also graphically depicted in Figure 2, which illustrates how the level of corruption in society decreases with increasing risk and decreasing benefits, which means that the level of corruption increases with decrease in risk and increase in expected benefits.

Figure 2 – With increasing risk and decreased benefits, the degree (level) of corruption in society is reduced



Source: Šumah and Mahić (2017)

Similarly, the degree of corruption is influenced by the level of awareness in the society regarding what is right and what is wrong (ethics, morals, religion, as well as habits and customs). Different countries have different attitudes toward corruption. In Europe alone two extremes can be found, from the completely corruption intolerant north to the warm south, where corruption is an almost normal, socially acceptable phenomenon. Or the difference between countries with a democratic past, which have traditionally persecuted corruption and former socialist countries, where corruption in the state apparatus used to be a part of folklore tradition.

The influence of cultural values and the negative effects of corruption on the micro-level was well presented by Lee and Guven (2013):

- The indicators of perceiving corruption correlate with actual bribery experiences;
- For those who love risk, there is a greater likelihood of offering or demanding a bribe;
- A culture dominated by men (patriarchy) and acceptance of bribery are in a positive correlation;
- The personal attitude to bribery is influenced by past experiences of bribery;
- Those who demand bribes are more likely to offer bribes themselves.

A major influence is also the dominant religion in the country. It is generally known that there is least corruption in countries that are predominantly Protestant. The influence of majority Protestantism has been tested several times and has proven to be an important factor in the low level of corruption in a country. However, the relationship between Protestantism and good governance is probably more rooted in history than in today's practice. Today, there are many nominally Protestant countries that are de facto secular, while many non-Protestant countries are also fighting against corruption very effectively. Thus, the influence of

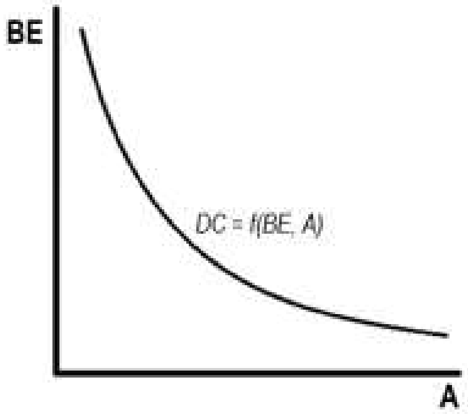
Protestantism appears to emerge from its egalitarian ethos, which could indirectly work to support the general direction towards ethical universalism, literacy and promotion of individualism. Its role is therefore important at certain stages of development, which explains why the first countries that were well-managed were predominantly Protestant. This does not mean that other religious traditions are incompatible with good governance, only that they failed to construct this particular complex of factors at the right moment in history (Mungiu - Pippidi, 2013).

And the more the society as a whole is aware of the problem of corruption, the more the tolerance of corruption leans towards zero, the less present it is. This could also be defined as the prevailing ethics and morality[3] or by how they are present in society[4]. For this reason, a parallel can be drawn between the degree of corruption, the benefit and the risk, and the degree of corruption, the benefit and the awareness (Figure 3).

$$DC = f\,(BE, A) \qquad (4)$$

BE: *benefit*
A: *awareness (degree or level of ethics, morality)*

Figure 3 – The lower the benefit of corruption and the higher the awareness of its harmfulness, the lower the degree of corruption and vice versa.



Source: Šumah and Mahić (2017)

3.2 Analysis and identification of factors that could answer the question corruption: why?

For the purpose of the study, and in order to facilitate and more precisely analyze the factors that influence the level of corruption, the factors considered are combined (i.e. the interdependence between benefit and awareness, and the interdependence between benefit and risk or hazard)[5].

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[4] Perhaps it would be better to use the term culture instead of society, in the sense that Huntington (1993) uses it in his book The Conflict of Civilizations.
[5] Rus came to similar conclusions (2005). According to him, the degree of corruption depends primarily on the following factors: (1) the personal and collective integrity (2), the possibility of disclosing corruptive agreements, (3) the severity of sanctions, and (4) the magnitude of the potential benefits participants have. For the purposes of the study, and for easier and more transparent analysis, points (2) and (3) were combined under the common denominator risk or hazard.

If all the factors are combined then:

$$DC = f\,(BE, A, RI) \tag{5}$$

Whereby:
max DC = (BE = max, A = 0, RI = 0)
min DC = (BE = 0, A = max, RI = max)

For a clearer picture and easier analysis, a chart was created in which individual countries are ranked according to their ranking on the Index of Corruption Perception[6] for 2016 (Transparency International[7], 2017) in five classes. Twenty-five countries ranked in the first four classes, while others ranked in the fifth (countries from 100th to 176th place). The countries were analyzed based on what prevails in them - (non-) tolerance of corruption (ethics and morality, or whether it is guided by awareness) or the effect of risk. However, the picture is fairly clear only in the first and partially second class.

In class I, two distinct groups of countries formed according to the nature of the research; in the first were the countries with a long democratic tradition, high ethics[8] and morality regarding the attitude to corruption (the Scandinavian countries, Germany, the United Kingdom, the United States, Canada, etc.). The second group comprises of the countries that have started (very successfully) dealing with corruption in the last twenty years, mainly through strong anti-corruption legislation, successful advertising and education campaigns (the most prominent example is Singapore, where the adoption of the anti-corruption law and the harsh approach immediately dealt with corruption[9], with the UAE, Qatar, Chile, Hong Kong, Estonia following). Somewhere in the middle are the countries where there is no sharp dividing line (France, Japan). They thus more or less belong to the category of countries, which are positioned the highest in terms of GDP per capita (of course, there are also exceptions). In these countries, corruption is primarily a means of gaining influence or power (both in the economy and in politics). Typical of these countries is also that they are economically independent, and

[6] The CPI, or the Corruption Perception Index is also subject to a critical view that puts its credibility into question. Thus, Hough (2017) lists the most common criticisms of the CPI: 1) It is very difficult to simplify such a complex phenomenon as corruption with one number; 2) The CPI focuses solely on corruption in the public sector (when in fact the private sector actors often play an important role in corruption); 3) The CPI measures the perception of corruption and not the degree of corruption in general. Therefore, as an example, he points out that it would be sensible to measure the experience with corruption instead of measuring its perception (which is already being done in some surveys, for example, the BEEPS index, where corruption surveys are conducted on over 15,000 managers in 30 countries).

[7] Corruption perception index (CPI), which is the most widely used and widely quoted reference in various corruption surveys, is measured on a regular basis every year, and measures corruption in the public sector among officials, employees and politicians, i.e. it measures the administrative and political corruption. This index is based on surveys and research carried out by independent institutions among the so-called experienced experts, i.e. business people, analysts and local experts, rather than on empirical data. They assess the abuse of power, the bribing of the administration, the double-crossing of public procurement procedures, the misappropriation of public funds, the effectiveness of anti-corruption measures in the public sector. The higher the index, the less corrupt is the state, i.e. at index = 10 - a complete absence of corruption; index = 0 - a completely corrupt state. This involves indirect measuring of corruption and this index measures only the perception of corruption in the public sector, which can be considered a disadvantage.

[8] What they have in common is to a large extent their Protestant ethics.

[9] Many high-ranking state officials were taken from their jobs straight to prison in the first week of the adoption of the anti-corruption law.

in the vast majority of them also the rule of law and high gender equality apply (naturally there are always exceptions).

Even more colorful is the II class (countries ranked between the 26th and 50th places). It comprises of countries in transition (Slovenia, Czech Republic, Lithuania, Slovakia, etc.), countries with relatively advanced democracy (Spain, Malta, etc.), young democracies (Rwanda, Namibia, etc.) and countries where monarchy still rules, and democracy is merely a pattern (Saudi Arabia, Bhutan, Bahrain, etc.). What is common to these countries is that corruption does not constitute a means of survival but merely a means of raising an existing standard (a better car, vacation, better housing, etc.). These countries are located in the middle and to the right of the center of the graph (see Fig. 4). If the transition countries are in the middle (already partly developed awareness of the harmfulness of corruption and medium-high risk), there are, on the other hand, on the extreme right mostly non-European countries where the risk, i.e. high penalties if one is caught, and the possibility of capture, is relatively high (Qatar, Israel, Taiwan, Bahrain, etc.[10]). In these countries, systemic corruption is already occurring, which then escalates in the following classes. Among these countries is also Slovenia and KPK (2010: 8 - 9) found that in Slovenia, 12 of the 13 indicators, which are listed as a sign of the presence of systemic corruption are perceived. In contrast to the countries with the same low or lower level of administrative corruption, the biggest problem in Slovenia is the systemic corruption for which there are strong indicators; a number of reasons, which are largely conditioned by the process of transition and extremely weak control institutions, and (in recent years) a low level of trust in the institutions of the rule of law. Likewise, countries differ greatly from one another in terms of the prevailing religion, attitudes, and gender equality. What they do have in common is that they are subject to the rule of law to a fairly high degree[11]. However, it could be said that these countries nevertheless lack the political will to fight corruption or the ruling elites (whether they are established political parties or monarchs), and such a state even suits them.

This group is followed by a third group, where Europe, with the exception of Italy (where corruption is a national sport), is represented by transition countries (Bulgaria, Romania, Slovakia, etc.). The rest are, more than not, countries with a relatively low level of democracy, however, corruption remains not so much a means of survival as an improvement in the standard. In the third class, countries are difficult to define, since the boundary between awareness and risk is already very narrow. Apart from the exceptions, the patriarchal society[12]

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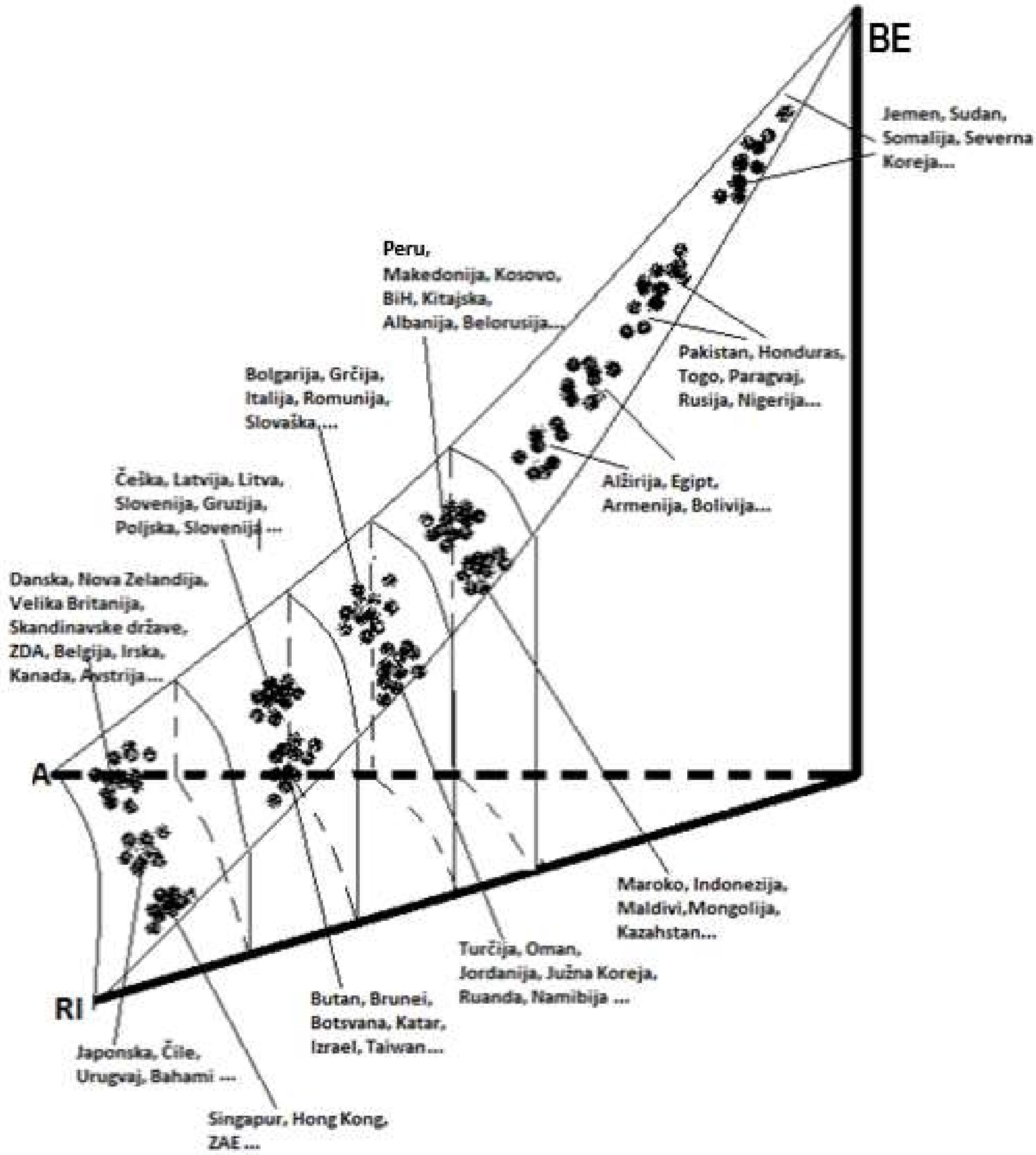
[10] The example of Georgia speaks for itself, where in a relatively short period of time, corruption has been very successfully tackled with. Engval (2012) notes in his extensive anti-corruption study in Georgia that the first precondition for a successful fight against corruption is strong political leadership and, of course, political will. The so-called Rose Revolution removed Shevannadze, whose clique almost completely privatized the country and enthroned new leadership, which became the authority by promising a fight against corruption. Corruption in Georgia was widespread in all segments of the society, from top to bottom, and this new leadership had broad support from Georgia's citizens for extensive and thorough reforms, and for rapid and radical changes. Considering similar examples of countries that have managed to curb corruption, he also stresses that in order to successfully fight corruption, it is necessary to "overthrow" the old system and replace it with new norms and rules of behavior, with a thorough reform of the state apparatus and the reform of political, economic and social institutions.

[11], however, at this point, we must separate the law, as interpreted by the Western civilization and the law that is, for example, dictated by religious books, such as the Koran. In both cases, this is a law that is respected in a particular territory; however, these two forms cannot be equated. Saudi Arabia can be cited as an example, where from a Western point of view barbaric punishments, such as beheadings, cutting hands off, and stoning are carried out. Yet they are carried out according to the laws that apply there and in this way (inhuman punishments for us) maintain or preserve their way of "rule" of law.

[12] Despite the fact that Italy is one of the most developed countries (especially the North of Italy, which is industrially highly developed), a strong patriarchate is present in its southern part. And as is characteristic of patriarchy, the basic cell is extended family, which must take care of its members. Thus, jobs, privileges, various

already dominates in most of these countries (again with exceptions), GDP is lower than in the first two groups, and the dominant religions in this group are Orthodoxy and Islam.

Figure 3: Ranking of countries according to the level of corruption and according to what influences the level in these countries the most (awareness or risk)



Source: Šumah and Mahić (2017)

For the third group, it could also be said that in some countries there is the occurrence of anomie[13] (which is distinct in the fourth and fifth groups of countries), that is, a state in which

works, services, etc. are obtained on the basis of associations (also family) and acquaintances. The same applies to Greece.

[13] Durkheim's theory of anomie (Marks, 1974): Anomie is a temporary situation or state that occurs between people when the society is evolving from a primitive to a modern entity. It is a result of broad scientific, technological

norms lose their significance and are ineffective for the broader mass of people. These are mostly countries where economic freedom alongside the freedom of the press is very limited, and where frequent violations of human rights occur.

In the fourth and fifth groups, there is no longer a dividing line between risk and awareness. In these countries, the risk is low, while corruption is becoming more and more (the lower on the scale a country is) a way of life and an increasingly viable means of survival. Especially the countries in the fifth group, with the highest degree of corruption, are strictly patriarchal, predominantly Islamic and with low or very low GDP. In these countries, there are ongoing inter-ethnic conflicts, civil wars, or they are otherwise involved in some armed conflict.

So, why corruption? Of course, corruption differs from country to country; however, it is possible to identify some of the key common driving forces that generate it:

- The more is the economic activity in a country regulated and limited, the higher the authorizations and the power of officials in deciding, the greater the possibility of corruption, as individuals are willing to pay or offer payment in order to avoid restrictions. An especially great chance for corruption exists there where under the regulation, officials are given the opportunity to decide on the basis of discretionary power, that is to say, the more laws there are, the more are public officials, due to their position, enabled an artificially created monopoly power, and if their salaries are low at the same time, they quickly try to improve their material position;
- Similarly, a well-regulated financial sector, a bit of grey economy and a black market also lead to less corruption, and countries with a well-regulated system have less corruption than those where the opposite applies. There is less corruption also in countries with higher economic and political freedom;
- Corruption is generated also by the lack of transparency and control by supervisory institutions and, therefore, where there is an insufficient legal basis or sufficient political will to control, which allows a non-transparent functioning of both politics and economy, corruption flourishes;
- The ineffective sanctioning of corruption, which increases the possibility of continuing the corruptive actions of those involved, also has a great influence, and there is a strong likelihood that, due to the inefficiency of sanctioning, others will get involved in corruption;
- Some forms of corruption relate to an informal form of social security, where the family or the narrower community takes care of their members. Such forms of informal social security prevail in less developed countries with an absence of formal social security regulation and in the countries of southern Europe where the influence of the broader family (patriarchy) is still very strong; Italy, Greece, Albania, Bosnia, etc. These countries exhibit extremely widespread nepotism, cronyism and clientelism as the family, as well as the broader community, are considered types of social security, with the family or the community taking care of their members; however, the members must, naturally, be loyal and somehow repay the benefits that they receive;
- The influence of the dominant religion in a country is also important. While the Southern, predominantly Catholic part of Europe, with its highly hierarchical organization, cultivates the cult of the family (as well as the cult of the broader community of solidarity) and several liabilities, the Northern, mainly Protestant part

and social changes. In such transition periods, most of society will be affected, and not only rare individuals. The anomie refers to the broken relationships between the individual and society.

emphasizes individualism and individual responsibility (which results in fewer abovementioned forms of corruption). Corruption prospers also in the countries where Islam and Orthodoxy are the main religions;

- The level of GDP also has a significant impact on the level of corruption. With rare exceptions, corruption flourishes primarily in low-GDP countries. Therefore, there is a saying that "poverty is a curse" which largely applies to all developing countries, being the countries most affected by poverty. And poverty destroys all ethical and moral values;
- Even low average education in a country is one of the signs that point to a high level of corruption;
- However, in determining the conditions for corruption and factors that are important for (non-) corruption, most of the known researches are forgetting peace in a country, which is a prerequisite for the start of the fight against corruption. Therefore, the state of war or some other state of siege in a country leads to a high level of corruption.

Based on several studies studied, Shan and Schacter (2004, p. 2) found similar; i.e. the main generators of corruption are the following:

- The contentiousness of legitimacy of the state as a guardian of the public interest. In very corrupt countries, there is very little public acceptance of the idea that the role of the state is to rise above private interests in order to protect the wider public interest. Corrupt officers focus primarily on how to serve specific clients who are related to them on an ethnic, geographic, or other bases. The line between what is public and what is private is unclear, and frequent and almost routine is also the abuse of public functions for private interests;
- The rule of law is weak. Laws apply to some and not to others, and law enforcement is often used to exercise private interests, rather than protecting the public interest. The symbol of the breakdown of the rule of law is corrupt police, which acts as a crusher of law, and not as its executor; the pulling over of motorists for fictitious traffic offences is only an excuse for bribe collection. And the judiciary, which is the foundation of the rule of law when it is fair, is also corrupt in corrupt countries;
- The inefficiency of the responsible institutions. In countries with low corruption, the institutions responsible for the control of corruption are powerful as well. These institutions are established by the state itself (judiciary, auditors, commissions, etc.) or they are created outside the official state structures (media, civil initiatives, etc.). In corrupt countries, however, these institutions are very weak and have major shortcomings;
- The commitments of national leaders (the governments, the president, the leaders of the parties, etc.) to fight corruption are weak or non-existent. In societies where corruption in the public sector is endemic, there is a suspicion of the correlation or involvement of the highest governmental representatives in corruption. Consequently, they will not be motivated to fight it.

Similarly, the findings of this study coincide with Svenson's (2005) findings; that it is nevertheless possible to recognize some of the key, common driving forces that generate corruption. He defined what is common to all countries, which are among the most corrupt:

- All are developing countries or countries in transition,;
- With a few exceptions, these are low-income countries (including public administration employees);

- Most countries have closed economies;
- The influence of religion is visible (Protestant countries have far the lowest level of corruption);
- Low media freedom;
- Relatively low level of education.

4. Conclusion. Corruption: how to beat it?

Indeed, corruption is a multi-dimensional process. On one hand, there is the provider of benefits, on the other the receiver, and both are aware of the action that remains hidden. And the third link in the chain is everyone else, the victims. Although not every act of corruption is a criminal offence, it is unethical and detrimental to the economic and political development of society. Normally, people with political and economic power and power of decision-making (Integrity, 2013) are involved. The philosopher Karl Popper also wrote in his book "The Open Society and its enemies" that the biggest problem is not who should command, but how to control the one who commands, therefore how the political and social institutions should be organized in order to prevent weak and incompetent rulers from doing too much harm. However, since there does not exist a general and unmistakable way to prevent the tyranny or corruption of important people, the price of freedom is eternal alertness (Brioschi, 2003, p. 125).

One of the possible solutions for reducing corruption is offered by Ariely (2012, p. 181) based on the "Broken window theory" described in 1982 by George Kelling and James Wilson in an article for The Atlantic magazine. The article dealt with the establishment of order in dangerous urban neighborhoods. The solution was not seen in the increased presence of police officers on the streets but elsewhere. The authors noticed that smashed windows in unregulated neighborhoods (which remain unrepaired for a long time) in themselves "invite" additional damage to the same building and others in the immediate surroundings. Vandalism thus expands and intensifies. If there are no broken windows, there will be no incentive for the next vandals.

This theory is difficult to confirm or deny, but according to Ariely, its logic is convincing and he suggests that petty crimes should not be overlooked, excused or ignored (in this case, the occurrence of tiny corruption), as this would only increase the problems. This, in his opinion, applies especially to politicians, directors, public officials, and celebrities. He otherwise wonders if it were unfair if these people were subject to stricter standards than ordinary people, however, it should be noted that people who are more under the scrutiny of others have a greater influence on the behavior of viewers (and followers) and the consequences for the society are therefore greater if they are the ones who transgress. Therefore, all phenomena of corruption, even the smallest ones, should provoke an immediate reaction without any grace, for the only way to fight corruption is to practice zero tolerance towards it. Directors, public officials, politicians and the like should be under even tougher scrutiny, both in terms of their actions and their financial situation. The Institute of the reversal of the burden of proof should thus be used more frequently (for the control of the property). If we want to deal with or limit corruption, one of the easiest and most effective ways is to take the unlawfully acquired property away from people, in which case it is not necessary to prove the blame of those who are suspected of corruption; it is them who must prove where their property is from, and if they do not convincingly do that, they are stripped of their possessions.

Through this perspective we can talk about so called concern for fairness. This concept is important because it stimulates people to deviate from self-interest and profit maximization if it leads to unfairness and punish others at the cost themselves (Tarasov, 2015), But the answer to how to deal with corruption successfully is not unambiguous, as some countries have achieved great successes in a relatively short period of time (Singapore, Estonia and Georgia), while others have been struggling with it for a long time (the best-known example is Italy). In any case, the first condition is to ensure freedom (personal freedom, economic freedom, freedom of speech, freedom of the press, etc.) and democracy, and then education and awareness of people. However, this is not about introducing Western-type democracy, as our culture knows it since it has often proven that that can cause more harm than good, especially with the help of the army. To begin with, the good practices of countries that are similar to each other (religion, habits, tradition, ethics, and morality) and often have a common history should be used.

However, people often do not recognize corruption, because it is already part of everyday life, a kind of folklore for them (typical of countries in transition), and those who are rich because of it do not receive condemnation, but admiration: "He did well for himself!'' There is too little done with respect to prevention and education, for only if one gets people to become aware that we are all paying or are being deprived due to corruption (worse roads, more expensive healthcare, etc.), a critical mass with zero tolerance for corruption can be created, and only thus can success in the fight against corruption be guaranteed.

In general terms, the important measures to prevent or reduce corruption (complete eradication is not possible) are:

- In the fight against corruption, two coordinated directions of action are needed; the first is to provide a critical mass through education and awareness of citizens, which will have zero-tolerance levels of corruption, and the second is to ensure the political will for change;
- Using the Reversed burden of proof institute. The Institute of reversed burden of proof is one of the means in the fight against all types of organized crime. This form of crime brings huge gains to criminal organizations and individuals. With such assets acquired, they increase economic power, which they also use to promote their own interests in the economy and politics. Thus, law enforcement agencies are placed in a subordinate position and are therefore always looking for new ways of curbing this kind of crime at home and internationally. A series of international acts entail the deprivation of the proceeds of criminal activities into the forefront at the principle level, as well as at the level of concrete requests for the enactment of established procedures. Thus, the aim of the Institute of reversed burden of proof is that the suspect loses his property if he cannot prove that he has acquired it in a legal way and has also settled obligations (especially tax) to the state;
- The first step towards preventing corruption in public administration and public enterprises is to educate the management and employees, which acts are prohibited or immoral. Due to the specific nature of corruption, many do not even know or are unaware that their action is actually corrupt, and therefore education on the harmful consequences of corruption and on disciplinary and criminal consequences should be one of the primary tasks;
- As a wider action in the fight against corruption, education about what corruption is and what its consequences are should be introduced already in secondary schools, in order to raise as many people as possible with zero tolerance level of corruption. We can ask ourselves how to include the correct concept of citizenship into society we live in. If it has to do with politics, understood as a decision-making and illuminated process, with the authentic and effective participation of as many subjects as possible and in any age group, with the responsibility perceived by the subject as taking charge of the world

where the social environment is built, then a set of participatory formal and informal processes, inside and outside the school, are necessary to prevent that the political culture becomes a prerogative of a few subjects living far away from the living world, from everyday experiences that the city, the community offers and demands to signify (Puka & Beshiri, 2013);

- More women in the police and public administration, as women are proven to be less corrupt than men;
- Stricter laws and higher penalties for corruptive acts and lower standards required to prove corruptive acts.

However, most of the known researches, in determining the conditions for corruption and factors that are important for (non-) corruption, are forgetting peace in a country, which is a prerequisite for the start of the fight against corruption.

Even though we know a lot about corruption, and we have detected its negative impact in various fields, there is still lack of information on how countries are taking action to fight successfully against corruption. We could say the results of the fight are known but the battle itself is not exposed in many research papers. The challenge is therefore to make research on how to successfully fight corruption and which methods work. This can be further on a great example for other countries to follow and implement in their strategies of limiting corruption. The fact is that corruption will never be completely eradicated.

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APPRAISING THE EFFICACY OF THE NATIONAL ECONOMIC EMPOWERMENT AND DEVELOPMENT STRATEGY (NEEDS) AS POLICY INTERVENTION IN NIGERIA (2003-2007)

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Abstract

This study appraised the efficacy of the National Economic Empowerment and Development Strategies (NEEDS) as policy intervention in Nigeria. The study adopted mixed methods. Using convenience sampling method, 240 citizens were randomly selected public and private institution in Ogun State. Comparatively, mean analysis was adopted in analyzing the percentage mean of the secondary data collected while self-designed questionnaires were used to elicit responses as primary data for the study. The instrument used for data collection was a self-designed questionnaire with a test-retest correlation coefficient of 0.86 for the reliability test. The study generated four research questions and four hypotheses were tested at 0.05 level of significance. The result of the hypotheses indicated that: (i) NEEDS policy was not effective objectively on the targeted growth and development indicators (GDI). (ii) The study also revealed that there were no significant differences after the intervention of NEEDS. (iii) Based on the findings of the study, it was inferred that NEEDS produces no significant differences on GDI. It was therefore recommended that thorough appraisal of the previous and existing policies should be undertaken before the formulation of new one in order to ascertain the reason for its ineffectiveness, failure, need for replacement and sustainability methods for subsequent policy after implementation.

Key words: Efficacy; Appraisal; GDI; Sustainability; NEEDS.

1. Introduction

In Nigeria, the term public policy (PP) is not alien. Every successive government either military or civilian at one time or the other formulates and implements various policies during their administration. Because it is perceived as an instrument for responding to the public issues or problems. One of the unique features of PP is that it is an action-oriented governmental instrument targeted at addressing general problems of the people. This conforms to Egonmwan (1991) who noted PP as government programmes of action. Therefore, PP could also be used interchangeably with public programmes. Statistics revealed quite a number of government programmes have been introduced of which NEEDS was inclusive. Examples of such programmes are National Programme on Immunization (NPI), Structural Adjustment Programmes (SAP), National Poverty Eradication Programme (NAPEP), and National Transformation Agenda which was introduced after NEEDS. Nigeria as a nation has never been in short supply of public policy or reforms either during military or civilian government but the lingering problem has always be inefficiency and poor management of the implementation (Ugoani, 2017).

In terms of both human and natural resources, the rich endowment of Nigeria as a nation is not debatable. But the reason why over 70% of her citizenry live below poverty level of less than $1 a day had resulted in avalanche of government intervention policies. Before 1999, the level of decay in all sectors of the economy was underestimated by the successive administrations and this led to loss of economic fortunes for decades. The economic decadence engendered loss of value, abject poverty, poor economy and astronomical increase in unemployment rate. After four years of critical evaluation and diligent study of the economic situation of Nigeria, the Olusegun Obasanjo led administration (2003-2007) designed and introduced an home grown intervention policy called National Economic Empowerment and Development Strategy (NEEDS) to improve the economy which was centered on four cardinal objectives of poverty reduction, generation of employment, creation of wealth and value-orientation.

NEEDS as a policy was fashioned not only as a plan but a strategic systematic process of reforming the economy from decades of economic decadence. The policy was welcomed with a widespread commitment from all the stakeholders because of its unique feature of being the first national developmental plan that integrates the efforts of the three-tiers of government. It focused on the big picture of addressing the specific challenges in all sectors of the nation as noted by Okonjo-Iweala (2014) who lamented that all sectors of the economy are ripped for urgent reformation.

Before the advent of NEEDS, there have been several reformation measures launched and implemented by the government which indicated that Nigeria has never at any time either under the military or civilian run short of policies. There was Operation Feed the Nation during the military rule of Olusegun Obasanjo and followed by Green Revolution of Civilian Shehu Shagari in the 70s, while Structural Adjustment Programme (SAP) was set up by Ibrahim Babangida military administration (Akpobasah, 2004) and General Sanni Abacha famous Vision 2010 which died as soon as its progenitor died. But none of these was able to rescue Nigeria out of the economic perdition she was subjected into and consequently, the quality of lives of Nigerians continues to wane unabated. NEEDS was posed differently from previous policies because it relied on its holistic approach to social and economic challenges facing Nigeria growth and development. NEEDS policy was saddled with the goal of rediscovering a new Nigeria free from economic woes such as poverty, unemployment, corruption, poor economy and so on and so forth.

As highlighted by various publications on the concept of NEEDS, the challenges that limited the impact of the policy involves resistance to change, lack of continuity culture, inability to translate the policy benefits of reforms to citizens, dwindling standard of living, non improvement of the domestic investment climate, integration and extension of the reform program to the state and local government levels, macroeconomic volatility and illiteracy.

The impact that NEEDS intervention made on the nation in relation to its designed objectives are two sides of a coin. That is, NEEDS policy came with both merits and demerits. This correlates with Okonjo-Iweala and Osafo-Kwaako (2007) assertion that NEEDS significantly impacted the Nigeria economy positively but not without the demerits and they noted that the demerits were more than the merits. Okonjo-Iweala and Osafo-Kwaako (2007) admitted both the good and bad side of NEEDS after its implementation but concluded that the usefulness of NEEDS rests on the way it is being viewed, and advised that NEEDS should not be viewed as the panacea but as initial steps toward future recovery and growth.

Before NEEDS, there were reforms such as commercialization, privatization, the Petroleum Trust Fund (PTF), the Directorate of Food, Road and Rural Infrastructure (DFRRI), and all these were meant to achieve the very objectives that engendered the introduction of NEEDS in 2004, because the reforms have ended with the tenure of the progenitor but the economic challenges they were meant to address subsist.

The focus of this study is to appraise the efficacy of NEEDS policy as intervention in addressing the national challenges from its inception to extinction (2004-2007). And also to examine how effective NEEDS was able to deliver on its cardinal objectives of reforming all the sectors of the economy.

1.1. Purpose of the Study

The main purpose of the study is to examine the efficacy of NEEDS as policy intervention in Nigeria. Specifically the study intends to:

i. Examine the significant difference in poverty reduction rate before and after the intervention of NEEDS as policy in Nigeria.
ii. Unveil the significant difference in employment creation before and after the intervention of NEEDS.
iii. Determine the significant difference in the level of wealth creation before and after the intervention of NEEDS.
iv. Ascertain the significant difference in value re-orientation in Nigeria before and after the intervention of NEEDS.

1.2. Significance of the Study

Findings of this study will be useful to policy administrators in public sectors and managers in private organizations, because it will serves as a guide before making a policy and also as an evaluation tool after making the policy.

1.3. Research Questions

In order to guide this study, four research questions were raised. These are:

Research Question 1: What is the significant difference in poverty reduction before and after the intervention of NEEDS?

Research Question 2: What is the significant difference in employment creation before and after the intervention of NEEDS?

Research Question 3: Is there any significant difference in wealth creation before and after intervention of NEEDS?

Research Question 4: What is the significant difference in value re-orientation before and after the intervention of NEEDS?

1.4. Hypotheses Formulation

The following research hypotheses were formulated to guide the study.

Ho1: There is no significant difference in poverty reduction before and after the intervention of NEEDS.

Ho2: There is no significant difference in employment creation before and after the intervention of NEEDS

Ho3: There is no significant difference in wealth creation before and after the intervention of NEEDS

Ho4: There is no significant difference in value-re-orientation before and after the intervention of NEEDS.

2. Literature Review

2.1. What is NEEDS?

Since the programme was set up in 2003 by the Olusegun Obasanjo led administration, several scholarly publications have greeted the concept of NEEDS.

Okonkwo (2014) defines NEEDS as a "panacea policy of the Obasanjo's led civil administration to positively change the economic fortune of Nigeria. While IMF and IDA (2015) define NEEDS as the response to the developmental challenges confronting the nation Nigeria. IMF and IDA (2015) described NEEDS as national plan for prosperity. NEEDS was also denoted as people-oriented plan and solutions to most economic questions. It was a programme through wide consultation designed by the people and for the people. NEEDS is all about the Nigeria people which is centered on peoples' welfare, education, political power, health, physical security and empowerment which are of paramount factor in attaining the futuristic vision.

Otoghagua (2007) in the same vein described NEEDS as a global policy that was integrated into International Development Targets (IDT) which was set up in 1996. The intent of NEEDS according to Otoghagua (2007) was to address issues that bother on how to improve social welfare, human capital development, and sustainability of a nation's economic environment. Bamiduro and Babatunde (2006) describe NEEDS as a dissimilar economic plan with distinct objectives to making Nigeria achieve poverty reduction and be financially viable. The duo asserted the explicit focus of NEEDS on the projected real GDP growth of 5 per cent in 2004, 6 per cent in 2005 and 2006, and 7 per cent in 2007. These were expected to be achieved with a stable 5 per cent yearly decrease in the rate of poverty for over five years period of 2003-2007 with the aim of providing at least two million jobs yearly from 2005 to 2007.

Objectively, NEEDS as an intervention programme set up on rescuing mission was introduced to serves as a bridge to the existing gap in all other developmental framework based on its feasibility (Soludo, 2004).

2.2. Nigeria economic situation before the advent of NEEDS

All national economic plans, policies, programmes and visions are enshrined to ensuring stable development and growth by altering the models that failed in engendering expected change due to their weakness and challenges (Effoduh, 2015). The major factor necessitating the introduction of a new policy in any nation is to replace a failed or dead policy. If the old is functional, then there will be no need to introduce the new.

According to Okonjo-Iweala (2013) who described the economic situation of Nigeria as faltering as at 2003 when the former President Obasanjo won a second term ticket as President, the situation forced the administration to focus on total reformation of every sector of the economy, hence, the introduction of NEEDS. She asserted that all the spheres of the economy need reformation, ranging from stabilizing the volatile macroeconomic environment, checkmating the endemic corruption to removal of various structural features militating against the development of private enterprises.

Okonkwo (2014) also painted a gory picture of two decades of mal-administration of Nigerian economy filled with poor economic performance due to fluctuating prices of oil coupled with military dictatorship and mismanagement of economic resources, the economy was flooded with myriad of challenges such as scarcity of essential products, decay of infrastructural, monumental national debts, high unemployment rate and poor industrial production before the Olusegun Obasanjo's civilian government introduced NEEDS as cited by Okonkwo (2014).

The official study undertaken by the International Development Association (IDA) and the International Monetary Fund (IMF) identified poor growth and high level of poverty as the prevailing dual factors that Nigerian economy was confronted with (IDA and IMF, 2005). The joint research x-rayed the economic situation of Nigeria and the major daunting challenges hindering the nation's development were uncovered and highlighted below:

a) Stagnated and truncated GDP
b) Slow and low growth
c) Risk and high cost of business
d) High rate of urbanization
e) The millennium development

a) Stagnated and truncated GDP

Before the advent of NEEDS programme in 2003, Nigeria GDP was plummeted with a truncated history (Umeh, 2015). Between 1960-70, the GDP recorded 3.1 per cent increase per annum. While during the oil boom, that is 1970-78, GDP recorded positive and remarkable growth of 6.2 per cent annual increase. But in the early 80s, the GDP nosedive into negative status. Until around 1988-1997 when a positive growth rate of 4.0 was recorded as a result of the introduction of the Structural Adjustment Programme (SAP). In 1960, before independence, agricultural sector alone contributed 63 per cent. In 1988 due to neglect of the sector by working population who were lured away by oil boom (Umeh, 2015) which was not only responsible for rural-urban migration but also resulted into urbanization crisis such as slums, insecurity, high cost of living and unemployment. It was not a surprise by 1975, Nigeria has become major importer of agricultural products.

b) Slow and Low Growth

Slow growth is another element that shaped the economic situation of Nigeria from 70s- 80s. The go-slow syndrome experienced in developing the nation was encouraged by low saving which is one of the critical requirement and basis for investment and capital needed for industrialization. The joint report from the study of IMF and IDA (2005) concludes that Nigeria ranked the least industrialized in Africa with 5%-7% GDP.

The above factor coupled with hostile business environment such as infrastructural deficiency, insecurity of lives and property, corruption, low access and high cost of finance were responsible for low growth rate recorded in the 1970s to 80s.

c) Risk and high cost of business operations

The real sector in the economy before the advent of NEEDS in the 70s and 80s was dominated by the primary production due to high risk and cost of doing business by the manufacturing sector. This led to the depletion of natural resources while other sectors were hampered functionally.

d) High rate of urbanization

The oil boom of 80s caused migration of the labour from rural to cities. The reigning agricultural sector was not attractive enough to the younger populations which were hired into the urban in search for white collar jobs. This development created another negative situation for the economy. Firstly, the agricultural sector lost in gross the needed labour to facilitate its activities. While the recipient cities find it difficult to accommodate the influx of the unplanned labour force. It resulted into high cost of living, rent, crime, insecurity, and ultimately poor standard of living.

e) Attainment of Millennium Development Goals (MDGs)

The eight international development goals for the year 2015 also known as the Millennium Development Goals (MDGs) were the economic targets of every responsible developing nations before the year 2015 lapses. The eight goals which were: eradication of extreme poverty and hunger, universal primary education, gender equality and women empowerment, child mortality reduction, improved maternal health, HIV/AIDs, malaria reduction, environmental sustainability and global partnership for development became standard at which budget were prepared, development and growth were measured.

It became obvious up till 1999, that Nigeria does not stand any chance of attaining the MDGs because of the economic crisis that pervaded almost all the sectors of the economy (Okonjo-Iweala, 2013). There was no sign of possibility of achieving the MDGs due to the retrogressive status of the Nigeria economy.

As previously noted in this study, Nigeria has never for once experience drought in developmental and intervention policies, but the eventual outcome has rarely be in tandem with the pre-selected objective and goals. Among the policies introduced before NEEDS to re-invigorate the economy, notable and deserved further elaboration is the SAP introduced during the military administration of Ibrahim Badamosi Babangida in 1986.

The economic situation of Nigeria before the advent of NEEDS programme was at critical stage in which none of the productive sectors was spared from the economic woes. They were all plagued with various developmental crises. The economic factors that betides the nations development and growth which eventually necessitated the introduction of NEEDS can be summarized in Table 1, as highlighted by IMF and IDA(2015).

Table 1 – Economic Factors that Necessitated the Introduction of NEEDS

a	Pursuance of unsustainable strategies and policy by the successive government administration
b	Untapped rich potentials of the citizenry
c	Inability to attain MDGs in 2015
d	Heavy local and external indebtedness
e	Regional unevenness-growth
f	Domination of the real sector by primary production
g	Least industrialized nation in Africa
h	High volatility of macro-economic aggregate-growth
i	Poor economic management
j	Lack of policy coherence
k	Ineffective budget
l	Weak institution
m	His role business environment
n	Deep and pervasive poverty (over 70%)
o	Threatening unemployment rate
p	Dysfunctional education system
q	Dysfunctional education system
r	Depletion of natural resources
s	Brain drain

Source: IMF and IDA (2015)

2.3. Advent of NEEDS

In 1999-2003, the administration of Olusegun Obasanjo was able to ensure policy stabilization and also checkmate all the economic problems that permeated all sectors of Nigeria. In order to prevent this achievement from being eroded (IMF and IDA, 2005), a consolidating measure was set up to ensure that the achievement recorded were not lost. Hence, NEEDS was introduced in 2004, and saddled with the major responsibility of consolidating on the gains and also lay sustainable foundation on how other economic problems such as poverty reduction, employment generation, wealth creation and value orientation can be attained.

According to the former President Olusegun Obasanjo, NEEDS was primarily introduced to engage the national resources in breaking away from the old to pave way for a new united and prosperous Nigeria from this generation to generation to come. NEEDS provided a framework for a national coordinated program of action by the three tiers of government.

According to the joint work of IMF and IDA (2003), the process of NEEDS was began in 2003, stakeholders from all spheres of the economy was given opportunity to air their needs and future ambitions. The information gathered from the national and wide consultation with the people helped in the drafting of the first phase of NEEDS policy. NEEDS was centered on reducing poverty, generating employment, creating wealth, and value re-orientation. Meanwhile, the attainments of these goals were tied to a hospitable and conducive environment that will enable business to thrive.

NEEDS was a four years medium term plan for the period of 2003 to 2007. Though being a federal plan, it integrates both state and local government together to ensure their parts are being played to ensure the success of the whole intervention. State Economic Empowerment and Strategies (SEEDS) and Local Government Empowerment and Development Strategies

(LEEDS) for state and local government respectively. Besides the involvement all the three-tier of government, all and sundry were mobilized support for the program.

3. Research Method

The study adopted mixed methods were adopted and the analysis is divided into two stages. The first stage involves collection of secondary data from National Bureau of Statistics (NBS) and other verifiable sources to comparatively analyze the significant difference recorded on poverty reduction, unemployment reduction, wealth creation and value re-orientation before, during and after the intervention of NEEDS as policy. Percentage bench mark was set and mean were compared to determine the level of significance. While the second stage involved the use of descriptive survey for data collection. Two hundred and forty (240) respondents were randomly selected from state and private institutions in Ogun State to examine their opinions on the aftermath effect of NEEDS policy in comparison to its aftermath effect since the policy was objectively designed to affect every citizen.

Convenience sampling technique was adopted in distributing the questionnaires to respondents in both state ministries and private institutions. Two hundred (200) copies of the questionnaires that were filled and returned by the respondents represent 83.3% return rate. Instrument reliability was established with a test-retest gave ‘r’ = 0.86. The retrieved questionnaires were analyzed using t-test statistics for testing of hypotheses at 0.05 level of significance while mean was used in answering the research question. A score of 1.5 was taken as cut-off point for accepting an item as significant while score less than 1.5 was taken to be insignificant.

Table 2 shows that before the introduction of NEEDS as policy intervention, the percentage score for poverty reduction indicator was over 50% in 2001 to 2003 and also worthy of note is the percentage score for wealth creation in 2002 which recorded the highest percentage of 14.6% compare to year 2000, 2001 and 2003 with 5.5%, 6.7% and

9.5 respectively. The overall grand mean of the GDI was 21.19% which is less than 50% bench mark.

Table 2 – Pre-NEEDS era

Indicator/ Year (%)	2000	2001	2002	2003	Mean
Poverty Reduction	42.85	50.24	50.42	52.6	49.3
Employment Creation	13.1	13.1	12.6	14.8	13.4
Wealth Creation	5.5	6.7	14.6	9.5	9.07
Value Re-orientation	12	10	16	14	13
Grand Mean (%)					21.19
SD					354.94
Variance					18.84

Source: NBS (2005, 2014)

Table 3 reveals a change in the poverty rate indicator with a percentage score of staggering figure of 54.4% in 2004 that marked the introduction of NEEDS era compare to 42.85% in 2000 before the intervention of NEEDS policy. While employment creation and wealth creation remains staggered. The value-re-orientation increased from 2004 with a percentage score of 10% to higher figure of 22% in both 2006 to 2007. Moreover, the grand mean also increased from 21.19% in PRE- NEEDS era to 22.76% in NEEDS era. This indicates the immediate impact of NEEDS policy on the value re-orientation GDI but the impact on employment creation and poverty reduction remains increasingly insignificant.

Table 3 – NEEDS era

Indicator/ Year (%)	2004	2005	2006	2007	Mean
Poverty Reduction	54.4	51.56	51.58	51.6	52.54
Employment Creation	13.4	11.9	12.3	12.1	12.42
Wealth Creation	10.4	7	6.7	7.3	7.85
Value Re-orientation	10	19	22	22	18.25
Grand Mean (%)					22.76
SD					412.14
Variance					20.3

Source: NBS (2005, 2014)

Table 4 shows that poverty was temporarily stabilized immediately after the introduction of NEEDS policy with figure of 67.5, 68 and 69 percent in 2008, 2009 and 2010 respectively. The employment creation experienced no impact because the percentage stood at 50 for the three years. Wealth creation increased and later decreased but the value re-orientation was the worst hit, the percentage plummeted from the higher percentage of 22.73 in 2008 to -4 in 2010 which is the lowest. Yet the overall grand mean increased from 22.76 to 32.69%. The increase in the grand mean could be attributed to the immediate effect of NEEDS intervention.

Table 4 – Post NEEDS era 1

Indicator/ Year (%)	2008	2009	2010	Mean
Poverty Reduction	67.5	68	69	68.1
Employment Creation	50	50	50	50
Wealth Creation	7.2	8.4	11.3	8.9
Value Re-orientation	22.73	-7.41	-4	3.7733
Grand Mean (%)				32.69
SD	31.38			
Variance	984.7			

Source: UN Department of Economics. Social Affairs, NBS (2014 & 2015)

Table 5 shows that poverty rate grew worse after the introduction of NEEDS policy with a whopping figure of 69.01 in 2011 compared to 51.6% in 2007. The rate continues to worsen even from 2012 to 2014 with an average mean score of 69.43%. The unemployment rate also continues to increase with 27.4% in 2012 and average mean score of 25.25% in compared to 11.9% in 2005 and average mean of 12.42% when NEEDS was introduced. The overall grand mean increased from to 31.7%. The increase in the grand mean could be attributed to the temporary effect of NEEDS intervention but was short-lived due to lack of sustainable culture.

Table 5 – Post NEEDS Era 2

Indicator/ Year (%)	2011	2012	2013	2014	Mean
Poverty Reduction	69.01	69.47	69.49	69.74	69.43
Employment Creation	23.9	27.4	24.7	25	25.25
Wealth Creation	7.68	6.17	5.49	6.23	6.39
Value Re-orientation	24	27	25	27	25.75
Grand Mean (%)					31.7
SD					713.72
Variance					26.72

Source: NBS (2005, 2014)

Table 6 shows the summary and comparative analysis of the four eras; Pre-NEEDS, NEEDS and Post-NEEDS 1 and 2. The table shows that average means score of poverty rate continue to increase unabated from lower 49.3% from 2000 to 2003 that represent the era before the advent of NEEDS intervention compared to the increased figure of 52.54% and 69.43% during NEEDS era and after the introduction respectively. On employment creation rate, the rate was adopted from the report available on United Nations Department of Economics Social Affairs and National Bureau of Statistics (NBS) and it was stabilized after the introduction of NEEDS with 37.63% after the intervention of NEEDS. Wealth creation recorded the almost the same impact with9.07% before the advent of NEEDS to a decreasing figure of average mean score of 9.07% to 7.6% after the introduction of NEEDS. The value re-orientation also suffered the same fate, it risen 13% to 18% which later fell to 14.5% in 2008, 2009 and 2010 respectively. The overall grand mean show increase in the figure from 21.9% to 32.1% but far lower to the 50% bench mark set for the study. This indicate that NEEDS intervention was not effective, though it cannot be totally tagged a failed policy but ineffective because it was unable to achieve the four cardinal objectives of reducing poverty rate, employment creation and national wealth created and value-re-orientation.

Table 6 – Comparative analysis of the four eras

Indicator/ Era (mean)	Pre-NEEDS Era	NEEDS Era	Post-NEEDS Era 1 & 2
Poverty Reduction	49.3	52.54	68.77
Employment creation	13.4	12.42	37.63
Wealth Creation	9.07	7.85	7.6
Value Re-orientation	13	18.25	14.5
Grand Mean (%)	21.9	22.76	32.1

4. Results

The analysis of the data and its interpretation were divided into two parts. Part one analyzed the secondary data collected using comparative mean analysis in analyzing the percentage mean scores of the intervention of NEEDS policy before, during and after on the targeted GDI. The grand mean scores were determined to take a decision. Any percentage mean score that is less than 50% is considered not significant.

The second part of the analysis involves the analysis of the research questions and testing of the hypotheses. A two-point scale was used for analysis. For instance, “Significant” was awarded 2 and “Insignificant” was awarded 1. Following this, the mean scores were determined to take a decision. To take a decision, any mean score below 1.5 is considered negative and above is considered as positive. Discussion of the findings is presented at the end of each table.

Research Question 1: What is the significant difference in poverty reduction rate before and after the intervention of NEEDS?

Table 7 shows the impact on GDI before and after the intervention of NEEDS. Table 4 revealed different mean scores under two indicators of poverty.

Before the intervention of NEEDS, both standard of living and human capital development indicator recorded high mean score and none of the mean score was below 1.5. The standard of living after the intervention of NEEDS recorded the lowest mean score of 1.10 compared to 1.50 mean score before the intervention of NEEDS. Also human capital development recorded only one instance average of 1.50 mean score and the rest scores were lower than the ceiling mark of 1.5. Worthy of note are the two instances when standard of living slipped into 1.00 after the intervention of NEEDS, and improving the standard of living and development of human capital through poverty reduction are the first objective of NEEDS. This shows that there is no significant difference in poverty reduction rate after the intervention of NEEDS

Table 7 – Poverty reduction rate before and after the intervention of NEEDS

Indicator/Name of Organization	Ijaye Estate Hospital		Ogun State Internal Revenue Service		Federal Medical Centre		United Bank for Africa		Redeemed Christian Church of God		
POVERTY	B	A	B	A	B	A	B	A	B	A	
Standard of Living	1.40	1.00	1.35	1.05	1.45	1.05	1.35	1.00	1.30	1.00	
Human Capital Dev.	1.70	1.45	1.75	1.65	1.65	1.45	1.85	1.50	1.65	1.45	
Indicator/Name of Organization	Abeokuta Grammar School		Federal University of Agriculture		Moshood Abiola Polytechnic		Moyorex Nigeria Ltd, Glory Land		Adire Trading Association		Grand Mean
POVERTY	B	A	B	A	B	A	B	A	B	A	B
Standard of Living	1.60	1.40	1.50	1.10	1.55	1.20	1.45	1.10	1.60	1.20	1.46
Human Capital Dev.	1.65	1.40	1.85	1.40	1.80	1.50	1.85	1.55	1.80	1.50	1.75

NOTE: B=Before intervention, A=After intervention

Research Questions 2: What is the significant difference on employment creation before and after the intervention of NEEDS?

Table 8 shows the significant influence on employment generation before and after the intervention of NEEDS. It reveals different mean scores of unemployment and underemployment which serve as indicator for employment creation before and after the intervention of NEEDS.

Before the intervention, none of the two indicators recorded mean score lower than the ceiling mean score of 1.5 and while after the intervention the mean scores also took the lower direction lower than 1.5. The employment creation mean score drastically reduced and underemployment score didn't soar towards the ceiling mean score of 1.5. The mean scores for the two items remained higher than the ceiling mean score before the intervention and remained increasingly lower after the intervention. This connotes two implications, one, the number of employment created was insignificant compared to number of unemployed labor and also the reduction in unemployment and underemployment was not significant.

Table 8 – Significant difference on employment creation before and after the intervention of NEEDS

Indicator/Name of Organization	Ijaye Estate Hospital		Ogun State Internal Revenue Service		Federal Medical Centre		United Bank for Africa		Redeemed Christian Church of God	
EMPLOYMENT CREATION	B	A	B	A	B	A	B	A	B	A
Unemployment rate	1.68	1.43	1.63	1.73	1.63	1.43	1.68	1.43	1.63	1.43
Underemployment	1.73	1.38	1.63	1.33	1.58	1.36	1.73	1.38	1.63	1.38

Indicator/Name of Organization	Abeokuta Grammar School		Federal University of Agriculture		Moshood Abiola Polytechnic		Moyorex Nigeria Ltd, Glory Land		Adire Trading Association		Grand Mean	
EMPLOYMENT CREATION	B	A	B	A	B	A	B	A	B	A	B	A
Unemployment rate	1.63	1.38	1.73	1.48	1.78	1.48	1.83	1.53	1.78	1.48	1.70	1.48
Underemployment	1.78	1.56	1.68	1.48	1.78	1.48	1.63	1.33	1.78	1.48	1.69	1.42

NOTE: B=Before intervention, A=After intervention

Research Question 3: Is there any significant difference in wealth created before and after the intervention of NEEDS?

Table 9 shows the state of wealth created through the indicators of GDP and level of industrialization before and after the intervention of NEEDS. Table 9 reveals different mean scores under these two indicators wealth creation. Before intervention, the GDP and industrialization level were both higher and fair because the average mean scores for both were higher than 1.5 mean score set as ceiling mean score. But the GDP mean was plummeted after the intervention of NEEDS. So also for industrialization, the policy was not favourable because all the mean scores after the intervention were lower than 1.5 compared to higher mean score of 1.85 recorded before the intervention. The average mean scores for both GDP and Industrialization were higher than the ceiling score of 1.5. This shows that the policy was favorable to wealth creation objective. The implication is that, the level of wealth created was significant after the intervention of NEEDS but not beneficial to the citizens.

Research Question 4: What is the significant difference in value re-orientation before and after the intervention of NEEDS?

Table 10 shows the state of wealth created through the indicators of value re-orientation through corruption index and crime reduction rate before and after the intervention of NEE DS.

Table 10 reveals different mean scores under these two indicators of value re-orientation. Before intervention, the mean score for corruption was higher but not above the ceiling mean score of 1.5 mean score while that of crime reduction were above 1.5 ceiling mean score but the mean score of corruption were made worst after the intervention having mean score lower than 1 mean score in two instances and also of crime reduction have no instance where the mean score was equal or above the ceiling mean score of 1.5. This shows that the NEEDS policy intervention was not effective re-orientation of people value. The implication is that, the policy was unable to re-orientate the value of Nigerians and the efforts put up by the policy were not significant.

Table 9 – Significant difference in wealth creation before and after the intervention of NEEDS

Indicator/Name of Organization	Ijaye Estate Hospital		Ogun State Internal Revenue Service		Federal Medical Centre		United Bank for Africa		Redeemed Christian Church of God	
WEALTH CREATED	B	A	B	A	B	A	B	A	B	A
GDP	1.75	1.50	1.80	1.65	1.75	1.55	1.75	1.55	1.75	1.60
Industrialization	1.65	1.50	1.70	1.55	1.75	1.50	1.75	1.55	1.70	1.50

Indicator/Name of Organization	Abeokuta Grammar School		Federal University of Agriculture		Moshood Abiola Polytechnic		Moyorex Nigeria Ltd, Glory Land		Adire Trading Association		Grand Mean
WEALTH CREATED	B	A	B	A	B	A	B	A	B	A	B
GDP	1.75	1.50	1.80	1.55	1.90	1.60	1.75	1.50	1.85	1.55	1.79
Industrialization	1.83	1.65	1.80	1.60	1.80	1.55	1.75	1.63	1.85	1.65	1.76

NOTE: B=Before intervention, A=After intervention

Table 10 – Significant difference in value re-orientation before and after the intervention of NEEDS

Indicator/Name of Organization	Ijaye Estate Hospital		Ogun State Internal Revenue Service		Federal Medical Centre		United Bank for Africa		Redeemed Christian Church of God	
VALUE RE-ORIENTATION	B	A	B	A	B	A	B	A	B	A
Corruption Index	1.75	1.10	1.80	0.65	1.75	1.25	1.75	1.15	1.75	1.30
Crime Reduction	1.65	1.20	1.70	1.35	1.75	1.00	1.75	1.25	1.70	1.30

Indicator/Name of Organization	Abeokuta Grammar School		Federal University of Agriculture		Moshood Abiola Polytechnic		Moyorex Nigeria Ltd, Glory Land		Adire Trading Association		Grand Mean	
VALUE RE-ORIENTATION	B	A	B	A	B	A	B	A	B	A	B	A
Corruption Index	1.75	1.20	1.80	1.15	1.90	1.00	1.75	0.50	1.85	1.35	1.79	1.25
Crime Reduction	1.83	1.25	1.80	1.00	1.80	1.25	1.75	1.33	1.85	1.25	1.76	1.38

NOTE: B=Before intervention, A=After intervention

5. Hypotheses Testing

Hypothesis 1: There is no significant difference in poverty reduction before and after the intervention of NEEDS

Table 11 shows the t-test result for difference in poverty reduction before and after the intervention of NEEDS. Since t-stat calculated value of 0.510452. is lesser than the t-critical of 12.7062 at a'=0.05, then we can conclude that there is no significant difference on poverty reduction after the intervention of NEEDS. Therefore, the hypothesis which says that there is no significant difference on poverty reduction as a result of intervention of NEEDS is accepted.

Table 11 – T-test result in difference on poverty reduction

	Before	After
Mean	1.605	1.3395
Variance	0.04205	0.29645
Observation	2	2
DF	1	
t-start	0.510452	
t-Critical (2 tails)	12.7062	

Hypothesis 2: There is no significant difference on employment creation before and after the intervention of NEEDS

Table 12 shows the t-test result for difference in significant difference on employment creation before and after the intervention on NEEDS. Since t-stat value of 8.05555 is lesser than t-critical value of 12.7062 at a'=0.05, then we can conclude that there is no significant difference in unemployment rate after the intervention of NEEDS. Therefore, the hypothesis which says that there is no significant difference on employment creation as a result of intervention of NEEDS is accepted.

Table 12 – T-test result on difference in employment generation after the intervention of NEEDS

	Before	After
Mean	1.695	1.450
Variance	0.00005	0.0008
Observation	2	2
DF	1	1
t-Start	8.05555	
t-Critical (2 tails)	12.7062	

Hypothesis 3: There is no significant difference in wealth created before and after the intervention of NEEDS.

Table 13 shows the t-test result for difference in wealth creation before and after the intervention of NEEDS. Since t-stat value of 9.89949 is greater than t-critical of 4.30265 at a'=0.05, then conclusion can be made that the wealth creation was significant as a result of NEEDS intervention. Therefore, the hypothesis which says that there is no significant difference in the wealth creation due to intervention of NEEDS is not accepted.

Table 13 – T-test result on difference in the wealth created after the intervention of NEEDS.

	Before	After
Mean	1.775	1.565
Variance	0.00045	0.00045
Observation	2	2
DF	1	
t- start	9.89949	
t- Critical (2 tails o	4.30265	

Hypothesis 4: There is no significant difference in value-reorientation before and after the intervention of NEEDS.

Table 14 shows the t-test result for difference in value re-orientation before and after the intervention of NEEDS. Since t-stat value of 6.89569 is lesser than t-critical of 12.7062 at a'=0.05, then we can conclude that the value re-orientation were not significant as a result of NEEDS intervention. Therefore, the hypothesis which says that there is no significant difference in the value re-orientation due to intervention of NEEDS is not rejected.

Table 14 – T-test result on difference in the value re-orientation after the intervention of NEEDS.

	Before	After
Mean	1.775	1.31501
Variance	0.00045	0.00845
Observation	2	2
DF	1	
t- start	6.89569	
t- Critical (2 tails o	12.7062	

6. Discussion

The result of the appraisal indicated that there was no significant difference recorded on all the (GDI) of poverty rate, employment creation, value-re-orientation after the introduction of NEEDS except for wealth creation.

This also confirms the poor state of GDI as corroborated by Afolayan (1998) on the retrogressive effects that most of the post-SAP policies had on the economy. In addition, findings aligned also with Okonjo -Iweala (2017) on the weakness of NEEDS and other PP in translating the merits into citizenry benefits despite the laudable introduction. This could have been due to the leadership factor or available political will of the policy stakeholders. The findings from the study indicate that NEEDS was unable to achieve its four cardinal objectives of reducing the national poverty, reduction of unemployment by creating more employment opportunities, national value re-orientation , even though pool of wealth was created but few individual benefit at the expense of the general masses and also failed in general objective of reforming the whole sectors of the economy.

In addition, the findings reveal an ineffective impact and insignificant differences on the targeted GDI before and after the intervention of NEEDS. It was observed that the mean scores of most of the items decreased after the intervention of NEEDS except for the items such as the GDP which was rising and falling. Standard of living, corruption crime reduction, and unemployment were worsening with lower and absurd mean scores compared to their mean score before the intervention of NEEDS. So in general the intervention of NEEDS was not effective because it added no significant change to the targeted GDI in Nigeria but rather worsen the situation.

7. Conclusion and Recommendations

The study has revealed gross ineffectiveness as policy intervention on GDI. This is an indication that even the tripartite effort of the Federal (NEEDS), State (SEEDS) and Local (LEEDS) did not achieve the planned objectives. Subsequent study on this topic is advised to focus on how the merits of laudable governmental policies can be translated into the benefits of the citizens.

Based on the findings of this study, the following recommendations are made:

i. Thorough analysis of previous or existing policy needs to be undertaken in order to ascertain the reason for its failure, weakness, and replacement and sustainability.
ii. There is need for appropriate and effective growth plan in order to improve socio-economic welfare of the people.
iii. Law must be enacted that will ensure continuity of value adding existing policy regardless of change in administration to avoid premature jettisoning of same.
iv. New policies should be introduced when only the existing policy has failed to achieve the purpose for which it was introduced.
v. A ministry should be saddled with the responsibility of carrying out a comprehensive appraisal of intending policy with appropriate sanction in case of eventual failure before the introduction of new one to avoid waste of human and material resources, including recommendation to abandon any policy that is not working.
vi. Introduction of new policies should specifically focus on a sector or selected sectors rather than center on the whole sectors of the economy for effectiveness and efficiency.

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NOMINAL OR PROPORTIONAL INVESTMENTS: INVESTMENT STRATEGIES, JUDGMENTS OF ASSET ACCUMULATIONS AND TIME PREFERENCE

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Abstract

This study investigated how fund investment strategies can be influenced by the response format, nominal or proportional. Additionally, judgments of accumulated assets and time preference were investigated. Participants were randomized to express their investments either as SEK or as a percentage of fund assets, in vignette scenarios. Historical and forecasted fund interest rate information was varied in a factorial design. The SEK participants ignored more information than the percent participants, and used a fixed strategy to a greater extent (investing all or no assets). Furthermore, SEK participants relied more on forecasts than percent participants. Importantly, strategies varied a lot among individuals in both conditions. Interestingly, asset judgments were barely related to investment decisions, but time preference was. The large intra-individual variation suggests that there is no "one size fits all" way to give investment advice. Furthermore, advisors should be aware that people may invest differently if they think proportionally instead of nominally.

Key words: Asset accumulation; Investments; Response format; Nominal value; Proportional value.

1. Introduction

Imagine that you have a fund worth $1 000. Now, your banker asks if you want to keep all your money in that fund, or make a withdrawal. The banker can ask you either how big a proportion you want to keep in the fund (0% – 100%), or how many dollars you want to keep in the fund ($0 – $1 000). The questions are logically equivalent, but people tend to respond differently to the same question depending on how that question is asked, in particular when the question is about decisions concerning values and risks, e.g. framing (Wu, Zeng, & Wu, 2018). The fact that people deviate from normative economic models due to their limited cognitive capacities is well described by Simon's theory of *bounded rationality* (Simon, 1957). Bounded rationality states that satisficing strategies are generally good enough, because value maximation is not the goal for people in general. Deviations from normative behavior are also central in Kahneman and Tversky's dual process theory, describing how people often use heuristic thinking, which is more intuitive than systematic. Heuristic thinking saves time and energy but leads to biases (Kahneman, 2003). However, Gigerenzer's theory about fast and frugal heuristics suggests that heuristics are often more adaptive than trying to weigh all the information (Gigerenzer & Gaissmaier, 2011).

The way a person thinks heuristically can affect decisions in various ways. The present paper is focused on how numerical information may be used for long term fund investment decisions. The central aim was to investigate if people invest differently depending on the response format (nominal or proportional). A further aim was to find out if the response format can influence investors to use different information when they decide how much to invest. The information was about fund history and forecasted fund development as well as subjective judgments of asset accumulations. A measure of time preference was also included in the experiment.

1.1. Relative and absolute value

Prospect theory states that we evaluate the utility of assets in relation to a reference point (Tversky & Kahneman, 1992). When deciding how much to invest from a finite amount of assets, responding with a percentage gives a narrow range of possible numbers (0% – 100%) for the decision. This range of percentages is always the same, because it is independent of the currency and the amount. If the decision is instead based on a nominal amount of money, the range is as large as the available asset value to invest from. Hence, the numerical difference from a reference point is the same for proportional investments of different asset values, but not for nominal investments. Therefore, we may invest differently, with the same amount of money, depending on whether we see our investment as a proportional investment or a nominal investment.

Previous research has investigated the effect of fund fees on investment decisions. To a great extent, the fund fees have been found to be ignored (Newall & Love, 2015). If fees, which are often described as annual percentages of fund value, are instead described as nominal amounts of assets, people tend to pay more attention to the fees (Choi, Laibson, & Madrian, 2010). This debiasing effect of describing fees in nominal terms has been found to persist even as past returns increase (Newall & Parker, 2019). In other words, people tend to focus more on the fees when they are described in absolute terms rather than relative to the fund value. Another area where the nominal and proportional formats are important for how people judge value is when they judge distribution of wealth in a population. Such judgments have been found to be much more accurate when they are thought of in nominal terms instead of proportional (Eriksson & Simpson, 2012). This shows that it is important to investigate how the response format affects decisions. Therefore, the present study was focused on investigating how response format may change how people use historical and forecasted fund information for their investment decisions.

1.2. Investors' use of numerical information

Individual investors tend to focus on past performance of investments, instead of more important information such as fees (Newall & Love, 2015). The focus on past performance often occurs because of trend chasing, instead of trying to infer managerial skill. Hence, the focus on past performance seems to be driven by biases rather than strategic inference (Bailey, Kumar, & Ng, 2011), and it applies to both stock trading (De Bondt, 1993; Greenwood &

Shleifer, 2014; Mussweiler & Schneller, 2003) and mutual fund investments (Choi et al., 2010; Gonzalez, 2017; Gonzalez & Svenson, 2014; Newall & Love, 2015; Wilcox, 2003).

It is common to analyze fund investment strategies and biases on a group level, but not as common on an individual level (Bailey et al., 2011). Gonzalez (2017) investigated fund investment strategies on an individual level and found that only a few participants relied on presented forecasts as well as their own judgments of future asset outcomes. In other words, information about the future was mostly ignored by investors, and this applies to both objective information and subjective beliefs (judgments) about future outcomes. However, investment forecasts became important for an increased number of participants when fund interest rates were manipulated to differ more between funds. Two limitations of Gonzalez's research were (1) the participants expressed their investments as a percentage of the present fund assets (proportional response), while in reality, investment are commonly expressed as an amount of money (nominal response), and (2) within funds, the interest rates were always of the same magnitude during past and future investment periods. Therefore, the present study used the same type of investment problem, but with two conditions. The proportional investment condition was used in this study as well. However, a condition was added to the previous design. In the added condition, investments were made as nominal amounts of money. This study also uses a larger set of investments problem where the interest rate between past and future investment periods are different.

1.3. Judgments of asset accumulations

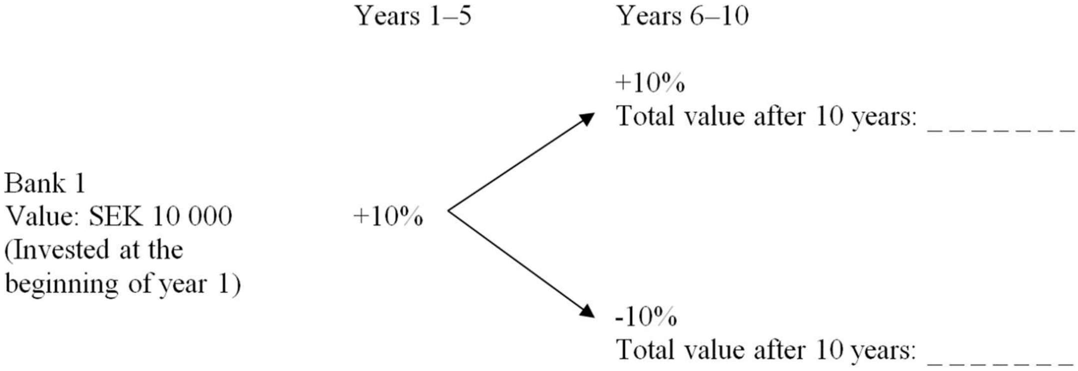
Usually, investors are primarily interested in the outcomes of their investments. Outcomes of investments are often expressed as percentages of annual value change (interest rates). These interest rates accumulate exponentially over time at a rate that is difficult to intuitively understand for people. For example, if you invest in a fund that grows 15% each year, it will be worth twice as much in 5 years, and four times its original value in 10 years. When people judge accumulations of this kind, without carrying out formal calculations, they usually underestimate the accumulated change to a great extent. That is, after a period of gain the value is under estimated and after a period of loss the value is over estimated. This is known as the exponential growth bias (Benzion, Shachmurove, & Yagil, 2004; Doerr, 2006; Timmers & Wagenaar, 1977; Wagenaar & Sagaria, 1975).

The exponential growth bias is robust and applies to both laypeople and experts, even though experts tend to be more accurate. This bias persist even when there are economic incentives to judge accurately (Christandl & Fetchenhauer, 2009). Furthermore, biased judgments of this kind has been found to correlate negatively with behaviors that are positive for the household finance (Stango & Zinman, 2009). Because of the findings described above, the exponential growth bias may be important to consider in investment settings, especially for lay people who may not carry out formal calculations. However, when it is the accumulated possible outcomes of a long term fund investment that are judged, there seems to be a very limited relationship between the exponential growth bias and investment behavior (Gonzalez, 2017; Gonzalez & Svenson, 2014). For this reason, this study will further investigate judgments of asset accumulations of fund investment outcomes in relation to investment decisions.

1.4. The investment problem

This study used the same format of vignette investment scenarios as the ones in earlier studies by Gonzalez & Svenson (2014) and Gonzalez (2017), described in the following text.

Figure 1 – Problem example



At the end of year 5 I would save _________ of the capital **in the fund** locked for the years 6–10.
Under the assumption that both outcomes have EQUAL probability to occur.

Note: Example of investment problem, used previously by Gonzalez and Svenson (2014) and Gonzalez (2017).

The investment problems consisted of two five-year periods where the first period was historical and the second period was the forecast for the investment (see Figure 1). The first period was either a gain or a loss period, and the interest rate was constant within each period. The second period always had the same numerical interest rate as the first period, but there was an equal probability (0.5) of gain or loss. It is important to note that when the gain and loss interest rates are the same for the forecasted outcomes, and there is an equal probability of these outcomes, the expected value (EV) of the investment is always positive, illustrated by equation 1. The left side of the equation defines the marginal gain after growth *g* during time period *t* for an investment of value *V*, and the right side defines the marginal loss of *V* after a loss of the equal annual percentage *g* and time *t*.

$$V(1 + g)^t - V > V - V (1 - g)^t \qquad (1)$$

According to normative economic theory, maximizing EV is the goal. Hence, rational investors should always reinvest all of their assets when the conditions are as described above. However, as behavioral economics have illustrated, both theoretically and empirically, people often deviate from maximizing strategies.

The participants' task was twofold. First, they judged the accumulated assets at the end of year 10 for gain and loss outcomes, with the assumption that all of the assets (100%) had been reinvested for years 6 - 10. Second, the participants decided how much to reinvest for the second period (years 6 – 10). Investments were made as a proportion (0% – 100%) of the accumulated assets during a first period (years 1 – 5).

The general finding of previous studies with this design (Gonzalez & Svenson, 2014; Gonzalez, 2017) is that investments were proportionally greater after gains than after losses. Interestingly, the magnitude of the gain and loss interest rates had no, or little, effect on the investment size. In these studies, investments where made as percentages (a proportion) of the capital accumulated during the first 5 years. Three reasons to investigate these findings further with nominal investments as an alternative response format are as follows. (1) Real fund investments are commonly expressed as a nominal amount of money. Hence, investment tasks asking for nominal, rather than proportional, investments will more closely resemble real investment decisions. (2) Prospect theory models the subjective utility of losses and gains asymmetrically. Therefore, if a person thinks of investments in proportional terms, the relationship between gains and losses will be the same, independent of the assets available to invest from. If a person instead thinks about investments in nominal terms, the utility difference between losses and gains will change depending on the amount to invest from. (3) Empirical investigation of fund fees suggests that people pay more attention to fees when they are described nominally instead of proportionally (Choi et al., 2010; Newall & Parker, 2019). Therefore, it is relevant to investigate how different formats for expressing investment decisions can affect the use of other numerical information about funds.

In this study, to further investigate previous findings (Gonzalez, 2017; Gonzalez & Svenson, 2014) in relation to the response format described above, an experiment with vignette scenarios was designed. Two between-subjects conditions were used; one group responded to the investment scenarios with a percentage of assets to invest, and the other group with a nominal number of Swedish crowns *(SEK)*. Furthermore, there were two additional improvements on the previous design, and these were included in both conditions (percentage and SEK). First, participants also judged the accumulated assets at the end of year five, that is, the point in time where the investment decisions were made. This was implemented so that SEK investments could be converted to percentages, and hence, compared to percentage investments. Second, to better differentiate between the effects of the first period and the second period on the investments, the percentages were varied between the first and second period. The design will be described in more detail in the method section.

1.5. Time preference

People tend to perceive the utility of rewards as smaller the further into the future they will be received. This means that a person may prefer $100 today compared to $200 in a year. I will refer to this as *time preference,* but it is also known as time discounting, delay discounting, discounting over time, etc. (Johnson & Bickel, 2002; McClure, et. al., 2007). Time preference, or discount rate, has been described by several different functions, such as hyperbolic discounting (Loewenstein & Prelec, 1992), sub-additive discounting (Read, 2001) and heuristic models (Marzilli Ericson, White, Laibson, & Cohen, 2015).

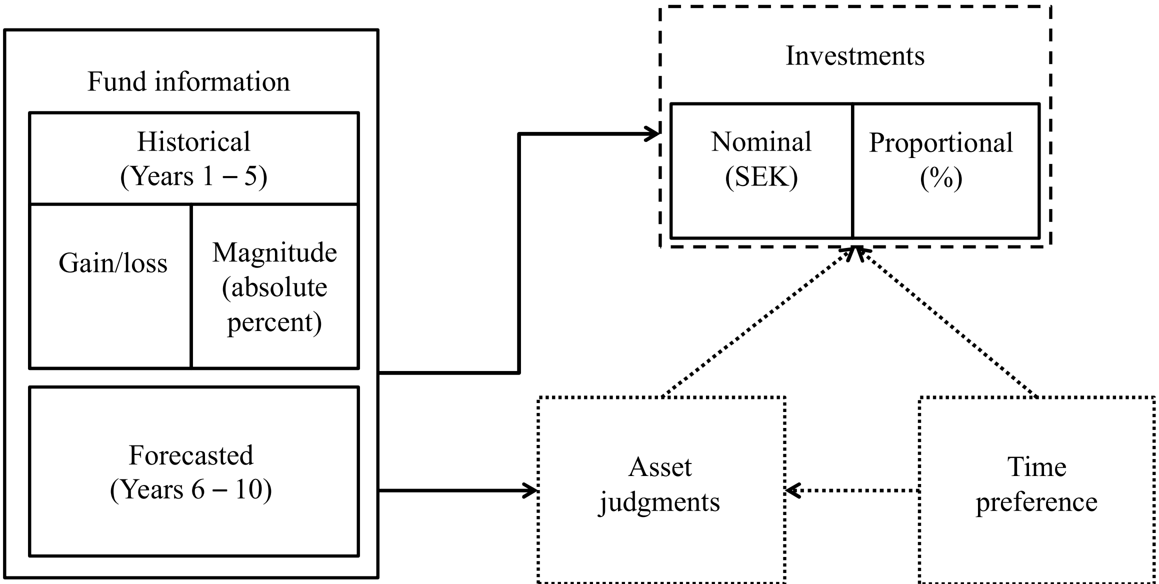
In the present study, judged accumulated assets were judgments of an investment's potential future outcome. Because long term investments regard asset outcomes in a distant future, time preference may influence how biased these asset judgments are. However, according to Killeen (2009), it is the subjective utility and not the actual value that is discounted. In behavioral economics, *beliefs* and *preferences* are important concepts (Thaler, 2016), and this study investigated the relationship between the beliefs (judgments) of future asset outcomes and the preference (time preference) for setting assets aside for a long time. Furthermore, previous studies (Gonzalez, 2017; Gonzalez & Svenson, 2014) found that there was no, or a very weak, relationship between judgments of asset outcomes and investments. Thus, it is possible that the judged asset outcomes become more of a mathematical exercise for the participants and therefore is unrelated to the decisions. Time preference may thus be a more relevant factor for these decisions, as time preference refers to a person's willingness to wait for greater rewards. One may view judged asset outcomes as beliefs about the true state of the world, whereas time preference refers to a person's preferences regarding what to receive from that world.

Discount rates describing time preference tend to vary between domains (Gattig & Hendrickx, 2007). That is, assets lose subjective utility with time at different rates depending on the context. Hence, it is important to measure time preference in a way that resembles the domain that it is related to. In this study, participants were asked about how much capital they would invest if they were guaranteed an annual gain for a 5-year investment period. In other words, time preference was measured by an investment task similar to the main fund investment problems, but with only the possibility to gain assets. This way, the preference for waiting for greater gains, instead of realizing their assets immediately, can be related to how much the participants would like to invest when risks of losses are involved, as well as to their judgments of asset outcomes. This was added to the design of previous studies to gain further understanding about how different types of future-oriented thinking plays a role in investment decisions.

1.6. Summary of research questions

In the present study the research questions were the following: to what extent are investments affected by response format, that is, if investments are expressed in nominal or proportional terms? To what extent do historical interest rates and forecasted future interest rates affect investment decisions? To what extent are judged asset accumulations, time preference and investment decisions related to each other?

Figure 2 – Illustration of the relationships between the investigated variables



Note: Boxes with solid frame indicate variables that are manipulated by the experiment (independent), that is, the information in the investment problems and the response format. The box with the large dotted frame indicates that it is the main dependent variable (investments). The boxes with small dotted frames indicate interrelated dependent variables (asset judgments and time preference) related to the main dependent variable (investments).

2. Method

A vignette scenario was used to describe a series of fund investment tasks. The participants were randomly assigned into one of two groups, SEK and percentage. The SEK group expressed their investments as an amount of SEK (i.e. nominal investments). The percentage group expressed their investments as a percentage of the fund assets at the time of the investment decision (i.e. proportional investments). There were no other design differences between the groups.

2.1. Participants

The participants were 87 students from Stockholm University, 22 male and 65 female. The average age was 25.78 years (SD = 7.28) with a range from 19 to 53 years. There were 47 participants in the percent condition and 40 participants in the SEK condition. Participation was rewarded with course credits. One participant misunderstood the instructions and was excluded. Another 5 participants who completed less than 14/18 of the fund investments were also excluded.[1]

2.2. Problems

There were 18 different fund investment problems. Each problem consisted of two consecutive 5-year accumulation periods (Figure 1). The participants' main task was to decide how much of the assets accumulated in a fund during the first 5 years they would like to reinvest in that same fund for the second 5 years. During the first period (before the reinvestment opportunity) there was always the same annual interest rate throughout the period. The interest rates were either a gain or a loss of -20%, -10%, -1%, +1%, +10%, or +20%. During the second period (the reinvestment period, years 6 – 10) two possible outcomes were presented, one gain outcome and one loss outcome. The annual interest rate of the gain and loss outcomes were of the same numerical percentage (e.g. +10% and -10%). The percentages for the second period were ±1%, ±10%, and ±20%. The gain and loss outcomes had always equal probability (p = 0.5) of occurring (see Figure 1). The experiment included all combinations of the first period annual interest rates (6 levels) and the second period annual gain and loss interest rates (3 levels). Hence, a factorial design with 18 problems was generated.

2.3. Procedure

First, the participants signed an informed consent form to participate in the study. Then, they received information about fund asset accumulations, followed by general information about the investment problems in the experiment. Participants were not allowed to use any aids, or make notes.

Before making an investment in a fund, participants were asked to judge the fund assets accumulated from the beginning of the first year up until the end of year five. This was the only question added to the problem formulation that was used in earlier studies (Figure 1). Participants also judged the accumulated assets at the end of year 10 (i.e. second period gain and loss outcomes). Asset judgments were made with the assumption that all assets had been kept in the fund during the entire 10-year period (i.e. 100% was reinvested for years 6 – 10). After judging the asset accumulations of a fund, participants made their investment decision for that fund. The only difference between the percentage and SEK conditions was the investment response format; everything else was identical between conditions.

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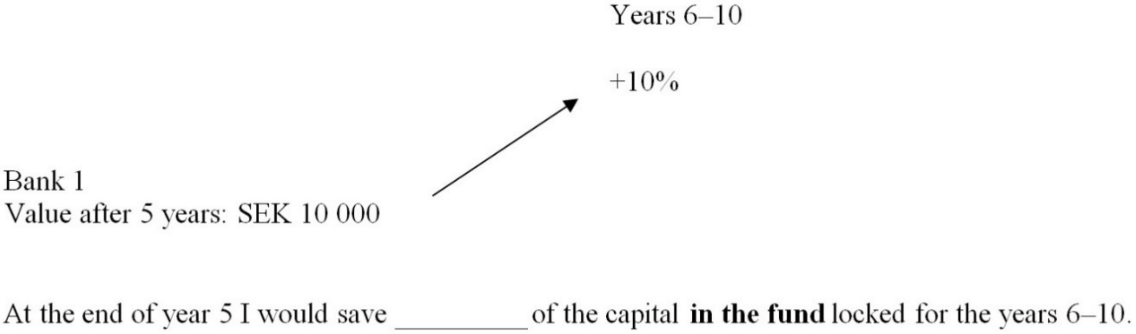
[1] Reasons for excluding investments were (number of investments excluded): the investment was below 0% of judged available assets (5) or above 100% (13), the judged available assets were 0 (27), the judged available assets indicated loss when there was gain (14) or gain when there was loss (27), judgment of available assets was missing (2), and judgments of available assets were above or below 5 SD of the mean (5).

After the investment problem task, participants were asked to decide how much to reinvest in fund accounts that guaranteed gain for the 5-year investment period. In this task, the assets that could be reinvested for years 6 – 10 was always SEK 10 000. The different annual interest rates for the investment period were 1%, 10% and 20%. The task was formulated similarly to the main fund investment task. The participants expressed their investments in the same format (SEK or percentage) as in the main task; see Figure 3 for an example.

This task was added to the design of the previous studies with the same fund investment problems (Gonzalez, 2017; Gonzalez % Svenson, 2014), as a measure of time preference.

Figure 3 – Example of an investment problem with guaranteed gain



3. Results

The result section is divided into three subsections. Each section addresses a main topic in relation to the investment decisions. The first section addresses the effect of response format, that is, nominal (SEK) or proportional (percent) investments. The second section addresses the participants' judgments of accumulated value after different periods of annual interest rates. The third section addresses time preference. Each section starts with aggregate analyses (group data) and then proceeds with analyses of each individual's use of the numerical information. Group analyses are useful to find general trends while individual analyses can give a clearer picture of specific strategies. Specifically, individual analyses can find investment strategies that may be lost in group analyses. Both methods were used to cover the research question as thoroughly as possible.

To compare investment-response formats (SEK or percent) the SEK responses were converted to percentages. That is, the investment responses in SEK were divided by the judged available assets (fund value at the end of year five). Invested percentage was used as the operationalization of investment size in all analyses.

3.1. Response format and fund information

3.1.1. Group analysis

The first research question was if the response format would have an effect on investments. The participants' average reinvested proportion of fund assets was greater in the SEK group (M = 58.33%, SD = 24.89, N = 38) compared to the percent group (M = 48.83%, SD = 25.72, N = 43), but the difference was not statistically significant.

To investigate if investments varied depending on gain and loss interest rates and response format, a mixed ANOVA was computed with the following factors; response format (percentage/SEK), sign (+/-), absolute interest rate years 1–5 (1%, 10%, 20%), interest rate of gain and loss outcomes years 6–10 (1% 10%, 20%). Note that response format was a between subjects variable while the gain and loss information were within subjects variables.

Investments were affected by the historical sign (η^2 = .071) and absolute percentage (η^2 = .057), significant at the 5% level.[2] The fact that the sign accounted for most of the variance (7%) replicates the findings of Gonzalez and Svenson (2014) and Gonzalez (2017)[3]. However, in contrast to these previous studies, the absolute size of the gain or loss interest rate explained as much as 6% of the variance. Investments increased when the annual gain or loss increased. No prior hypothesis was formulated regarding this finding. Therefore, the effect of absolute interest rate needs further investigation before reliable conclusions can be drawn. Average investments calculated separately for each fund can be found in appendix Table A1.

To summarize, on average, the SEK group invested 9.5% more of their accumulated assets than did the percent group, but this difference was not statistically significant. In general, investments were greater following prior gains, compared to prior losses. Investments also increased as the gains and losses increased. The effects of gain/loss and increasing gains and losses were significant on the 5% level. Forecasted outcomes were found not to affect investments.

3.1.2. Individual analyses

This study was designed to find out different investment strategies among individuals. To find out how different participants used information cues as basis for their investment decisions, the correlations between each of the investment problem cues and the size of the investments were calculated separately for each participant. For the first period (historical information) the cues were (1) sign (gain/loss), (2) annual absolute interest rate, (3) annual interest rate (sign and percentage), and (4) judged accumulated assets at the end of the first five years. For the second period, for which the investments were made, the cues were (1) annual percentage of change for the gain and loss outcomes, (2) judged gain outcome, and (3) judged loss outcome. Note that all the cues were manipulated within the experimental design (objective information) except for the judged outcomes which were judged by the participants themselves (subjective information). In the following, all correlations are Pearson's correlations, if nothing else is stated. If a cue accounted for at least 50% of the investment variance ($-0.707 \leq r \geq 0.707$) that cue was classified as highly important for that individual. The 50% variance threshold was used so that no other unrelated variable could account for more of the investment variance, and this criterion was used by Gonzalez (2017).

Highly important cues were found only for a small amount of participants, see appendix Table A2 for a summary. This indicates a generally low reliance on specific information. However, forecasted fund development was highly important for more participants in the SEK group SEK group 7/38 (18.4%) compared to the percent group 2/43 (4.7%) (z = 1.9679, p < .05). This indicates that focusing on the nominal value of the investment, rather than the proportional value, may increase the likelihood that investors use forecasted interest rates as information to rely on for their investment decisions. It is important to note that, of the participants giving high importance to forecasted interest rates in the SEK group, three participants invested more with increasing rates, while 4 participants invested less. In the

[2] There was a significant three-way interaction effect of the sign the first five years, the first period percentage and the second period percentage. This interaction explained less variance than the sign or the first period percentage $F(4, 316) = 2.708$, $p < .05$, $\eta^2 = .033$. Therefore, no further interpretation will be made regarding this result.

[3] We analyzed a restricted set of data with only the same stimuli as in Gonzalez (2017), that is, percentages were equal across the entire 10 years. Only participants with complete data were used. A repeated measures ANOVA showed a significant effect of sign $F(1, 59) = 5.741$, $p < .05$, $\eta^2 = .089$. No other main effects or interactions were found (second greatest η^2 in the model was .008). Hence, this data replicates the findings of Gonzalez (2017).

percent group, there was one participant investing more, and one investing less, with increasing interest rates. Because greater gain and loss interest rates lead to a greater risk in this context, these findings indicate there was an equal distribution of risk averse and risk seeking individuals among the participants that gave high importance to forecasts. In other words, the participants were influenced in opposite directions by this information. This replicates findings by Gonzalez (2017) who also found that participants were influenced in the opposite direction of each other by the same information.

Because people tend to behave differently within the domain of gains and the domain of losses (Tversky & Kahneman, 1992), individual correlations were also separately computed for gains and losses, respectively. This analysis revealed that several participants completely ignored information ($r = 0$) within at least one of the gain or loss domains. Importantly, the frequency of ignoring information was different between the SEK and percentage conditions (Table 1).

Table 1 – Frequencies of participants who completely ignored information for their investment decisions in the percentage and SEK condition

Condition	Period 1 gain only		Period 1 loss only	
	Percentage period 1	Percentage period 2	Percentage period 1	Percentage period 2
Percentage (N = 43)	12	7	10	**9**
SEK (N = 38)	7	10	13	**19**

Note: The frequencies indicate the number of participants that showed $r = 0$ between information cue and investment size. Frequencies marked in bold differ significantly, $p < .01$.

If there had been a previous loss, the forecasted interest rates were completely ignored to a greater extent by participants in the SEK condition 19/38 (50%) compared to the percent condition 9/43 (21%), significant on the 1% level ($z = 2.745$).

Four participants reinvested the same proportion in all funds. Hence, these participants ignored all variations in fund information. Investing the same proportion in all funds will be called a *fixed investment strategy* in the following text. Three participants reinvested all their assets in all funds; all of them where in the SEK group. Only one participant did not reinvest anything in any fund, and this participant was in the percent group. Note that to achieve the greatest EV from investments, reinvesting all assets was always the correct strategy, see equation (1). Fixed investment strategies were also analyzed separately for funds with prior gains and funds with prior losses. Maximum investments in loss funds were more common in the SEK group 6/38 (16%) compared to the percentage group 1/43 (2%), and this difference was significant on the 5% level ($z = 1.983$).

To summarize, the SEK group more frequently ignored forecasts for the investment period than the percent group did. The SEK group also followed a fixed investment strategy more frequently than the percent group did. This suggests that the SEK condition may have triggered a more categorical way of thinking about the different funds as good or bad to invest in. Furthermore, the SEK group tended to rely on forecasts to a greater extent than the percent group did. This indicates a greater future orientation, or focus on risks, in the SEK group, compared to the percent group.

3.2. Judgments of accumulated value

In addition to the fund information given to the participants in each problem (objective information), the participants judged the fund value at the end of year 5 and year 10. Thus, the participants generated subjective information. This information may, or may not, be relied upon when making investments. This was the research question for the following analyses.

3.2.1. Group analysis

First, across all participants and fund problems, the investments were correlated with the judged assets at the end of year 5 and the gain and loss outcomes at the end of year 10. Second, investments were correlated with the subjective expected value derived from the judgments at the end of year 10 by computing (gain outcome + loss outcome)/2, and the subjective expected marginal gain (subjective expected value at the end of year 10 - judged assets at the end of year 5).[4] The correlations showed that only 0.3 % to 0.8 % of the variance in the investments was accounted for by these different judgment measures. A similar absence of correlation was found for both the SEK group and the percent group, see appendix Table A3 for details. This indicates that asset judgments were of little, if any, importance for investment decisions.

3.2.2. Individual analyses

The correlations between the different measures of judgments of accumulated assets and the investments were calculated separately for each participant. That is, the same procedure was used as for the objective information in section 3.1. If an information cue explained 50% of the variance or more ($-0.707 \leq r \geq 0.707$) that cue was classified as having high importance for that participant's investments. The number of participants that gave high importance to an asset judgment cue (or derived cue) ranged between 0 – 6 within each condition (SEK and percent). That is, very few participants relied upon their own judgment of accumulated asset cues. Furthermore, there were no indications of reliable group differences regarding these cues. Details can be found in appendix Table A4.

3.3. Time preference

In this section the relationship between time preference, asset judgments, and investments were investigated. Asset judgments were measures of beliefs about the objective true future value while time preference is a personal preference regarding those values. Previous studies (Gonzalez, 2017; Gonzalez & Svenson, 2014) found no relationship between asset judgments and investments. To investigate investors' future oriented thinking further, the concept of time preference was added in this study. To measure time preference, participants were asked how much of SEK 10 000 they would save in funds that guaranteed a gain (example in Figure 3). There were three different funds with the annual interest rates 1%, 10%, and 20%.[5]

3.3.1. Time preference and judgments of accumulated assets

Each of the three measures of time preference were correlated with each of the judgments of asset accumulations at year 5, year 10 gain outcomes, and year 10 loss outcomes. These analyses were calculated separately for the SEK and percent group. This means that there were

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[4] We compared asset judgments at the end of year 10 to judgments at the end of year 5. A judgment at year 10 was excluded if, there had been a loss during years 6 – 10 and the judgment was greater than the year 5 judgment (40 excluded) and vice versa for gain outcomes (24 excluded). We also excluded judgments after 10 years of growth smaller than assets at the beginning of year 1 (SEK 10 000) after 10 years of growth (3 excluded) and judgments greater than SEK 10 000 after 10 years of decline (6 excluded). Finally, 16 judgments of accumulated assets at the end of year 10 above or below 5 SD of the mean were excluded.

[5] For the time preference analysis the following were excluded, 10 participants that gave investments that were lower for higher interest rates than for lower interest rates, and 4 investments above 100% of available assets.

9 correlations calculated within each group. Asset judgments shared less than 1.9% of the variance with time preference in all of the computations. The full correlation matrix can be found in appendix table A5. The low correspondence between time preference and asset judgments may indicate that the exponential growth bias is not a preference-driven bias. In other words, time preference for future assets and judgments of future assets seems to arise from different cognitive processes.

3.3.2. Time preference and investments

To find out the relationship between time preference and investments, investments across all funds were correlated with each of the three time-preference measures (guaranteed annual gain of 1%, 10% and 20%). The correlations were calculated for the SEK and percent groups separately. All correlations were positive and statistically significant at the 5% level. The shared variance between time preference and investments were between 6% and 10%, except for the 1% guaranteed gain in the SEK group (3% shared variance), see appendix Table A6 for details.

It should be noted that there was a strong correlation between the funds with guaranteed annual gain of 10% and 20%, which shared 57% variance. The 1% guaranteed gain fund shared only 7% and 4% of the variance with the funds of 10% and 20% respectively.[6] This indicates that the time preference for savings with low interest rate (1%) is somewhat different than for higher interest rates (10% and 20%), and that there is not much difference when the guaranteed gain annual interest rate reaches a certain point.

To summarize, the present results indicate that time preference for saving over long horizons (five years in this study) is related between investments with risk and no risk. However, time preference is vaguely related to judgments of asset accumulations. This acts as a control of the investment data because it should be expected that a person who does not want to save their money even with guaranteed gains should not be willing to risk assets over time either. This also indicates that the exponential growth bias found in the asset judgments is not driven by time preference.

4. Discussion

The primary aim of this study was to investigate to what extent the response format (SEK or percent) can influence investment decisions made by individual investors. Response format was investigated in conjunction with how people use information about interest rates, historical and forecasted, when they make fund investments. Judgments of asset accumulations and time preference were also investigated.

Investment strategies varied in several ways between the SEK and the percent group. Forecasted gain and loss interest rates were used by more investors who expressed their investments in SEK compared to investors expressing investments as a percentage of fund assets. However, only a few participants found forecast to be highly important. Interestingly, it was also more common that SEK investors completely ignored the forecasted interest rates, and reinvested all assets after losses. A person who has lost assets in an investment may want to regain those assets to avoid it to appear as a bad investment decision. This is known as the disposition effect (Shefrin & Statman, 1985). Because the nominal capital can be perceived as more salient, the losses may have been perceived as worse for the SEK participants than for the

[6] Pearson's r between guaranteed gain investments of 10% and 20% was, $r(77) = .752$, $p < .001$, between 1% and 10% was , $r(76) = .263$, $p < .05$, and between 1% and 20% was , $r(76) = .209$, $p = .07$.

percent participants. Hence, the salience may have driven more SEK participants to keep their remaining assets in the fund in hope of regaining their lost assets.

4.1. Aggregate group analyses vs. individual analyses

In the aggregate group data analyses, average investments were greater following gains (57% reinvested) compared to losses (50% reinvested). Greater investments after gains are known as the house-money effect (Thaler & Johnson, 1990). That is, the house-money effect is the opposite of the disposition effect. Hence, the house money behavior that was indicated by the aggregate group-level analyses is in contrast to the individual-level analysis that indicated a strong disposition behavior for approximately half of the SEK condition participants. This illustrates how group averages can be misleading when interpreting data to draw conclusions about how different individuals actually act. Hence, analyzing the investment pattern of individuals can show a more detailed picture of different strategies, and a better differentiation of strategies between individuals.

It should be noted that the participants were instructed to assume their personal finances could handle an eventual loss from their fund investments. This instruction may have led some participants to consider the fund assets as money to gamble with (i.e. house money). Other studies have found a disposition effect for stocks and a house-money effect for mutual funds (Bailey et al., 2011). The disposition effect has been found to reverse (to a house-money effect) when the responsibility is shifted away from the investor (Aspara & Hoffmann, 2015). Because funds are often managed by fund managers, who can be seen as responsible for the performance of a fund, the feeling of responsibility may lower for fund investments compared to stock investments. The house-money effect is also closely related to trend chasing (Bailey et al., 2011) and a typical way of focusing too much on past performance. Hence, the participants may generally have felt low responsibility for their assets and chosen to chase trends (aggregate results). However, for a substantial amount of participants the losses became an important factor when their investments where expressed in SEK and they therefore tried to regain assets after losses (individual results).

4.2. Asset judgments and time preference

Judgments of accumulated fund asset outcomes were investigated in relation to the fund investment decisions, as well as time preference. Interestingly, judged asset outcomes have earlier been shown to have a very weak relationship with investments in the judged fund (Gonzalez, 2017; Gonzalez & Svenson, 2014). Similar results were found in the present study as well. Less than 1% of the investment variance was accounted for by the asset judgments. Because people often underestimate the accumulated change in value to a great extent (Benzion, Shachmurove &Yagil, 2004; Doerr, 2006; Timmers & Wagenaar, 1977; Wagenaar & Sagaria, 1975), judgments of accumulated value should not be used as a basis for investment decisions. Hence, it can be a good thing that investors have been found to mostly ignore their own judgments when deciding how much to invest. Interestingly, exponential growth bias has been found to correlate negatively with positive household finance behaviors (Stango & Zinman, 2009). However, these findings do not necessarily contradict the findings in the present study. In the present study, the asset outcomes of the funds that investments were made for were judged, while the Stango & Zinman (2009) study investigated judgments more generally in relation to several different behaviors. It may be that individuals who have a better general understanding of compound interest rates also have a better understanding of finance in general. This can occur without using one's own judgment of asset outcomes as information to rely on for specific financial tasks.

To gain further understanding about asset judgments, investments and future-oriented thinking, time preference was also investigated. The time preference measure was how much a person would invest if a gain was guaranteed in five years. The task was similar to the main investment problem, but without risk of losing. Thus, it was designed to measure only the impatience for receiving their assets, that is, reluctance to wait for the assets to accumulate over the five-year investment period. Interestingly, time preference and judgments of asset outcomes barely shared any variance. This indicates that time preference is distinctly different from judgments of asset accumulation. It should be noted that participants did not judge asset accumulation for the specific time preference investment questions, which would have enabled even better separation of the concepts. Furthermore, hypothetical questions pose some risk of limited generalizability, although time preference has been found to be similar in hypothetical and real reward settings (Johnson & Bickel, 2002). To the extent that the present study investigated time preference and asset judgments, the findings support Killeen's (2009) claim that it is the subjective utility of assets that is discounted over time, not the actual value of the assets.

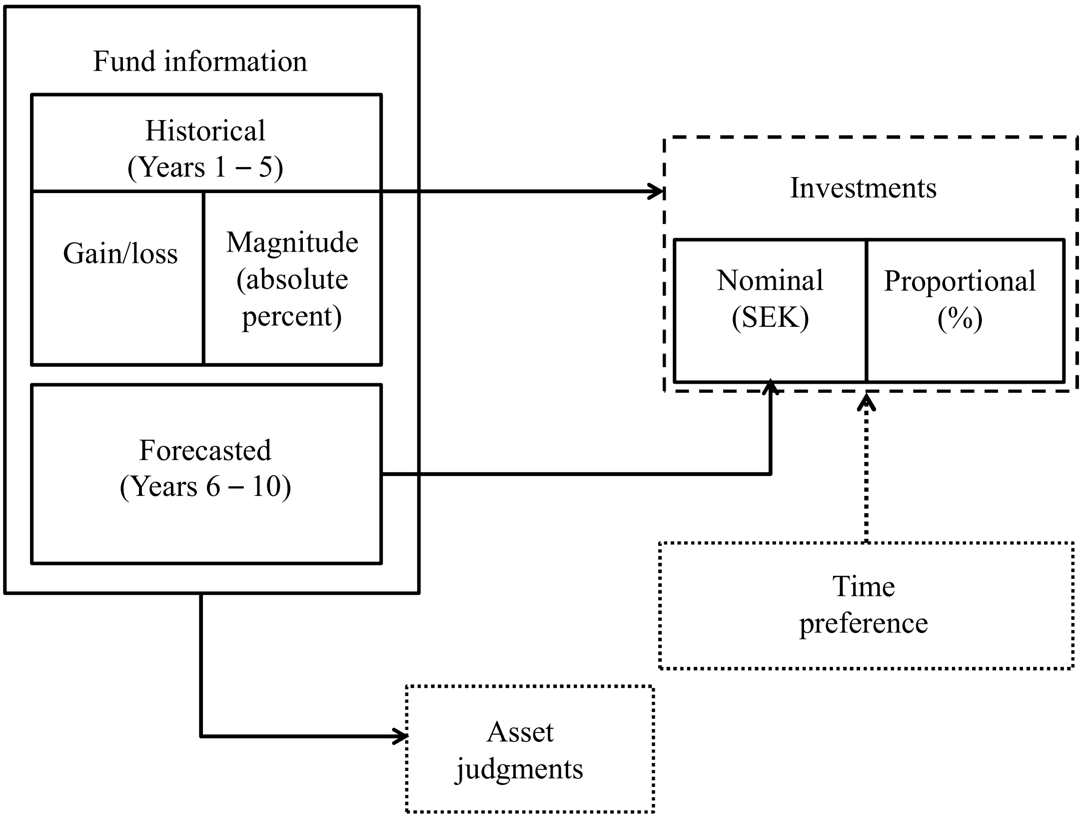
Importantly, time preference correlated positively with investments, and accounted for up to 10% of the investment variance. The present study aimed to find out if time preference was a driving factor in investments, because of earlier findings that asset judgments were not. However, there was a limitation of the experimental design in that time preference was always measured last. Hence, there is a risk that the investment task influenced the time-preference task, and not the other way around. Nevertheless, if the time-preference task managed to actually capture impatience in the investors, it may be part of how much people invest when risk is involved as well. However, other factors can be more relevant for specific sets of risky fund investments. That being said, the most central finding was that the asset judgments was found to be separate from both time preference and investments.

5. Conclusion

To summarize, the present study indicates that expressing investments in nominal terms, as opposed to proportional terms, may influence investors in several ways. Investors expressing nominal investments ignored more information and relied more on specific types of information. Furthermore, these investors showed a greater disposition effect, which may be an indicator of wanting to regain losses because they are more salient when thought of in nominal terms instead of proportional terms. Forecasted fund outcomes were generally not important, but when they were, it was primarily to nominal investors, and not to proportional investors. Judged asset accumulations were found to be unrelated to investment decisions, and to time preference. However, the willingness to invest in funds involving risk is related to a person's time preference, as should be expected. An illustration of the relationship between the different factors is found in Figure 4, which is a restructured version of the introductory Figure 2.

To conclude, because different investors may behave in different ways, even if they are provided with the same information, investment advisors need to be careful when giving advice to lay people. Furthermore, the response format seems to have an effect on how people think about fund investments. Importantly, people can be affected very differently by the different formats. Hence, it may be advisable to ask investors to rethink their investment in both nominal and proportional terms. Thinking in both nominal and proportional terms may help investors towards a more complete understanding of their own decisions. This, in turn, may help investors to make investments more in line with their own preferences. A conjunction of the two response formats can be one of many ways to keep investigating how people make long term investment decisions.

Figure 4 – Illustration of the relationships between the different variables of this experiment.



Note: On average, the participants were influenced the most by past information, and invested more following gains compared to losses. Some individuals relied heavily on the forecasted interest rates, but these were primarily found in the SEK group. Time preference was related to investments. Asset judgments were unrelated to investments as well as time preference. The solid frames indicate experimentally manipulated variables, the large dotted frame indicates the main dependent variable (investments), and the small dotted frames indicate the interrelated dependent variables (asset judgments and time preference).

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Appendix

Table A1 – Average investments in the 18 fund investment problems. Averages described separately for participants expressing their investments as SEK and as a percentage of assets

	SEK GROUP			PERCENT GROUP		
Historical	Forecasted annual interest rate (years 6 – 10)					
annual interest rate (years 1 – 5)	±1%	±10%	±20%	±1%	±10%	±20%
20%	57,56	63,23	65,29	51,46	64,05	57,86
10%	69,92	58,44	58,06	53,30	58,45	48,90
1%	56,60	63,97	51,07	49,95	49,28	46,51
-1%	47,70	55,74	57,93	42,68	45,97	42,82
-10%	47,37	56,90	55,63	40,48	43,90	46,60
-20%	63,08	65,51	58,66	46,89	48,05	47,28

Table A2 – Descriptive statistics of participants' individual correlation coefficients between fund information cues and investments

	Period 1			Period 2
PERCENTAGE GROUP	Sign	Percentage	Interest rate	Percentage
Average correlation	.184	.116	.191	-.017
SD	.371	.347	.410	.321
N	43	43	43	43
Frequencies				
$r \geq 0.707$	0	2	3	**1**
$-0.707 < r < 0.707$	42	41	39	41
$r \leq -0.707$	1	0	1	**1**
SEK GROUP				
Average correlation	.056	.070	.029	-.004
SD	.390	.304	.304	.412
N	38	38	38	38
Frequencies				
$r \geq 0.707$	1	2	0	**3**
$-0.707 < r < 0.707$	37	36	36	31
$r \leq -0.707$	0	0	2	4

Note: Bold text indicates a significant difference, $p < .05$, of the proportion of participants giving high importance ($r \geq 0.707$ and $r \leq -0.707$) to a cue in the percent group (1+1)/43 compared to the SEK group (3+4)/38. The sign refers to only the sign (+/-). Percentage refers to the absolute annual percentage, that is, the percentage magnitude independent of sign. Interest rate refers to the annual change (including the sign +/-).

Table A3 – Pearson correlations between investments and judgments of accumulated assets, and derived expected value measures

		Judgments of accumulated assets			Derived from judgments	
		End of year 5	End of year 10 gain outcome	End of year 10 loss outcome	EV	Marginal expected gain
Overall	r	.056*	.058*	.069*	.076**	.092**
	N	1367	1332	1322	1294	1294
Percentage group	r	.064	.049	.083*	.068	.065
	N	728	702	696	676	676
SEK group	r	.041	.054	.074	.081*	.127**
	N	639	630	626	618	618

Note: Correlations were calculated across all participants and problems, * p < .05, ** p < .01. EV was derived from the asset judgments by the following calculation (judged gain outcome + judged loss outcome)/2. Marginal expected gain was derived from the asset judgments by the following calculation (EV judged - judged assets at the end of year 5).

Table A4 – Descriptive statistics of participants' individual correlation coefficients between judgments of accumulated assets and investments

	Judgments of accumulated assets			Derived from judgments	
PERCENTAGE GROUP	End of year 5	End of year 10 gain outcome	End of year 10 loss outcome	EV	Marginal expected gain
Average correlation	.208	.198	.186	.201	.050
SD	.393	.393	.387	.397	.294
N	43	43	43	43	43
Frequencies					
$r \geq 0.707$	4	4	3	4	0
$-0.707 < r < 0.707$	37	39	39	38	43
$r \leq -0.707$	2	0	1	1	0
SEK GROUP					
Average correlation	.037	,040	,042	,048	-,019
SD	.426	.469	.371	.440	.312
N	38	38	38	38	38
Frequencies					
$r \geq 0.707$	2	2	1	1	0
$-0.707 < r < 0.707$	34	35	36	36	37
$r \leq -0.707$	2	1	1	1	1

Note: Some participants are counted as giving high importance ($r \geq 0.707$ and $r \leq -0.707$) in several variables because of the collinearity between the judgments. EV was derived from the asset judgments by the following calculation (judged gain outcome + judged loss outcome)/2. Marginal expected gain was derived from the asset judgments by the following calculation (EV judged - judged assets at the end of year 5).

Table A5 – Pearson correlations between investments in funds with guaranteed gain (time preference measure) and the main fund task judgments of accumulated assets after 5 years and 10 years

		Annual gain of funds with guaranteed gain for 5 years (time preference measure)		
PERCENTAGE GROUP		+1%	+10%	+20%
Judged assets at the end of year 5	r	.056	.076	.075
	N	*626*	*643*	*643*
Judged assets at the end of year 10 (gain outcome)	r	.074	.123**	.118**
	N	*620*	*638*	*638*
Judged assets at the end of year 10 (loss outcome)	r	,021	-,040	-,030
	N	*615*	*632*	*632*
SEK GROUP				
Judged assets at the end of year 5	r	-.028	.026	.018
	N	*581*	*581*	*565*
Judged assets at the end of year 10 (gain outcome)	r	-.092	.027	-.006
	N	*579*	*581*	*563*
Judged assets at the end of year 10 (loss outcome)	r	.137**	.115**	.127**
	N	*577*	*579*	*561*

Note: ** p < .01

Table A6 – Pearson correlations between investments in funds with guaranteed gain (time preference measure) and investments in funds with risk (the experiments main task)

			Annual gain of funds with guaranteed gain for 5 years (time preference measure)		
Investment format			+1%	+10%	+20%
Percent	Invested proportion	r	0.270***	0.310***	0.262***
		N	*609*	*625*	*625*
SEK	Invested proportion	r	0.180***	0.259***	0.241***
		N	*557*	*556*	*541*

Note: *** p < .001

CONTRACTUAL OBLIGATION OF CLAIMS. A FACTOR INFLUENCING INVESTORS CHOICES OF CAPITAL

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Abstract

Advocacy for entrepreneurship and innovation to ease unemployment is stampeded by funding. Uncertainty of reward, unenforceability of rights in case of default, obscures attracting financiers. Risk of investment security and returns, information opaqueness and their effect on securing funding entrepreneurship has received little attention. The study investigated how contractual obligations of claims influence choice of capital in emerging markets, as against capital structure optimality intrusion in investors' decision. A cohort of 250 potential investors responded to structured questionnaires in a survey, and quantitative approach used to analyse the data on how contractual obligation of claims affects choice of capital. The study revealed influence of security over assets and contracted claims on decisions. Perception of trust is gradually giving way to formality and choice of debt in investment decisions. Developing the bond market, trade off equity, is eminent to mobilize funds to develop entrepreneurship in emerging economies.

Key words: Capital structure; Contractual obligation; Entrepreneurship; Information asymmetry.

1. Introduction

Unemployment in today's world is a canker that governments are finding it difficult to surmount. Government, the largest employer, lacks the incentive and capacity to meet the high demand for jobs by the teeming youth turning out from schools and universities every year. Entrepreneurship is being advocated by governments and other stakeholders, the world over, to motivate people to venture into private business (Bongani and Chinaza (2018; UNDP, 2018). Emerging economies should consider new strategies on entrepreneurship development to ease unemployment in society. This should be a measure of economic growth of individual investors making the economy (Esposito, 2018) than classical models of GDP and others that do not see direct improvement in the lives of the people. Investment should create value and wealth, economical to sustain the interest and objectives of the investor.

The interest and objectives, reward systems cherished and desired by the investor need to be protected and secured. Otherwise, investors will turn away from investing in business ventures, as, “The entrepreneur is motivated by self-interest” (Adam Smith, in Slavin, 2002; pg 86; Eaton, Eaton & Allen 2005 pg 16). There are new and existing businesses that may want to innovate and usher in new ideas to break new grounds, but for want of finance as a motivator (Fischer, Malycha, and Schafmann, 2019).

There is a huge demand for finance by potential businesses that are not met, and others with surplus funds to invest but reluctant, for want of security. They may lack the right information on cost and benefits that may obscure economic development and growth. Information opaqueness in this direction has affected finance decisions in many ways (Vy Le, Thi Bich, 2017), choices of capital and fund flow (Hancock, 2009, Xiaoyan, 2008).

Securing funds for small businesses to start up or grab an opportunity to break new grounds is a problem in emerging economies. UNCTAD (ITE/TEB/MISC 3-2002) revealed that access to finance has been a key element for Small and Medium scale Enterprise (SMEs) to succeed in their drive to build productive capacities, compete, create jobs and contribute to poverty alleviation in developing countries. SMEs cannot acquire or absorb new technologies and expand to compete in global market or even strike linkages with larger firms. Funding source, equity or debt, may have its own interest and reward systems. Capital structure comes with it risk of financial distress to equity holders in geared firm in case of default. However, in emerging economies equity capital and its reward system is not all that prominent.

Corporate dividend came up in the early sixteenth century in Holland and Great Britain when the captains of sailing ships, as entrepreneurs, started selling financial claims to investors. This entitled them to share in the proceeds, if any, of the voyages. At the end of the voyage, the profits and the capital were distributed to investors liquidating and ending the ventures life (Al-Malkawi, Rafferty and Pillai, 2010). This shows that the important security at the early stages of the development of shareholding was trust due to close relation between the parties. The time span and life cycle of the business venture was determinable to facilitate liquidation and valuation of interest and stakes of the parties. Risk of uncertainty of returns and repayment was minimal and avoidable.

The development of public limited liability companies to raise more funds for expanded business and projects brought in large numbers of investors from different background and interest that eroded the factor of trust. In an environment lacking relevant information to make informed decision how is capital structure theory affecting investors’ choices? Where there is unpredictable level of uncertainty investors tend to be risk averse, avoid uncertainty for certainty (Thornton and Ribeiro Soriano, 2011). Craving for certainty in discomfort, unstructured or ambiguous situation investors may trade off equity for debt capital as motivator for investment performance.

A business may choose and select either equity or debt capital as its source of funding according to the preference of the investor or market dictates (Eaton, Eaton, & Allen; 2005). In the choice processes it is fundamental to receive specified needs and satisfaction in exchange for consideration given which is assured (Abbott & Pendlebury, 1994). Each side must promise to give or do something for the other (Riches & Allen, 2011). Simply talking about trust in business transactions is not enough for the sake of risk of default and uncertainty. The transactions and agreements preferably should be enshrined in contract as cherished by the parties. The contract should emphasized the fact about will, agreement, obligation, promise, and commitment, staying true to one’s commitment, cooperation, sanction and bond (Pesqueux, (2015).

For lack of assurance and contractual engagements for better and regular rewards and protection of investors’ assets, there is the possibility of trade off of equity for other financial assets in different structures which this study addressed. The study investigated the effect of contractual obligation of claims on choice of capital in emerging economies, environment of information opaqueness. It is important to unveil the mystery surrounding the inhibition of flow of funds for equity investment in emerging economies. Equity should have greater reward to compensate for its risk of financial distress and enjoy good patronage. However, equity has limited attraction. The study investigated the effect of reward on choice of capital, determine the extent to which risk affects finance and investment, and finally establish the extent to which quest for security on assets influences choice of financial assets for entrepreneurship development.

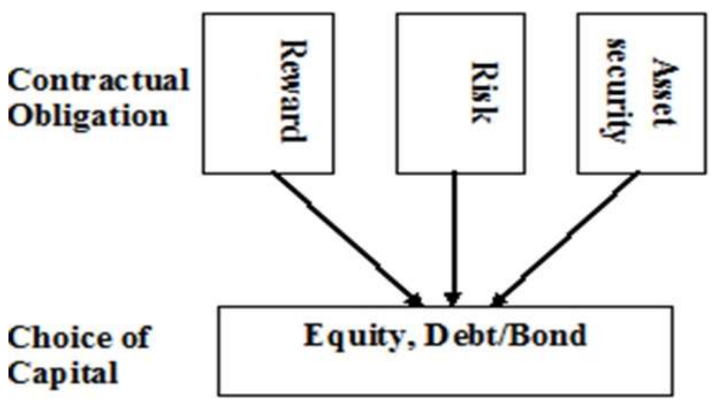
1.1. Hypothesis

a. Reward system influences the choice of capital in investment and finance decision.
b. Risk of default influence the choice of capital type in investment and finance decision.
c. Quest for security is a determinant in choosing investment assets

1.2. Conceptual Framework

The conceptual framework (Figure 1) established the relationship between reward system, risk return compensation and security on assets as dependent variables, and choice of capital structure (equity and debt) as the independent variables. The reward system of interest and dividend and how they affect performance (profit), the level of the return and how they compensate for risk taken and security of investment on assets contracted, plays significant role in investment decisions. The objective then is to bring to fore the ingredient of contractual obligation for rewards in investment engagement as against trust of the sixteenth century business adventurism. This dispensation acknowledges that capital structure is a response to corporate behaviour in investment decision and not as predetermined by management (Antoniou, Guney, Paudyal, 2019). In effect to fund entrepreneurship in SMEs through equity, with all the associated risks, is not attractive and feasible without contractual obligation.

Figure 1 – Conceptual framework



2. Literature Review

Business serves a known interest in a given market, an opportunity that goes with reward as the self-interest and profit motive of the entrepreneur (Slavin, 2002, Eaton, Eaton &Allen 2005). The business activity must be financed by equity or debt in a preferred structure (Ross, Westerfield, Jaffe, 2002; Bodie, Kane & Marcus, 2002). The entrepreneur is informed by available information in making the choice. Relationships evolving out of the transactions entered into should clearly specify the objectives of the exchanges made. Value is exchanged for value and business should create value substantial enough to provide security and reward, as expected by the investing parties.

The motivation of the investor is the protection of the value into the foreseeable future to avoid risk of loss. The relationships, objectives and exchanges may imply contractual commitment based on specific terms and conditions, which should be fulfilled satisfactorily, in an acceptable legal form of contractual obligations. The investment assets must be secured. Default in the processes in terms of the commitments in the exchanges, at any stage of the transactions can spell out financial distress. The business as an independent legal person given funds has to operate and reward its contributors in relationship that contractually bind the business to honor the terms and conditions, either specifically stated or not. Any anticipation on the part of the financiers that their reward may not be met and their value in the investment not secured may affect their investment ego.

2.1. Self Interest as Investment Drive

The private man going into business is motivated by his earnings, profit. The invisible hand, profit motive or economic self-interest (Slavin, 2002, Eaton, Eaton &Allen 2005) in liberal economies plays a great role as to who should be in business. In any choice situation, the individual makes the choices that allow him or her to attain the highest possible ranking in his or her preference ordering (Eaton, Eaton &Allen, 2005. pg 15-16). Any anticipation of loss of the self-interest motive may turn investors off. In an environment of information opaqueness and uncertainty on the security of returns and assets, attraction to invest is lost. It should be expected that where dividend payment is at the discretion of management and uncertainty surrounding equity rewards and security, investors trade off equity for debt and other assets promising certainty of returns with contractual obligation. Developing the bond market is good for entrepreneurship funding.

2.2. Capital Structure

Capital structure is the liabilities or claims on the firm's resources, that the firm is obliged to pay rewards. The resources are used by the firm to create wealth from which rewards are paid and repay the principal. A firm can choose among alternative capital structures; issuing large or little amount of debt, floating-rate preferred stock, warrant, convertible bonds, caps and callers (Ross, Westerfield, Jaffe, 2002; Bodie, Kane & Marcus, 2002). Capital structure theory focuses on the decision to depend heavily or not on debt sources of funding the firm's activities, a discretion that can affect the value of the firm. The levered firm, with more debt than equity, may not be attractive to equity holders because the value of equity declines. The equity shareholder will be better off, only when the firm is able to optimize the structure and ensure a good balance between equity and debt.

However, Modigliani and Miller (MM) (1958) observed that a firm cannot change the value of its outstanding securities by changing its capital structure; the value of the firm remains same under different capital structures. Therefore no capital structure is any better or worse than other. Modigliani–Miller theorem explains that, under a certain market price process, the classical random walk, absence of taxes, bankruptcy costs, agency costs and asymmetric information in efficient market, the value of a firm is unaffected by how that firm is financed. Further, Modigliani and Miller (1958) hypothesized that risk to equity holders rises with leverage; as such the leveraged firm may have greater range of earnings per share or returns expectations. Equity holder may earn nothing in value or value declines in bad times and may make good returns in good times better and higher than the unlevered firm may.

The onerous should be on agency to make more returns to pay interest with enough to compensate equity holders for their risk otherwise investors would trade off equity for debt capital. In developing countries, some specific factors like information availability and cultural dispensation in addition to common variables across countries may influence investment decisions (Booth, Aivazian, Dernirguc-Kunt and Maksimovic, 2002).

2.3. Common Stock

Common stock holders have right to vote and elect directors of the company who in turn elect corporate officers; have right to enjoy new shares issued; share proportionately in assets remaining after liabilities have been paid in liquidation; right to vote on matters of importance as mergers at the Annual General Meeting or at special meeting. Shareholders receive their returns through dividend which is paid at the discretion of the board of directors' declaration. There is no liability or obligation to declare and pay dividend and therefore there is no default on the part of the company or be under any threat of bankruptcy. This presents serious risk to the investor in equities. In economies with low income, equity will not be attractive means of earnings to add to limited disposable income. With small business entities the proprietor doubles as owner and agent of the firm in which case capital structure may not be a good determinant of risk and performance (Phooi M;ng, Rahman and Sannacy, 2017). Entrepreneurs in such small businesses may not attract equity as they may want to plough back profits against paying dividend and avoid dilution of control. Debt capital is their best option and this call for the development of the bond market.

2.4. Debt Capital

Long term debt is a contractual obligation on the company to pay fixed sums of money as interest to bondholders at stipulated time and the principal at maturity. Any default may compel the firm into bankruptcy especially where the firm has limited valuable assets to cover the debt. The interest on the bond is an expense and is a tax deductible that may limit the level of tax liability and the company having more after tax income. The contractual relation for routine and regular payment of interest and principal really edges and compel management to perform and achieve more than necessary to meet the debt obligation to avoid liquidation. Debentures and bonds are long term debt and the obligation for repayment would be more than one year. In economies with weak information system and low disposable income, debt capital is attractive to investors. Entrepreneurs will appreciate a buoyant debt market to tap for funds.

2.5. Volatility of Earnings

Volatility or business risk is a proxy for the probability of financial distress and it is generally expected to be inversely correlated with leverage. Several measures of volatility have been used in empirical studies such as standard deviation of the return on sales, standard deviation of the difference in operating cash flow scaled by total assets, or standard deviation of the percentage change in operating income (Xiaoyan, 2008). Firms with high volatility in earnings face a higher risk when earnings level drops below the debt service commitment. Equity has higher risk and not attractive under this condition and debt with contractual terms may be preferred.

2.6. Contractual Obligation

A contract is "a promise or a set of promises which the law will enforce" Sir Fredrick Pollock (quoted in Riches & Allen, 2011). Contract is defined by the Oxford Dictionary of English in different ways including;

a) as a written or spoken agreement, especially one concerning employment, sales or tenancy that is expected to be enforceable by law
b) the branch of law concerned with the making and observation of contracts- the law of contract
c) Enter into a formal and legally binding agreement.

A contract is an agreement which legally binds the parties. The contract as an agreement should come about as a result of an offer and acceptance, contain an element of value known as consideration and the parties intend to create legal relations. An offer is a definite promise to be bound on certain specific terms. Acceptance may be in writing or oral and it must be unqualified and must correspond to the terms of the offer (Abbott & Pendlebury, 1994; Riches & Allen, 2011). Consideration of value, an element of exchange, is the bedrock in any negotiated contract. The consideration is some benefit accruing to one party, or some detriment suffered by the other, a promised sacrifice (Riches & Allen, 2011; Abbott & Pendlebury, 1994). Parties in financial and investment transaction and decision making should be clear in their minds as to whether they want to enter into a formal and legal binding agreement defined, operational and be managed under the terms and conditions of contract law and finally to be enforceable (Pesquex, 2012).

The shareholders are entitled to dividend declared by management at their discretion and not under any obligation to make such declaration. The dividend is paid after all other obligations of claim owed other claimants are paid. If nothing is left after the interest of the creditors are met shareholders go with nothing. When the company fails and is liquidated, per their limited liability status, the shareholders can lose up to their investment (Bodie et al 2002).

Bond or loan is a security that is issued with borrowing arrangement. A corporate bond provides means for private firms or company to borrow money directly from the public (Bodie et al 2002). The obligation to pay reward and repay principal is documented and sealed. We can then conveniently say there is a valid contract, which is legally enforceable at the law courts.

3. Methodology

The research is a descriptive design using the survey research strategy for data collection. The survey strategy chosen helped address the broad nature of the work and areas covered to ensure economy (Saunders et al 2007). The quantitative technique is used to analysis the data with the help of the statistical software, SPSS, applying the chi-square and the correlation tools to find out the relation between contractual obligation on returns and the security of investment assets and choice of capital at significant values of between 5%.and 10%

The test is to establish the relationship between reward system, risk return compensation and security on assets contracted and enforceable as dependent variables, and choice of capital structure (equity and debt) as the independent variable. The reward system of interest and repayment of principal on the part of debt capital is contractual and enforceable. Dividend reward to equity and repayment of capital is not contractual. Reward on investment and its security and avoidance of risk are major factors considered by investors but theory lays emphasis on capital structure. This work, as part of a broader study on developing the bond market, is drawing attention to the significance of these variables and their influence on investors in efforts of raising funds for SMEs development to ease unemployment in emerging economies.

The population for the study was individual potential investors and technical persons. The possibility of covering persons in business and requires extra funding as deficit units; potential entrepreneurs who require assistance in the form of capital of any kind for their business activities and those with surplus funds ready to lend it out for some reward or returns was considered. The study selected a sample of 250 potential investors to respond to structured questionnaires. Forty volunteers were selected and given the requisite training and skills to administer the questionnaires to get the best data for the study. Data summary and analysis is presented under section four below. Chi-square test statistics below;

$$X^2 = \sum_{i=1}^{r}\sum_{j=1}^{c}\frac{\left(f_{ij} - e_{ij}\right)^2}{e_{ij}},$$

Was used to analyze:

- Expected level of investment rewards effect on choice of business capital.
- High rewards above market average influence on choice of business capital.
- Risk of reward systems effect on choice of business capital.
- Contractual right for reward payment effect on choice of business capital.
- Contractual right for reward payment effect on choice of business capital.
- Asset secured as guarantee for capital repayment influence on choice business capital.
- The test came out with significant value of 0.056 for contractual obligation influencing choice of capital and 0.001for asset security.

3.1. Limitations

The major limitation is about data collection. Majority of Ghanaians are not exposed to and educated on financial markets and institutions and their objectives and functions except the banks. Information is opaque and therefore investing in equity share capital is very grey to the individual investor. Responses made to some of the questions by such category of individuals may be by their own cultural understanding and not a reflection of the technical position. However, it really gave the study a true picture and objective perception of the people concerning their investment dispositions. Painstaking effort was made to equip the questionnaire administrators with requisite skills to understand the respondents through interaction.

4. Data Summary, Descriptive Presentation and Analysis

Data for the study were collected through questionnaire in a survey conducted across the country for a broader work developing the bond market for economic growth. Notable responses that came up from the potential investors were that they might want to take up loans, pay interest and pay back according to the terms and conditions of the loan. They were of the conviction that it will serve them right to manage the business efficiently and effectively in their philosophies and cultures. It will ensure the stability and speedy growth of the business by ploughing back profits. In summary the potential investors mince no words in advocating for stiffer controls in operations and management of the business, ensuring their independence, receive regular returns and peaceful life devoid of any litigation. Owners of the business may not want dilution in terms of control over the business and avoidance of risk of loss through insecurity of their limited resources. The data gathered through questionnaire has been summarized descriptively in tabular form and initial analysis done in percentages as shown in the following sections.

The chi-square test-statistic is given by:

$$X^2 = \sum_{i=1}^{r}\sum_{j=1}^{c}\frac{\left(f_{ij} - e_{ij}\right)^2}{e_{ij}},$$

Where

f_{ij} is the observed frequency for category in row i and column j

$e_{ij} = \dfrac{(R_i)(C_j)}{n}$ is the expected frequency for category in row i and column j.

It has a chi-square distribution, $\chi^2_{\alpha(df)}$,

Where the degrees of freedom are defined by $df = (r-1)(c-1)$. The decision rule: Reject H_o if $X^2 \geq \chi^2_{\alpha(df)}$; the two categorical data are related.

The results from the chi-square test are presented in the tables below.

The level of reward influencing choice of capital (Table 1) shows that 151 potential investors prefer equity capital and 76 prefer long-term debt capital. Potential investors of 107 (70.86%) out of the 151 persons who prefer share capital require reward determined by the market forces, the invincible hand. On the other hand, 61 (80.26%) potential investors out of 76 persons preferring long-term debt capital require reward determined by the market forces. In a situation where reward offered is at the discretion of managers 19 persons (12.58%) out of 151 potential accepted such condition and 9 persons (11.84%) out of 76 potential investors who prefer debt capital may take anything at the discretion of management. To accept anything for immediate needs 25 persons (16.56%) out of the 151 potential equity investors prefer to go for that and 6 persons (7.89) of the 76 potential bond investors opt for that. In analysing how the reward system may influence the choice of capital the P-values came up as 0.335 (33.5%) meaning the reward levels of investment are independent of choice of capital.

Table 1 – Expected level of investment rewards effect on choice of business capital

Response categories		Expected Level of rewards: Reward as determined by the market forces	Anything offered by my employers or investment	Anything that can meet immediate needs	Total	Test-Statistics	P-value
Business capital sources	Shares	107	19	25	151	4.563	0.335
	Bonds	61	9	6	76		
Total		168	28	31	227		

Potential investors require higher reward from their investment than market average (Table 2). 132 (84.62%) respondents out of 156 who prefer share capital wish they receive above market average returns and 68 (80.95%) out of 84 persons who prefer long-term debt capital, wish they receive reward higher than average market rate. In total 200 (83.33%) out of 240 potential investors prefer reward that is higher than market average. The P-value here is 0.29 (29%) meaning the dependency of choice of capital on higher reward above market average is independent.

Table 2 – Need of high rewards above market average influence on choice of business capital

		Would you prefer an investment that will give a higher reward than the market average?			T-statistics	P-value
Response categories		Yes	No	Total		
Business capital sources	Shares	132	24	156	0.527	0.29
	Bond	68	16	84		
Total		200	40	240		

Fluctuations or uncertainty of returns (Table 3) show mixed reaction and state of indifference. 68 (46.9%) potential equity investors accepts fluctuation and 77 (53.1%) do not accept fluctuations in returns. For long-term debt capital 45 (55.56%) of the potential investors accept uncertainty in their rewards and 36 (44.44%) do not accept such fluctuations. The overall responses show that the potential investors are divided with 113 (50%) saying yes and another 113 (50%) saying no. From the statistical analysis, the P-value is 0.134 (13.4%) the relationship between the choices of capital and reward fluctuation is independent

Table 3 – Risk of reward systems effect on choice of business capital

		Would you accept any form of fluctuations (uncertainty) of your reward?			T-statistics	P-value
Response categories		Yes	No	Total		
Business capital sources	Shares	68	77	145	1.56	0.134
	Bond	45	36	81		
Total		113	113	226		

For contractual obligation on the payment of returns (Table 4), 155 potential equity investors, 138 (89%) persons require contractual obligation for their return and 17 (11%) may not want contract. For 82 potential long-term debt investors, 66 (80.49%) persons want contractual relationship and 16 (19.51%) do not want contractual relation. In all 204 (86.08%) of potential investors prefer contractual relation for the payment of their returns. The statistical analysis gave P-values of 0.056 (5.6%). At 10% significant values, there is dependency and relationship between choice of capital and contractual obligation

Table 4 – Contractual right for reward payment effect on choice of business capital

		Would you take up an investment that gives you contractual right for payment of your reward on regular basis?			T-statistics	P-value
Response categories		Yes	No	Total		
Business capital sources	Shares	138	17	155	3.267	0.056
	Bond	66	16	82		
Total		204	33	237		

Investors may not have contractual right for the return and repayment of capital but to receive higher returns above market average (Table 5). 116 (80%) out of 145 potential equity investors will forgo higher return and go for contractual obligation on returns and repayment of capital. 29 (20%) prefer higher returns to contract to repay capital. For potential long-term debt investors of 84, 65 (77.38%) persons prefer contractual arrangement for repayment of capital to higher returns and 19 (22.62%) prefer higher return to contract for repayment of capital. The P-value of 0.379 (%) indicates independence of choice of capital and contractual repayment of capital.

Table 5 – No contractual right for repayment of principal effect on choice of business capital

		Would you take up an investment with no contractual right of return and repayment but higher return above market average?			T-statistics	P-value
Response categories		Yes	No	Total		
Business capital sources	Shares	29	116	145	0.22	0.379
	Bond	19	65	84		
Total		48	181	229		

According to Table 6, for potential equity investors of 148, 78 (52.70%) prefer their investment secured on assets of the firm to higher returns whereas 70 (47.30%) prefer higher returns to security over assets.

For potential bondholders of 80, 60 (75%) prefer security over assets to high reward and 20 (25%) prefer high reward. The P-value of 0.001 (0.01 %) clearly shows strong dependency and relationship between choice of capital and security over assets

Table 6 – Asset secured as guarantee for capital repayment influence on choice business capital

		Would you take up an investment with no contractual right of return and repayment but higher return above market average?			T-statistics	P-value
Response categories		Yes	No	Total		
Business capital sources	Shares	78	70	148	10.81	0.001
	Bond	60	20	80		
Total		138	90	228		

The correlation table (Table 7) shows 0.117 positive correlations between contractual obligation of reward and choice of capital. This means when there is contractual arrangement to pay reward investors are prepared to offer their funds to the business. On the other hand there is -0.218 negative correlations between security over assets and choice of capital. This means the higher the risk of insecurity the lower the funds or chance to obtain funds from the financial market. Returns and relationship with choice capital has positive correlation, implying the high the return the higher the chances of receiving capital from investors. The correlations here are weak and lack linearity; however, it is worthy to acknowledge the importance of indicators to make informed decisions about how to attract funds in accordance with investors' needs and satisfaction.

Table 7 – Correlation of contractual obligation and choice of capital

N.	Items	Pearson R Corr	Spearman Corr	P Values
1	Effects of expected level of reward on choice of capital	0.111	0.127	0.335
2	Effect of high reward above market average on choice of capital	0.047	0.047	0.29
3	Risk of reward systems on choice of capital			0.134
4	Effect of contractual obligation of reward on choice of capital	0.117	0.117	0.056
5	Effect of investment without contractual obligation for reward but higher and uncertain return on capital	-0.031	-0.031	0.379
6	Effect of security over assets on choice of capital	-0.218	-0.218	0.001
7	Effect of no security over assets on choice of capital	-0.127	-0.127	0.038

5. Findings

Potential investors require valuable consideration with high premium as reward. They prefer fixed returns and reward systems to compensate them for their risk. Even though the P-values shows an independence relationship with choice of capital there is the presumption that return to capital invested is fundamental and not negotiable. It gives credence to the fact that in an environment of information opaqueness investors require high premium (Vy Le, Thi Bich, 2017) Weak information and low level of investors' confidence in the investing environments persuade investors to demand higher yielding securities, an indication for preference for long-term debt/bond capital. In an emerging economy with more SMEs managers may be reluctant to pay dividend, therefore investors direct their attention to bonds.

Potential investors require contractual obligation and arrangement for payment of their return and repayment of capital invested. Investors require collateral security for making funds available to business. There is strong dependency between security over assets and choice of capital

Potential investors presume valuable consideration as reward with high premium

Responses from potential investors reveal that they require valuable consideration including premium in exchange for taking up that risk. This position is presumed to be not negotiable. "The entrepreneur is motivated by self-interest" (Slavin, 2002). Where there is unpredictable level of uncertainty of returns and repayment of capital investors tend to be risk averse and they may require more than average for their risk. Thornton and Ribeiro Soriano (2011), opined that the dimension for uncertainty avoidance represents preference for certainty. The P-value of 0.29 (29%) indicates the variable of reward with high premium influencing choice of capital is independent and there is little or no dependency between them. This implies the quest for risk premium is non-negotiable.

Weak information and low level of confidence in the investing environments provide basis for debt capital
Another observation made is the lack of information on businesses and their performance as well as low confidence of investors in the financial systems and markets. Investors may prefer equity but for information opaqueness, they trade off for debt to enjoy fixed and regular returns. In developing countries and even the developed ones most businesses are started by individuals, supported by family relatives and friends. Information flow in most cases is assumed and informal with heavy reliance on trust. A case in hand in Ghana is the withholding of license of two banks by the Bank of Ghana for their liquidity and solvency problems as announced in the Ghanaian print and electronic media on Monday 14th August 2017. This development puts shareholders at risk. To protect their interest in environment of opaque information investors prefer fixed and regular returns and repayment of capital.

Preference for debt capital with fixed returns and reward systems is high
This asymmetry leads to firms preferring internal funds over external funds; however, when internal funds are no longer available, debt is preferable to equity due to the riskiness of equity (Myers 1984). The capital structure decision between equity and debt is different for small firms than for large firms in part (Phooi M'ng, *et'al,* 2017) because small businesses are usually more informational opaque than large firms. In addition, since small businesses are usually owner-managed, the owner/managers often have strong incentives to issue external debt rather than external equity in order to keep ownership and control of their firms (Berger & Udell, 1998).

Potential investors require contractual obligation and arrangement for payment of their return and repayment of capital invested as fundamental
With low confidence in the market and information asymmetry investors require that their returns and repayment to be contractual. As seen above the requirement for valuable consideration with high premium as reward and repayment would be of no sense unless matched with agreement and contractual obligation

Investors require collateral security for making funds available to business.
Investors' requirement for valuable consideration and reward with premium against risk of uncertainty and fluctuations can be achieved when there is protection by securing their interest over the assets of the business. The P-value from the statistical analysis is given as 0.001 (0.01%) which demonstrates strong dependency between choice of capital and security on assets of the firm.

6. Discussions

The desire of the potential investors for valuable consideration as reward satisfies the theory of self-interest, which is the core of all economic analysis. No one is prepared to give out more than what he or she can afford. Value should exchange for value to allow the investor attain the highest possible ranking in his or her preference ordering (Eaton et al, 2005). The study is revealing the need for contractual relation for the receipt of returns and repayment of capital to reduce or avoid risk in an environment of high uncertainty and information opaqueness. This is much so when it comes to start-ups and family businesses. Investors can make informed investment and financial decisions dependent on available information.

The thought flow in and between stages of the processes of investment and financial decision is smoothened and facilitated by the right and relevant information filtering in at the right amount, right value, right time and right place. In the absence of this, the market will dictate for specified terms and conditions for reward systems due potential investors and to be enshrined in contracts. The reward in itself is a right that cannot enforce itself but legal contracts sealed and as catalyst provide a medium to demand specific performance. The level and extent of contractual obligation and security available to the investor for any type of capital source will influence the choice to be made.

In start-ups and family and friends business where the parties are known and familiar to themselves, it is easy to assume that the information asymmetry would be minimal. In many cases, it appears that this is so; however, there is evidence to suggest that this is still a significant issue. The investment can quite often break friendships because of lack of information and openness (Hancock, 2009). It is dangerous to make money available to start up and close relation and small business with little or no contractual relation (Hancock, 2009).

Hancock (2009) observed that if a business starts up by accessing family or friends' finance, the signal to the market, rightly or wrongly, is that the business has no potential, there is going to be built in bias that these businesses are going to fail. Potential investors may then insist on collateral and covenants to secure their investments beyond what they can reasonably acquire as information. Start-up enterprises are able to provide little, if any, of these artefacts to alleviate the problem. One reason given by the bank of Ghana for closing down the UT and Capital Banks was the inability of the banks to comply the condition to improve their capitalization and to improve their balance sheet (Daily Graphic August 15, 2017). The inability of the banks to comply may stem from the fact that issuing new shares may not be taken up or may be priced down to the disadvantage of existing shareholders. The banks then may resort to adding more debt stock eventually weakening their balance sheet. When investors are satisfied with the security of regular returns and retrieval of their capital eventually, a business is assured of funds for its operations. Investors prefer the bird in the hand of cash dividend rather than the two in the bush of future capital gains (Al-Malkawi, Rafferty & Pillai 2010).

Dividend payment is seen as an important form of information to investors. Dividend policy provides means of gauging managers' view about how future performance might be. An increase in dividend payment tended to be reflected in stock prices (Al-Malkawi, Rafferty and Pillai, 2010). Dividend policy can provide a benchmark for investors to make informed decision, the absence of which creates anxiety for investors. For safety and security investors may opt for contractual and secured investment assets, that is, they trade of equity capital for debt capital.

7. Conclusion

The study investigated the effect of contractual obligation of claims on choice of capital in emerging economies as part of a study of developing the bond market for entrepreneurship growth. There is advocacy to encourage entrepreneurship to ease unemployment but for want of finance in environment of information opaqueness where flow of funds from equity for investment is not attractive and debt may be preferred (Vy Le, Thi Bich, 2017)). Reliance on debt also faces the challenge of capital structure theory of financial distress. The study sought the relationship between reward system, risk return compensation and security on assets as dependent variables, and choice of capital, equity and debt, as the independent variables. It is to advocate a source to be tapped to support entrepreneurship. It came out that investors require valuable consideration as returns with high premium. These does not influence choice of capital but fundamentally not negotiable. However, the study reveals significant dependency between collateral obligation and quest for security over assets (collateral) and the choice of capital.

By implication investors want their return on investment and repayment of principal to be protected in legal contracts and secured on assets of the firm. Potential investors prefer debt or bond capital. This preference supports the fact that the business environment in most emerging economies is weak in information flow, suggesting information opaqueness. This cannot help investors to make informed decision in their investment drive. In such situations quest for debt capital and security over assets is prominent notwithstanding the capital structure theory. Myers and Majluf (1984) drew attention to the use of debt to avoid the inefficiencies in a firm's investment decisions that would otherwise result from information asymmetries. History of corporate dividend in Holland and Great Britain, saw captains of sailing ships, issued financial claims to investors, which entitled them to share in the proceeds, if any, of the voyages. At the end of the voyage, the profits and the capital were distributed to investors liquidating and ending the ventures life (Al-Malkawi, Rafferty and Pillai, 2010). The security at the early stages of the development of shareholding was trust due to close relation between the parties. The time span and life cycle of the business venture was determinable with certainty to facilitate liquidation and valuation of interest and stakes of the parties. Today with large public limited liability companies, investors require relevant information backed by law to make informed decision. In the absence of which, equity will be traded-off for debt capital with predetermined rate of return, repayment of principal embodied in contract and possibly backed by secured assets. Developing the bond market is a possible means to raise funds for entrepreneurship for growth.

7.1. Recommendations and suggestions for further research

Implication from the study is that capital structure is a response to corporate behaviour in investment decision and not as predetermined by management. In effect funding entrepreneurship and SMEs through equity, as postulated by theory is not attractive and feasible without contractual obligation. Further research is suggested into this observation.

Environments of information opaqueness support the use of debt capital. Governments in emerging economies, supported by the players in the financial system, should have the capacity to develop the bond market for growth.

The Stock Exchange should be proactive in developing the bond market as a securitized financial asset to be traded and facilitate the liquidation of such instrument to attract investors' confidence.

Corporate firms and their agents should ensure good corporate governance to motivate potential investors. Managers' rewards and allowances outside their salaries should be appropriation of surplus and not a charge in the performance statement to encourage management to efficiently use debt capital.

There should be legislation in emerging economies to strengthen provision of strategic investment information; corporate financial and cultural practices and corporate governance to facilitate investment decision for general economic growth.

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LEADERSHIP STYLES, ORGANIZATIONAL POLITICS AND EMPLOYEES` COMMITMENT IN SELECTED PUBLIC AND PRIVATE ORGANIZATIONS IN LAGOS STATE, NIGERIA

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Abstract

The study examined leadership styles, organizational politics and employee's commitment using selected private and public organizations in Lagos state as case studies. To achieve its objectives, it probed the direct relationship that exists between organizational politics and the leadership styles used in both private and public organization and as well as the extent to which employees' commitment depends on leadership styles and organizational politics in both private and public organization. A descriptive survey was employed using a sample size of 112 respondents. The main research instrument used was questionnaire. Data collected were analyzed using frequency and percentages; while a one-way ANOVA and regression statistical analyses were used to test the study's hypotheses. Results from the hypotheses tested revealed a major arithmetical relationship between leadership styles and employees' commitment; also between organizational politics and employees' commitment in both public and private organizations in Lagos state, in addition that organizational politics and leadership styles used in both public and private organization have significant difference in their respective abilities to entrust employees' commitment. The study concluded that there is a positive relationship between leadership styles and the level of employees' commitment in both private and public organization and that a positive relationship also exists between organizational politics and the level of employees' commitment in both public and private organization in Lagos State. The study therefore recommended that the management should embrace situational leadership *approach to attract employees' commitment and that they should employ workers who have potential to adjust and adapt to their organizational and political culture.*

Key words: Organizational politics; Employee commitment; Leadership styles; Affective commitment.

1. Introduction

Organizational politics is the avocation of individual objectives and personal motives in an organization without considering how they interact with organization's efforts to attain its objective. Organizational politics denotes various activities that are linked with the utilization of regulated plans to ameliorate organizational or personal interest. Studies have shown that individuals who possess political knowledge incline to be more effective in reaching more personal ability, coupled with handling job and stress demands than their counterparts who are politically naïve (Jarret, 2017).

Organizational politics is a set of unofficial, informal activities, usually not visible to the organization to promote their ideas, heighten power, or attain other directed objectives (Hochwarter, Witt, & Kacmar, 2000; Brandon & Seldman, 2004; Cacciattolo, 2014; Cheong, & Kim, 2018; Özen, 2018). Organizational politics starts when an individual has his interest or agenda close to himself without considering how his activities influence the entire organization. Such activities may be evident via personal disputes and power conflicts in order to promote individual status. It may also be a situation in which an individual bypasses the official channel in pursuit of objectives that may not necessarily be personal (Muo, 2015). It is also noteworthy that organizational politics is not always totally being negative (Muo & Oghojafor, 2012).

In modern organization, leadership is regarded as one of the most crucial elements that significantly regulate how the employees, managers and organization as a whole perform (Wang, 2005; Mkheimer, 2018). The general idea of leadership style is crucial to management in an organization as such a leader is distinguished to be the individual who fixes a path and encourages his followers to follow the path.

The role of leadership in regards to organizations politics cannot be ignored. In this case, one's action as a leader (without regard to the leadership style applied) determines how follower, voluntarily work together to achieve organizational objectives. That is the manner and way one uses his or her office as a leader determines the political climate around the organization. Politics at work is usually difficult to annul whether due to personality trait or career prospects and opportunity. There are usually individual(s) (people) who utilize work place as a battlefield. Hence the role of the leader in handling such a scenario, determines the political climate and the overall performance of the organization. As such, having the discernment of political conduct and the effective usage of leadership styles to guide employees in the direction of organizational goals is vital to optimizing the outcomes of organizational politics and improving one's standing as a good leader, whose role is elaborately linked to the organization's political climate.

Employee commitment is defined as the connection employees go through with their organization. It is also the extent to which an individual's recognition as well as involvement or participation in an organization. When employees feel attached to an organization, they tend to exhibit strong confidence (belief) in and adoption of organizational set goals, and hence his readiness to put in significant attempt to help achieve the overall objectives.

The coordination of employees at workplace is a vital feature of management process. Some leaders do not believe that employees need to be encouraged and motivated in order to achieve organizational goals and objectives. Also, organizational politics particularly in the public sector has done more damage than good as such have negatively touched on the commitment of employees. Most employers do not exhibit good leadership behavior in the sense that they treat employees as tools in the course of pursuing their goals. This ultimately has reduced the commitment level of their employees.

Since employee commitment is a tool for achieving goals and objectives of an organization, if they are not effectively motivated the turnover rate of employees will increase which in turn reduces employee productivity. This is because employees are demotivated. Hence, the study evaluates organization politics, leadership styles and employee commitment in selected public and private organizations in Lagos state. Lagos State is a state in Southwestern geopolitical zone of Nigeria. It is the most economically important state of the country and largest urban area. it well-known commercial city in Nigeria where majority of organizations reside. It is major financial center and fifth largest economy in Africa if it were to be a country.

To achieve this, the study will ascertain the extent to which leadership style affects employee's commitment; the possible ways in which organizational politics hinders employee's commitment; the direct relationship that exists between organizational politics and the leadership styles used in organization, and the extent to which employees' commitment depends on the interaction between leadership styles and organizational politics.

2. Review of literature and theoretical framework

2.1. Theoretical framework

The theoretical review embedded in this paper revolves around the following three theories which are Allen and Meyer's three component model, the full range leadership model, and Pfeiffer's model of organizational politics.

Allen and Meyer's three component model

Although different authors have different definitions of 'employee commitment', the definition of Meyer and Allen (1991, 1997) captures the core issues in commitment when they defined employee commitment "as a psychological state that characterizes the employee's relationship with the organization and has implications for the decision to continue membership in the organization". They further pointed that an eminence exists between behavior and attitudinal commitment. In the latter approach, it is a mind-set or attitude of employees that has been used with respect to either consequences or conditions of that commitment. While former approach, regarded it as a flow of activity which functions as a vital part as employees (human resource) become committed unambiguously to assure existing behavior. For example, by continuing to be with the organization, they absorb their attitudes in proportion to the common idea of work experiences to ensure it is maintained and deflect cognitive dissonance as postulated by Meyer and Allen (1990).

The influence to which the two approaches have on the formulation of employee's commitment is to of a large scale. However, Meyer and Allen (1991), demonstrated three different types of commitment as; Affective Commitment, Continuance Commitment, and Normative Commitment. Also, they stated that the connection an employee has towards his/her organization is moderated by the style of leadership, as well as the pattern and tempo of organizational politics. As a result, the knowledge employees acquire about the nature of politics and leadership style of their workplace significantly influences the level of commitment to their organization.

The full range of leadership model

This leadership model was formulated by Bass (1990) and consists of transactional, transformational and passive leadership styles. The Multifactor Leadership Questionnaire (MLQ) was also introduced by Bass in order to assess the full range of leadership styles in the organizational scenery, which in keeping with Turner and Miller (2005), is the utmost extensively adopted leadership scale in the prior studies. Bass (1990) model covers nine (9) factors of leadership styles/behaviors in an organizational perspective. This study only considers the transformational and transactional leadership styles. Whilst there exist many theories of leadership behaviors which suggest diverse leadership behaviors/styles, transactional and transformational leadership styles have attracted the attention of different authors as better perspectives for gaining more insight on leadership behaviors.

Burns (1978) recognized as the first scholar to introduce transactional and transformational leadership, which proposed that they both are at opposite ends of the continuum (range) (Bass, 1990). However, Bass (1985) stated that transformational style of leadership widens the influence of that of transactional leadership.

Pfeffer's model of organizational politics

This can also be referring to as Pfeffer's theory of Organizational Politics. Pfeffer (1981) stated that "political activities are seen to be the outcome of several conditions" The existence of these conditions will results in politics and power in the environment of an organization which enforces the constraint and demands that will be accommodated in terms of end and means. That is, by following whatever method (means) an organization acquires functions and what objectives (ends) they are pursuing.

2.2. Empirical review of the past literature

There have been series of studies aimed at exploring the relationships, particularly between transformational, transactional, laissez-faire leadership styles and organizational commitment (Dunn, Dastoor & Sims, 2012; Mkheimer, 2018; Avolio, Zhu, Koh, & Bhatia, 2004; Rehman, Bwa, Wang, Lawler & Shi, 2004; Emery & Barker, 2007; Limisila & Ogunlana, 2007).

Yiing and Ahmad (2009) looked at the link that exists between affective commitment and leadership behaviors such as: directive, supportive and participative in line with the controlling effects of organizational culture. They found that all the three leadership behaviors exhibit significant and positive bond with affective commitment of employees.

Also, in the study of Limisila and Ogunlana (2007) centered on performance and leadership effect and its correlation between leadership styles and subordinates commitment, they found that transformational style of leadership has significant positive correlation with affective commitment, whereas no significant bonds were observed to occur between laissez faire leadership style, transactional and affective commitment.

In a cross-cultural research by Dun, Dastoor and Sims (2012), on transformational leadership and organizational commitment, they discovered a strong positive link between transformational leadership, normative and affective commitment, but insignificant connection between continuance commitment and transformational leadership. Avolio, et al., (2004) in their study affirmed a positive link between transformational leadership style and employee commitment.

Sun, and Xia (2018) confirmed that organizational politics perception has numerous influences on workers' behaviors. They asserted that organizational politics observation and its apparatus drive organizations and employees in precautionary measures to eradicate the negative effect of organizational political consciousness.

In an empirical study of Ebikeseye, and Dickson (2018), affirmed that there was a positive link between employee commitment to work and increase in firms' productivity. They concluded that in order to increase productivity and peaceful relations in the work setting, management of firms need to crave the enabling and conducive environment to motivate staff to be committed to work and increase productivity.

Mkheimer, (2018) study acknowledged that most organizations have same styles of leadership. The results showed that, transactional leadership style has an essential impact on business success. However, transformational leadership style was found to have negative impact on business success. Joo, Yoon, and Jeung (2012) study examined the potential role of leadership style on organizational commitment, and found a positive relationship between transformational leadership and organizational commitment. They found that group goal, vision articulation, intellectual stimulation and promotion were significant interpreters of organizational commitment. Kaplan and Kaplan (2018) study on the relationship between organizational commitment and work performance, the result showed that affective commitment had a positive influence on work performance, whereas normative and continuance commitment had insignificant sway on work performance.

Walumba, Wang, Lawler and Shi (2004) and Rehman, Shareef, Mahmood and Ishaque (2012) examined the interaction of both transactional and transformational leadership on organizational commitment, and found that transformational style of leadership had so much more contributions to the organizational commitment level than transaction leadership style. According to the research done by Edward and Richard (2016), they found a positive and significant connection between intellectual stimulation, inspirational motivation, and idealized influence this is in line with ideas the individuals have about the work they are engaged within the organization.

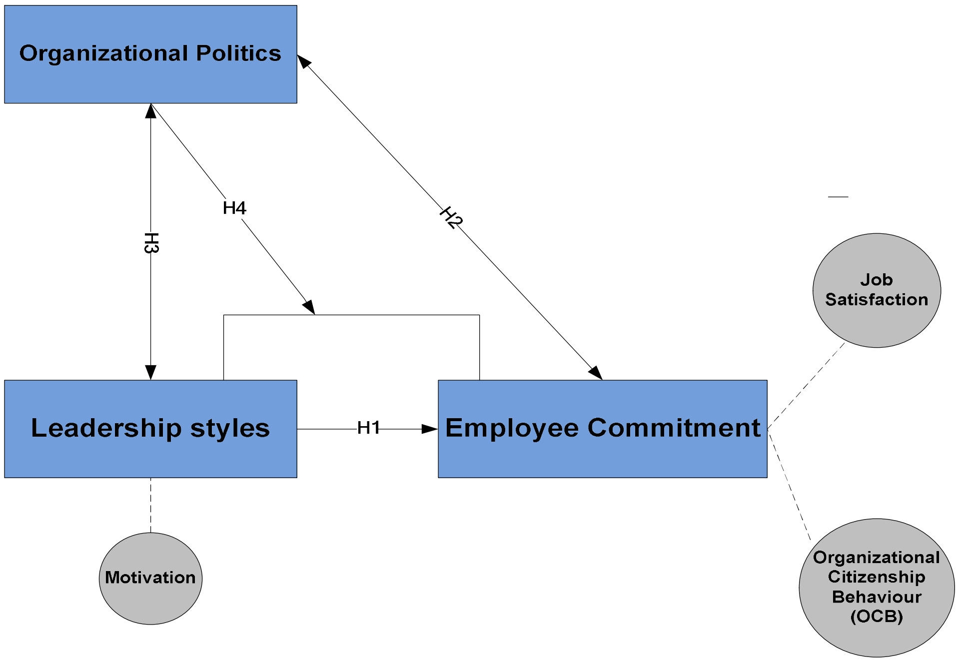
An examination of the works of the various authors above shows a gap in literature; that most studies failed to look into the moderating effect of organizational politics on leadership styles and how it will influence employee commitment. Hence, this study critically looked into that direction with reference to selected public and private organization in Lagos state. Figure 1 below depicts the assumed relationship between the Organizational politics, Leadership styles, moderated by motivation, and employee commitment which is moderated by job satisfaction and organizational citizenship between behavior. Their interrelationship was empirical investigate in both private and public organization to see if there exist significance difference.

3. Methods

A descriptive survey research design was used in this study. Stratified sampling technique was used to select the public and private organizations in Lagos state. Five organizations each from the category of organization under study were used to make comparative analysis of the employees' perception on these constructs' leadership styles, organization politics employees' commitment.

The public organizations were government parastatals in Lagos State: Ministry of Commerce, Industry and Cooperatives, Ministry of Agriculture, Ministry of Economic Planning & Budget, Ministry of Education, Lagos State Ministry of Establishments, Training and Pensions; while the private organizations encompass Beloxxi Group; DVLS Integrated Combine Services, Guaranty Trust Bank Plc; Forte Oil; and Greenlife Pharmaceuticals Limited. The population of the study is the employees of various parastatals under consideration. A self-administered questionnaire was used as a research instrument to capture the perception of employees on the leadership styles, organization politics and employee commitment of the selected organizations in Lagos state. Two hundred and twenty (220) copies of questionnaire were distributed among the employees of selected organizations. Out of the copies of questionnaire distributed one hundred and twenty (120) were returned, and 93% of the returned copies of questionnaire were valid and used for the analysis. The proportion of the public organization was 52% from the returned copies of questionnaire while the remaining 48% came from the private organizations.

Figure 1 – Conceptual model showing the link between and among leadership styles, organizational politics and employee's commitment



Source: Developed by Researchers, 2018.

3.1. Measures of related variables

Organizational politics instrument developed by Kacmar and Carlson (1997) that is the Perceptions of Organizational Politics Scale (POPS) was utilised for this study. This scale looked into three (3) dimensions, encompassing: "Go Along To Get Ahead" (7 items), "General Political Behavior" (2 items), "Pay and Promotion Policies" (6 items); which makes it 15 items all together.

Employee commitment was measured using the three Component Model of Organization Commitment developed by Meyer and Allen (1991) emphasizes commitment as a spectacle to an organization exhibit 3 distinct components that significantly influence how employees relates towards their organization. The 3 components are; continuance commitment that is Fear of loss (8 items), Affective commitment that is affection for the job (8 items) and normative commitment that is Sense of obligation to stay (8 items). While, leadership style was statistically measured by implementing the Multifactor Leadership Questionnaire, (MLQ) (Avolio, Bass, & Jung, 1999; Avolio et al., 2004; Bass & Avolio, 1993; 1994), which differentiates between transformational leadership and transactional leadership style. In accordance to MLQ, transformational leadership has four (4) subscales which are inspirational motivation, charisma, individualized intellectual stimulation consideration. While transactional model has 3 subscales: management-by-exception (MBE) contingent reward, and laissez-faire. Data Analysis Data collected were analyzed using One-way ANOVA, and multiple regression analysis were used to measure the statistical relationship between organizational politics, leadership styles and employees' commitment in an organization, through predictive analytics software (PASW). Reliability Test According to the responses that obtained from the pilot study, using Cronbach Alpha to determine the internal consistency and reliability statistics of the items. The reliability statistics for the measurement are shown in Table 1.

Table 1 – Reliability Statistics

SN	Variables	Items	Cronbach's Alpha
1	Organizational Politics	15	0.685
2	Employees Commitment	24	0.768
2a	Affective Commitment	8	0.756
2b	Continuance Commitment	8	0.701
2c	Normative Commitment	8	0.725
3	Leadership Styles	9	0.821
3a	Transformational Leadership	5	0.948
3b	Transactional Leadership	4	0.699
4	Overall Reliability	48	0.866

Source: Field Survey, 2018

4. Data analysis and results

This section presents the data analysis and its clarification. The techniques used were the frequency distribution tables and percentages, while One-way ANOVA and regression statistical analysis was adopted for the study hypotheses.

4.1. Bio-data characteristics of the respondents

Table 2 below shows that majority of the respondents (54.5%) were within age group of 31-40 years. Also, the table shows that there almost equal distribution of gender among the respondents that participated in the study. Hence, high skewness of responses due to gender differences was eliminated. In addition, that majority of the respondents has at least a university degree and was married. Furthermore, majority of the respondents sampled from both public and private organization in Lagos state, had over 10years, but less than 15years working experience.

4.2. Comparative analysis between public and private organization in Lagos State

This section presents the comparative analysis on the perceptions of respondents from Public and Private Organization on organizational Politics, Employee commitment and Leadership styles. The results have been presented using Means and standard deviation analysis. Analysis of Variance (ANOVA) was used to show the significance difference with the aid of statistical software package (SPSS- Statistical Package for the Social Science version 20.0).

Table 2 – Bio-Data Distribution of Respondents

Variables		N	%	Variables		N	%
Age group	20 - 30 years	28	25.0	Marital status	Single	23	20.5
	31 - 40 years	61	54.5		Married	89	79.5
	41 - 50 years	13	11.6		Total	112	100.0
	51 -60 years	10	8.9	Sector	Private Organization	54	48.2
	Total	112	100.0		Public Organization	58	51.8
Gender	Male	58	51.8		Total	112	100.0
	Female	54	48.2	Service length	0-5years	11	9.8
	Total	112	100.0		5-10years	15	13.4
Educational Qualification	SSCE	1	.9		10-15years	66	58.9
	Diploma/HND	22	19.6		15-20years	20	17.9
	B.A/B.Sc.	65	58.0		Total	112	100.0
	MBA/PhD.	1	.9				
	Others	23	20.5				
	Total	112	100.0				

Source: Field survey, 2018

Case One: Organizational Politics

There is no significant difference in the insight of organizational politics in the public and private organization

Table 3 shows the descriptive and the ANOVA analysis output which indicates whether there is a statistically significant difference in the perception of organizational politics between the public and private organization. It was recognized that the significance value is 0.000 (i.e, p= 0.000), which is inferior to 0.05. Hence, a statistical significant difference in the perception of organizational politics between the public and private organization is established. This implies that the organizational politics in the public organization is different from that of the private organization.

Table 3 – One WAY ANOVA for Organizational Politics on Private and Public Organization

Organizational Politics	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Min	Max
					Lower Bound	Upper Bound		
Private Organization	54	2.1500	.47296	.07130	2.7062	2.9938	2.00	3.60
Public Organization	58	2.8627	.49164	.05962	2.7437	2.9817	2.00	3.60
Total	112	2.8577	.48228	.04557	2.7674	2.9480	2.00	3.60

ANOVA	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	3.004	1	3.004	12.783	.000
Within Groups	25.813	110	.235		
Total	28.818	111			

Source: Authors` computation, 2018

Case Two: Employee Commitment

There is no significant difference in the way employee are committed between the public and private organization

Table 4 below results show that P<0.05. It is an indication that there is a significant difference in the way employee are committed between the public and private organizations.

Table 4 – One-way ANOVA for Employee Commitment Private and Public Organization

Employee Commitment	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Min.	Max
					Lower Bound	Upper Bound		
Private Organization	54	3.0030	.39868	.06010	3.1818	3.4242	2.58	4.29
Public Organization	58	3.3444	.43698	.05299	3.2386	3.4501	2.58	4.29
Total	112	3.3281	.42100	.03978	3.2493	3.4070	2.58	4.29
ANOVA	Sum of Squares			df	Mean Square		F	Sig.
Between Groups	2.046			1	2.046		11.494	.000
Within Groups	19.628			110	.178			
Total	21.674			111				

Source: Authors` Computation, 2018

Case Three: Leadership Style

There is no difference in the leadership style used in the public and private organization

Table 5 shows the descriptive and the ANOVA analysis which indicates a statistically significant difference in the leadership style adopted in the public and private organization. Here also, one can see that the significance value is 0.002 (i.e., p = 0.002), which is below 0.05. Hence, a statistical significant difference in the leadership style adopted in the public and private organization was acknowledged. This implies that the leadership style adopted in public organizations is merely different from that of private organization in Lagos Nigeria.

Table 5 - One-way ANOVA for leadership styles of private and Public Organization

Leadership Styles	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Min	Max.
					Lower Bound	Upper Bound		
Private Organization	54	3.0636	.67620	.10194	3.8581	4.2692	2.00	4.80
Public Organization	58	4.0618	.74293	.09009	3.8819	4.2416	2.00	4.80
Total	112	4.0625	.71435	.06750	3.9287	4.1963	2.00	4.80
ANOVA	Sum of Squares			df	Mean Square		F	Sig.
Between Groups	3.020			1	3.020		5.864	.002
Within Groups	56.642			110	.515			
Total	59.663			111				

Source: Author's SPSS result computation, 2018

4.3. Regression analysis

This was conducted using the field data and the results interpreted according to the adjusted R^2 values and P-values at P < 0.005 significance level.

Hypothesis one

H_O: There is no relationship between leadership style and employee commitment.

Table 6 exhibits the adjusted R-squared which is 0.316 meaning the independent variable (i.e. leadership style used in the study organization) accounted for 31.6percent variations in the dependent variable that is, the extent to which employee are committed to the organization as a result of leadership adopted in the organization., while the rest are explained by the other factors aside leadership styles. Also, the t-statistics is 7.238 and F-statistic is 52.393 with a *P*-value of 0.0000 which implies that the regression model is significant. To this end the null proposition that no significant relationship between leadership style and employee commitment was not supported thus rejected, while its alternative was accepted and this shows a fair positive significant relationship between leadership style and employee commitment.

Table 6 – Summary of Regression Results

Dependent Variable	Independent Variable	R	R^2	Adj. R^2	Std. Error of the Estimate	t-statistics	F	Sig.
Employee Commitment	Leadership Style	.568 [a]	.323	.316	0.34807	7.238	52.393	0.000

Source: Authors` SPSS result computation, 2018

Hypothesis two

H_0: There is no relationship between organizational politics and employee commitment.

In addition, Table 7 shows that the adjusted R-squared is 0.89 meaning that (organizational politics) accounted for 8.9 percent variations in the dependent variable that is, the extent to which employee are committed to the organization as a result of politics of the organizational, while the rest are explained by the other factors aside organizational politics. Also, the t-statistics is 3.435 and F-statistic is 11.797 with a *P*-value of 0.001 which also implies that the regression model is significant. To this end the null proposition that there is no significant relationship between organizational politics and employee commitment was also not supported thus rejected, while its alternative was accepted and this affirmed an important relationship between organizational politics and employee commitment.

Table 7 - Summary of Regression Results

Dependent Variable	Independent Variable	R	R^2	Adj. R^2	Std. Error of the Estimate	t-statistics	F	Sig.
Employee Commitment	Organizational Politics	.311 [a]	.097	.089	0.40191	3.435	11.797	.001 [b]

Source: Authors` SPSS Result Computation, 2018

Hypothesis three

HO: There is no direct relationship between organizational politics and leadership styles used in organizations.

Furthermore, Table 8 shows the adjusted R-squared value of 0.281 that the independent variable (i.e. the leadership styles adopted in the organization) accounted for 28.1 percent variations in the dependent variable that is, the politics of the organizational, while the rest are explained by the other factors aside leadership style used in the organization. Also the t-statistics is 6.655 and F-statistic is 44.293 with a *P*-value of 0.000 which also implies that the regression model is significant. To this end the null proposition that no direct relationship between organizational politics and leadership styles used in organizations was also not supported thus rejected, while its alternative was accepted and this exhibits a direct relationship between organizational politics and leadership styles used in organizations.

Table 8 – Summary of Regression Results

Dependent Variable	Independent Variable	R	R^2	Adj. R^2	Std. Error of the Estimate	t-statistics	F	Sig.
Organizational Politics	Leadership Style	.536[a]	.287	.281	0.40906	6.655	44.293	.000[b]

Source: Authors` SPSS Result Computation, 2018

Hypothesis four

HO: There is no significant relationship between leadership style, organizational politics and employee commitment.

Table 9 shows that the adjusted R-squared is 0.310 meaning that the independent variables (i.e. the leadership styles adopted in the organization and as well as organizational politics) accounted for 31.0 percent variations in the dependent variable that is, the extent to which employee are committed to the organization as a result of politics of the organizational, as well as the leadership style used in the organization, while the rest are explained by the other factors aside leadership style used in the organization.

Also, the t-statistics are6.029 and 3.314 for leadership style and organizational politics respectively while their joint and F-statistic is 25.966 with a *P*-value of 0.000 which also implies that the regression model is significant. Hence, the null proposition that no relationship between leadership style, organizational politics and employee commitment was not supported thus rejected, while its alternative was accepted and this affirms a significant relationship between leadership style, organizational politics as well as employee commitment.

Table 9 – Summary of Regression Results

Dependent Variable	Independent Variable	R	R^2		Adj. R^2	Std. Error of the Estimate	t-statistics	F	Sig.
Employee Commitment	Leadership Style	.568[a]	.323		.310	.34964	6.029	25.966	.000[b]
	Organizational Politics						3.134		

Source: Authors` SPSS Computation Result, 2018

4.4. Discussion of findings

Based on the empirical results of the analyses above, the study finds that there is a significant difference in the perception of organizational politics between the public and private organization, and that there is a significant difference in the way employee are committed between the public and private organization and that there is a significant difference in the leadership style adopted in the public and private organization. Also, the study made findings that there is a positive significant relationship between leadership style and employee commitment; that there is a positive significant relationship between organizational politics and employee commitment; also that there is direct relationship between organizational politics and leadership styles used in organization; and that there was a significant relationship between leadership style, organizational politics and employee commitment.

These findings corroborate the view of Yiing and Ahmad (2009) where they explored the connections between employee commitment and leadership styles moderated by organizational culture, they discovered that leadership styles adopted in the study have significant and positive connections with affective commitment of employees. Also, the findings support the view of Walumba, Wang, Lawler and Shi (2004) and Rehman, Shareef, Mahmood and Ishaque (2012) where they examined the interaction of both transactional and transformational leadership on organizational commitment, they discovered that transformational style of leadership had so much more contributions to the organizational commitment level than transaction leadership style.

5. Conclusions, limitations and implications for future research

The study has been able to affirm that organizational politics and as well as leadership styles are very effective in improving the commitment of employees in an organization. They are also very active in giving direction for their organization, as well as encourage their followers by giving control and direct group roles. The study has also shown that through effective organizational politics which aims at dislodging organization for improve performance. As such ensuring effectiveness and efficiency is the main objective of an effective leader regardless of their gender.

Leaders must aim to attain organizational goals always while simultaneously not neglecting the mediating effect of organizational politics. This simply implies that employers in both public and private organization should adopt leadership styles in an enabling environment, which will help them to carry along their employee in everyday activities which results in daily and measurable performance.

Conclusively, the study has shown that, a positive significant relationship between leadership style and employee commitment was paramount; a positive significant relationship between organizational politics and employee commitment; also that there is direct relationship between organizational politics and leadership styles used in organization; and that a significant relationship between leadership style, organizational politics and employee commitment was renowned. The above findings imply that the most effective leaders are leaders who put into practice the most effective and right leadership style with favorable organizational politics to improved and encourage and the commitment of employees in the organization which ultimately ensure organizational performance.

Hence, based on the conclusion the following were recommended, that managements in both public and private organization in Lagos state need to pattern the way, by laying down a good example, being a role model and worthy to be followed.

In addition, since it was found that there was a link between employee commitment and organizational politics, the management of both public and private organization in Lagos State are notified to recruit employees who will tends to become linked to the politics of the organization. Before they hire workers, they will have to look for the suitability amid the individual's goals and values and the organization's goals and values.

This study was limited to government owned and private organizations in Lagos State due to time constraints and accessibility. There needs to further expatiate the scope of the study to other states by future researchers. Since this study explores the use of primary data by administering questionnaire, other researchers should explore the use of secondary data from the various organizations and do a robust statistical analysis on the data collected to see whether we would be able to achieve the same results.

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AN EXAMINATION OF GOVERNANCE TYPOLOGY IN NIGERIA HIGHER EDUCATION SYSTEM

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Abstract

Nigeria higher education institutions (NHEIs) are facing a number of challenges that border on corporate governance (CG) practices. CG includes the issues of autonomy and accountability. In developed and developing countries, autonomy is being extended to HEIs for flexibility in fulfilling the mandate of teaching, research and community service. This paper explores CG culture and its challenges in NHEIs. A qualitative survey research method was employed through structured interviews of selected NHEIs key stakeholders and extensive desk-based research. The results of the interviews and content analysis of operational documents of selected high ranking NHEIs revealed the adoption of corporate governance structures and processes. The study also recognised the non-existence of disclosure of CG practice. Challenges such as inadequate funding, excessive interference by government, domineering influence of unions, faulty composition of CG constituents and poor leadership are some factors affecting effective governance in these institutions. Consequently, proper funding, leadership training, empowerment of these institutions and complete and periodic disclosure of application of CG practices are recommended.

Key words: Corporate governance; Nigeria higher education institutions; Stakeholders.

1. Introduction

Sustainable development is increasingly driven by the advancements and application of knowledge through effective higher education and good governance (Mustapha and Nofiu, 2017 and Nazar et al, 2018). In every civilized society, education has been the most important engine of growth and driving force for socio-economic performance in Organization (Asadullah & Ullah, 2018; Popescu 2011).

Higher education is the organized learning activities at the tertiary level (Jaja, 2013). The National Policy on Education of Nigeria (2004) defined tertiary education to include universities, colleges of education, polytechnics and monotechnics. These institutions were established to blaze the trail in the production of required workforce equipped with a unique education tailored to address Nigeria problems (Ogunruku, 2012). The tripartite mandate of teaching, research and community service of higher institutions were derived from the age long core values characterized by intellectual vitality, academic freedom, ethical caring, diverse community and individual well-being (Okogie, 2013; Pucciaretti & Kaplan, 2016). Tertiary education is generally acknowledged as the citadel of knowledge, education and human resources development. The World Bank maintained that the single most important key to development and poverty alleviation is education (Deboer et al, 2002). Little wonder, why the United Nations Education. Scientific and Cultural Organization (UNESCO) recommended that developing nations should invest a minimum of 26% of total budget allocation to education sector (Ahmad, 2015; Ekundayo & Ajayi, 2009).

In developed and developing countries of the world, investment in education is premised on the efficacy of education in solving socio-political, economic and technological problems. In Nigeria, this is far from the reality (Ahmad, 2015). Previous findings on the state of higher education in Nigeria confirmed the degradation of Nigerian education system (Obiyo and Lencee, 2011, Ahmad, 2015). Most of these institutions are characterized by unethical practices, poor quality of graduates, internal politics, bureaucracy, conflicting values, inadequate funding, low motivation, centralization of authority and decision making, global competition and poor CG culture (Lawal 2008; Bamiro 2012; Issa and Mohammed, 2014 and Ahmad and Adepoju, 2017).

Higher Education Institutions (HEIs) are facing dramatic changes. Increasing enrolment, diversification of programs and revenue base, new modes of delivery, diversity in profiles, growing internationalization and emphasis on research and innovation are leveraging on knowledge production of HEI (Hannard and Alexander, 2016). Recently, the strategy of internationalization has become imperative to access large pool of talents and conversely it exposes HEIs to competitors who seek to capture the same resources (Pucciarell and Kaplan, 2016). Internationalization has resulted into international ranking and accountability of HEIs. As rightly remarked “high ranking universities have three connected factors concentration of talents, abundant funding and appropriate governance” (Salmi, 2009).

Accountability is also becoming an important element of governance in HEIs. The trend toward greater transparency and public accountability is evidenced through quality assurance framework, performance related funding, market mechanism and participation of external stakeholders (Crous, 2017 and Hannard and Alexander, 2015).

Nigeria higher education (NHE) has undergone substantial deregulation resulting into participation of private sector. NHE needs to react to competitive environment similar to development in telecommunication and utilities sectors. Despite the deregulation, government and supra agencies are still involved in HEI system through various regulations, policies and recommendations to quality assurance and public resource allocation. NHE cannot succeed within the contemporary competitive environment without good leadership and sound governance (Crous, 2017). In Nigeria, CG is becoming important to the extent that several initiatives, structures and institutions have been established to address governance in various organizations.

Empirical evidence on governance of NHE has received little attention.(Davis, 2005). Extant research focuses on governance of large corporate firms such as banks, multinational corporations and insurance firms on the premise that the findings of these studies can be generalized to other institutions. Thus, NHE governance remains essentially unaddressed.

Higher education in Nigeria is in travail. The system is riddled with crises of various dimensions and magnitudes. A number of multifaceted problems have inhibited goal attainment and are raising questions, doubts and fears on effective and efficient management of these institutions (Ajayi and Haastrup, 2016). Against this backdrop, the successive governments have instituted a number of reforms aimed at improving the level of governance in these institutions. This article seeks to address the foregoing research gap by examining governance in NHE in order to determine how institutional actors are made responsible for the naturally defined mandate of teaching, research and community service.

Our study contributes to literature in two ways. Theoretically, it helps to clarify the concept of governance as applicable to NHE. Second, it adds to and differs from previous studies. While previous studies have addressed effect of governance on organizational determinants (e.g.Blerins et al 2018, Abdulazeez et al 2016), the present study answers the question, "What is the typology of governance system in NHE"? Empirically, our study provides insight into challenges of governance of HEI in a developing economy like Nigeria. It addresses the factors institutional managers need to focus for performance improvement.

2. Review of literature and theoretical framework

2.1. Conceptual framework

CG has received increased attention because of crises of confidence created by the failure of large corporations due to high-profile scandals involving abuse of corporate power and in some cases alleged criminal activities of corporate officials (Kazmi, 2008). Global disasters such as unethical financial reporting by Enron, World com, Parmalat, and Maxwell in U.K., Dawoo in Korea, Regal Bank in South Africa, Cadbury, Oceanic Bank and Intercontinental Bank in Nigeria, confirmed the growing need for transparency and accountability in corporate management (Uwigbe, 2013).

The concept of corporate governance has been defined differently in literature. Astradian, (2010) defines CG precisely "as the system by which companies are directed and controlled. The Revised Principles of Corporate Governance of OECD expanded this definition by describing it as: "procedures and processes according to which an organization is directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the organization – such as boards, managers, shareholders and other stakeholders – and lays down the rules and procedures for decision making" (OECD, 2005).

The foregoing perception of CG mainly from agency theory has been criticized as inadequate. Neubauer and Lank (1998) provided a board view of CG by defining the concept as "a system of structures and processes to secure the economic viability as well as the legitimacy of the corporation (.......) economic viability means securing the long-term sustainability to development of the firm.

In summary, CG is devoid by universally acceptable definition. Most definitions are divisible into narrow and board perspectives. A narrow definition focuses on CG structure. The concept is concerned with the structures and systems of control by which managers are held accountable to those who have legitimate stake in an organization (Jacoby, 2005). A broad perspective is CG as a process. It is considered as the heart of both a market economy and a democratic society (Oyejide and Soyibo, 2001).

Meanwhile, the notion of governance in HEIs is a combination of both the structure and process. It is a structure which strives to preserve the integrity of academic value system. Similarly, CG is a process of positioning universities Vis a Vis their larger environment to make them receptive and answerable to external messages, demands and expectations (Fried, 2006 p.81). For the purpose of this study, the term governance refers to all the structures, processes and systems involved in planning, organising, directing and controlling of HEIs resources in response to the needs of the society.

2.2. Corporate Governance (CG) of Higher Institutions (HIs) in developed and developing countries

CG is not only applicable to industrial operations, organizations whether private or public sectors need effective CG. Higher institutions are increasingly being challenged by globalization, diversity of work force and complexity of environment. The problems of internal politics, work ethics, inadequate financing, overconcentration of authority and inability to compete in the global market are manifestations of poor corporate governance culture (Basheka, 2015).

CG in higher institutions according to Basheka, (2015) is the process for distributing authority, power and influence for academic division among various constituencies. The Council, the Senate/Academic Board, Faculty, Department Staff, Students, Administration, Unions, Committees and Subcommittees play significant role in higher institutions CG.

In recognition of the vital role of modern corporations in sustainable development, there has been increasing global initiatives toward the design and implementation of corporate governance principles for effective performance. Most of these initiatives featured prominently in developed countries like United Kingdom, United States of America, and Australia. Developing countries like India, South Africa and Nigeria have also taken bold steps to address the issue of CG (Oyejide and Soyibo, 2001).CG in these countries was initially confined to corporate giants and multinational corporations; however, the trend has been extended to HEIs with the growing need for an educated society (Ogunruku, 2012).

Generally, governance measures were designed and implemented to tackle institutional and managerial dysfunctions. Governance arrangements were instituted to address governance scandals in the post 1992 U.K. university sector scandals, Netherland double students' enrolment, United States students' loan scandal and Australian universities practice of cutting corners to attract foreign students.(Salmi, 2008).

In Australia, the Bosch Reports and Hilmar Reports laid the foundation for promotion of good CG. Australian HEIs are incorporated by statutory legislations that influence the governance. The legislation stipulates the structures and guidelines in relation to the roles of the council and principal officers (Crous, 2017). The Deloitte Report reviewed and aligned governance of Australian HEIs with contemporary governance and management practices. The main features of the reforms include increase in the size of councils, increase in the number of independent council members, promoting the use of Standing Committees with independent members and retaining the power of Senate in governance of academic, research and learning (Deloitte, 2014).

In South Africa, the state supervision model is adopted; Higher Education Act of 801 of 1997 and National Qualification Framework of 2008 amended in 2012 provide guidelines for institutional governance. These Acts empower the Minister of Higher Education to intervene in case of poor performance. These Statutes provide the Ministry of Higher Education assisted by

Council of Higher Education with ultimate responsibility for quality assurance. The Internal Structures of South Africa HEIs include Councils responsible for strategic decision, Academic Board/Senate for academic matters. The Senate/Academic Board comprised of mainly academic employees with representation of non-academic staff and students (Crous, 2017).

There is significant body of literature on shared governance in higher institutions. Most literature concentrates on the concept of agency and trust. To address the concept of shared governance, Olson (2009) explained that shared governance is not a novel topic or unique in the 21st century. However, there is a number of misinformation. Shared governance is more complex than committee system and communication is a fundamental requirement for success of shared governance.

American Federation of Teachers (AFT) noted that shared governance is under attack, corporate style of business model that is more interested in physical outcomes rather than academic pursuit and their independent merits are challenging the shared governance. Hoy, Gage, and Tartar (2006) extended discussion on institutional governance to trust conversation by placing the idea in the context of school mindfulness. This concept becomes apparent in contemporary institutional governance. Studies conducted by Keizer and Sam (2014) demonstrated that many faculties consider governance as a luxury but participants disagree with this notion. A strong foundation is the position of resources and funding which are considered as the basis for strengthening boards in institutional governance (Yang, 2015).

2.3 Corporate Governance in Nigeria Higher Institutions

The history of HEIs in Nigeria is traceable to the early 1930s when Yaba Higher College was established following the Elliot Commission Report. Subsequently, other higher colleges were instituted in Zaria, Enugu and Ibadan in 1940s. In 1948, University College of Ibadan was founded as a campus of University College of London. Subsequently, the Ashibi Commission Report led to the establishment of regional universities in Nsukka, Ife and Zaria in 1962 to provide high level manpower for the emerging public sector. The University of Lagos was also established as a federal university. About the same time, regional Polytechnics or Colleges of Technology were established in Kaduna, Enugu, Ibadan and Benin to produce technical manpower and Colleges of Education in Zaria, Ondo and Owerri for training of secondary school teachers. Later in 1970, the University of Benin came into existence as the fourth regional university. These Universities were regarded as the first generation universities (Ogunruku, 2012).

The evolution of second generation universities started in 1975 when seven federal universities came on board in Ilorin, Port Harcourt, Calabar, Jos, Maiduguri and Sokoto. During this period, many federal and state HEIs were established (Ogunruku, 2012).

The third generations of universities were founded in the early 1980s with the establishment of Universities of Technology and Agriculture in Owerri, Makurdi, Bauchi, Minna and Abeokuta. At the same time, many states like Imo, Ondo, Lagos, Oyo, Cross River established state universities borne out of the political and economic exigencies of the time (Ajayi and Haastrup, 2016).A new development was witnessed in the 1990s with the evolution of private HEIs. In fact, the fourth generations NHEIs were established between 1991 till date (Ogunruku, 2012).The summary of HEIs in Nigeria offering approved and accredited programs are provided in the Table1.

Governance of University College of Ibadan (now University of Ibadan) naturally tapered from that of its main campus of London (Ogunruku, 2012). Other universities, particularly, the first generation universities adopted the governance structures of the early British Universities

(Ajayi and Haastrup, 2016). These structures were incorporated into the various laws and statutes of various institutions.

The Statutes establishing these institutions such as Federal Universities of Technology Act 1986, The Universities (Miscellaneous Provisions) (Amendment) Act 2003 etc. provide for the external and internal structures of governance. The external structures involve the participation of key stakeholders in institutional decision making of NHEIs. They include the Ministry of Education and agencies like Nigeria Universities Commission (NUC), National Board for Technical Education (NBTE) and the National Council for Colleges of Education (NCCE) charged with the responsibility of monitoring the quality of services rendered by NHEIs. For example, the National University Commission (NUC) Act No 1 of 1974 states that the commission is committed to improve the quality of programmes through the injection of requisite inputs as well as assuring quality process and output. NUC by virtue of Section 10(1) of the Federal Education Act Law of the Federation vested in the body very wide and enormous power with respect to supervision and regulation of university education in Nigeria.(Iruonagbe and Egharvebe,2015).

These regulatory bodies ensure orderly development and adequate funding of HEIs. Their activities include:

i. Accreditation of courses
ii. Approval of courses and programs
iii. Maintenance of minimum academic standard
iv. Monitoring of government institutions
v. Monitoring of private institutions
vi. Prevention of the establishment of illegal HEIs
vii. Implementing appropriate sanctions (Ekundayo and Ajayi, 2009)

Quality assurance is the key mandate of these regulatory bodies. Quality assurances in HEIs include internal and external mechanisms put in place by the institutions and accreditations agency respectively. The regulatory bodies employ various variables to determine quality assurance of programmes and institutions. They include minimum academic standard, impact assessment, visitation, carrying capacity and admission quota, accreditation, publications, research assessment, structures, infrastructures and utilities. Evaluation of existing staff strength, capacity building for teaching and non-teaching staff, exchange programmes for teaching personnel and students, institutional ranking and external moderation system (Bannet 1997).

The constituents of internal governance structures are those established by the Statutes of NHEIs. They include the Councils, the Senate/Academic Boards, Congregation, Convocation, and Faculty/School Boards. The Council is the highest decision making authority of NHEIs. The composition of the Council has been reviewed in line with global best practices. For instance, the Universities (Miscellaneous Provision) (Amendment) Act of 2003 adjusted the position of the Governing Councils of Nigerian Universities to have more internal members than external members in order to drive the system effectively and efficiently. The Act also guarantees the autonomy of the University by providing the Councils with full responsibility for good management, growth and development of the institutions.

In summary, the key actors in NHEIs governance can be structured into academic oligarchy; intermediary organization actors and state actors (Hernard and Mitterle, 2015). Academic oligarchy is visible in faculty boards, senates, academic boards and stakeholders on governing boards. The group is otherwise known as “academic elite” and promote in academic council. Stakeholders in HE range from students, academics, government community representatives, alumni, unions and cultural groups to newly recognized actors like industry representatives. Students as stakeholders in institutional governance occupy marginal roles. However, their advisory capacities and informal structures give their voice a stronger impact (Bergan, 2003).

Intermediary organization actors comprising the governing councils, Vice Chancellors, Rectors, Provost, Chief Executive Officers etc. who are responsible for day to day management. This responsibility entails different administrative tasks. State actors include relevant ministries, departments and government advisory agencies supervising NHEIs. Nigeria HE is characterized by strong state intervention. Supervising NHEIs was seen as a state instrument of financial accountability. Quality assurance agencies like National Universities Commission (NUC), National Board for Technical Education (NBTE) and National Council for Colleges of Education (NCCE) review programs and institutions and their influence varies from auditing and accreditation of programs to system.

2.4 Theoretical Framework

The two key divergent theories that underpin perception and approaches to CG are "Agency, Theory", and Stewardship Theory". Agency theory suggests that organizations can be viewed as a nexus of a contract between the principal (shareholders) and agents (corporate management). An agency problem exists when the management fails to act in the interest of the owners leading to friction and mistrust (Obasan, 2014). For management to act ethically in the interest of the principal, application of CG principles is inevitable. The main criticism of the theory is the assumption that corporate executives are self-centred and irresponsible (Kazmi, 2009).Thus, agency theory develops primarily to direct and control the business by ensuring that management acts in the best interest of the shareholders. HEIs of course do not have shareholders. Some HEIs might have tendency to see themselves as corporations, however the strong argument is the existence of academic boards which contradicts the analogy.

In stewardship theory, corporate management is considered to be obedient servant managers; they will act in the best interest of the owner/principals. As "stewards" their interests are aligned with those of the owners. (Davis et al 1997). The Stewardship perspective suggests that corporate managers are satisfied and motivated when organisational success is attained. Stewardship theory is more relevant to non-profit sector but falls short of providing a framework for HEIs governance issues. This approach assumes that managers want to do a good job and will act as effective stewards of the company. This is more sympathetic to the position of HEIs staff than agency theory. It nevertheless fails to capture the role of governing bodies, takes no account of legal and constitutional provisions of academic governance and provides a narrow definition of corporate management roles which is appropriate for the academic community.

The agency theory is associated with a less trusting environment and provides for stringent measures using extrinsic rewards. At the other extreme, a stewardship theory is associated with more trusting environment and provides more intrinsic and empowering type of control. HEIs with legally defined objectives as the advancement of learning do not fit comfortably within the foregoing theories (Shattock, 2006).

Rhoades (2005) proposed a shared governance model at the university level that focuses on democratic accountability. While Universities are recognized to have variety of functions, among these are generating revenue for academic institutions, producing knowledge and wealth to boost global competitiveness of corporations.

This trajectory has made HEIs to become increasingly capitalist in nature. Therefore, Rhoades (2005) proposed a shift toward democratic accountability model to include internal and external stakeholders known as shared model. A governance model developed by American Association of Universities Professors provided the foundation for a shared model. The share a model was also proposed by McDaniel (2017), the model provides for inclusion of meaningful stakeholders in all Committees and governing body compositions to secure their trust in governance. As clearly indicated by Hoy, Gage III, and Tartar (2006) trust is a multi-faceted concept with five key components of openness, honesty, competence, predictability and benevolence. Trust becomes a building block for successful institutional climate. The essence of shared model governance is to spread authority over a broader spectrum of stakeholders instead of isolating within the context of university models.

2.5 Corporate Governance and Performance

The relationships between various aspects of governance and performance have been studied using different theoretical and empirical perspectives. Theoretically, effective governance is essential for long term success. It is a vital ingredient for balancing order and equity of society, ensuring accountability and protection of human rights and freedom (Kwakwa and Nzekwu, 2003). Empirical evidence on the relationship, between corporate governance and performance has been mixed (Adewusi et al, 2013). A first bunch of empirical reports support of positive relationship between CG and some indices of performance such as profitability, stock returns, share price and reduction incidence of corporate failure (Uwigbe, 2013; Blevins et al, 2018; Zagoiched and Gao, 2016, Abdulazeez et al 2016and Aliya and Robina, 2007). A second stream of studies argues that governance suppresses corporate performance.

Jack and Johl (2009) argued that outside directors with multiple appointments have negative effect on performance. Meanwhile, studies conducted by Adewusi et al (2013) and Arora and Sharman (2016) did not find significant relationship between CG and performance. An important conclusion from the foregoing studies on the combined effects of governance is that empirical evidence is contingent on a number of contextual factors. Studies conducted by Garcia-Meca et al (2015) echoed this position by revealing the moderating effect of regulatory and investors' protection environment on the relationship between board diversity and performance of banks.

From the review of literature, there appears to be some visible gaps. First, most of the literature focused on CG in developed economies. Second, the few empirical reports are corporate based. Therefore, in recognition of the significant role of HEIs in sustainable development, there is need to empirically examine corporate governance of NHEIs.

3. RESEARCH METHODOLOGY

3.1. Research Methods

Following Clarks (1998) theoretical concepts of HEI governance, the present research focuses on governance of HEIs operating in the dynamic and developing Nigerian environment. Within these contexts, we explore the following two postulates:

- The typology of governance in NHEIs and
- Challenges of institutional governance in NHE

This exploratory study utilized qualitative approach to facilitate in depth and contextual analysis of governance in NHEIs. Qualitative research strategy usually emphasized on words rather that quantification of data and embodies a view of social reality as a constantly shifting emergent property of individuals' creation (Brynam and Bell, 2011).Crosswell (1994) recommends using qualitative approach to describe experiences. This recommendation is highly relevant to answering research questions of the study. Qualitative research is designed to explore rather than predict a specific phenomenon (Saibah and Xiao, 2014). Moreover, Mustapha and Nofiu (2017) described the state of the art of corporate governance in Nigeria to be at the evolutionary stage, the need for a qualitative research for a more in-depth investigation is essential.

3.2. Data Collection Sources

Empirical data were gathered by conducting structured interviewed with key institutional stakeholders of NHEIs. The interviews focus on exploring governance practices on one part and challenges of institutional governance on the other part. Majority of the interviews were transcribed verbatim to allow for subsequent analysis. Interviews were conducted with significant governance actors. The interviews lasted for 15-30 minutes. The email enquiry included a request to participate in a short interview. No compensation was offered. Table 2: provides detailed informative in the interviewees.

Respondents were also promised anonymity of name and their respective organizations. The second category of data collection was generated from archival sources. The interviews were complemented by extensive desk-based research (e.g. institutional websites, annual reports, institutional laws and some media releases) to ensure credibility. Content analysis of records has become a popular method for qualitative and quantitative analysis in management and international business research (Ajai and Kumar, 2018). The method was chosen for its ease of extracting data and drawing conclusions from variety of communication tools (Ritchie, 2014).

3.3. Population, Sample Size and Sampling Technique

HEIs constitute the tertiary education in Nigeria. They include universities, polytechnics and colleges of education (Bamiro, 2012).The population of the study comprises 162 universities, 119 Polytechnics/Monotechnics and 86 Colleges of Education established by Federal, State and Private Investors. A similar studies conducted in South Africa by Crous (2017) also used the list of approved and accredited HEls. The sampled institutions were 10 high ranking Universities, 10 high ranking Polytechnics and 10 high ranking Colleges of Education. The choice of these institutions was based in availability and accessibility of records on CG and the fact that governance provides explanation for academic excellence in these institutions.

The thirty NHEIs were selected based ranking conducted by regulatory agencies. The ranking assessed quality of staff, capacity building, strategic plan, master plan, students' enrolment, teaching quality, infrastructure and existence of a well-developed entrepreneurship development program to mention just a few. Nine interviews were conducted across these categories. A purposeful sampling approach (Saunder et al 2015) was employed to select participants relevant to the study. Interviewees comprised Chairman Governing Council, Executive Secretary of regulatory agency, Vice Chancellor, Rectors, Registrars, Provosts and Bursars of these institutions who are regarded as accounting officers and drivers of change process.

4. DATA ANALYSIS AND RESULTS

The numerical and non-numerical data were critically analysed using content analysis enriched by tables and figures to provide some insights on corporate governance in NHEls. The analysis process commenced with transcribing the data from the interview. The transcripts were then summarized. An analysis of secondary information was also conducted to further corroborate the transcribed data. Documents such as conditions of service, enabling laws, annual reports, information available from web sites, vision, mission, strategic planning, organization structure, and organizational manual and so on were contently analysed to ensure rigor in the data collection process.

4.1. Application of Corporate Governance (CG) Practices in 30 High Ranking Nigerian Higher Institutions

Table III shows the application of CG in NHEIs is similar to shared governance structures of the UK. The internal governance structures of shared governance are found virtually in all the institutions. The external governance structures are in forms of state involvement in institutional governance. An important finding is the absence of Annual Report on disclosure of application of CG principles. Shared governance entails stakeholder involvement in decision making and is becoming one of the key principles of CG practices embraced by HEIs worldwide. Examples are found in Europe and developing countries; conversely, the US HEIs institutional governance is diverse in nature. Most U.S. states have unique governance structures governed by strong board of trustees (Crous, 2017).

External governance of HEIs is based on state supervision which is used in developed and developing countries. In South Africa, Europe and United States, there are ministries and agencies responsible for overseeing the HEIs compliance with rules and regulations and formulating educational policies that frame the strategic plan of HEIs (Crous, 2017).

The major internal constituents of governance are usually provided by the statutes establishing NHEIs. They include the Governing Councils (GC), Executive Management, Management Committee, Senate/Academic Boards, Faculty Board, etc. The executive head of NHEIs is known as Vice Chancellor/Rectors/Provosts. The autonomy of NHEIs was expanded by granting the GC and executive heads more power in decision making. The University (Miscellaneous) Amendment Act 2003granted the autonomy to Nigerian universities by providing the Council with full responsibility for good management, growth and development. The selection of the executive head is usually by the GC for a single term of 5 years. The size and membership of the Council vary depending ownership structure. Membership also is composed with representation from internal and external stakeholders.

4.2. Composition of Governing (GC) Councils in 30 High Ranking Nigerian Higher Education Institutions

Table IV reveals that sampled NHEIs GC range from ten to twenty-three. While some NHEIs have all DVCs on the GC, others have provision for only one. Senate/ACB representatives on the GC also vary. The federal institutions provide for more representation, states have less and virtually none in private institutions. Some institutions have Alumni representation. One of the Polytechnics allows for the representation of organized private sectors, such as Manufacturers Association of Nigeria (MAN), Lagos State Chambers of Commerce and Industries (LCCI). All the federal and states institutions provide for the representation of Ministry of Education. In addition, federal institutions have representatives of regulatory bodies like NUC, NBTE and NCCE. Some NHEIs have representatives of professional bodies e.g., COREN. Private institutions have Council members comprising the Board of Trustees of the funding organizations. Committee system is also an essential component of CG in NHEIs. The common standing committees of NHEIs (GCs) are: Financial and General Purposes, Tenders Boards, Development, Audit, Appointments and Promotions Committees. The composition of these Committees depends on the provisions of the Statutes.

Conventionally, stakeholders in HEIs GCs include internal and external members. The newly recognised actors are mainly industry representatives, community authorities, alumni, unions and cultural groups. The influence of these stakeholders ranges from simple funding to supervisory (Lauzzaretti and Tavoletti, 2006). The position and power of these stakeholders differ from one system to another. In strong multi-stakeholders, GCs have representative roles to play. In Hungary, France and Germany strong executive powers are assigned to VCs, Rectors and Provosts (Crous, 2017, Blenche and Kogan, 2017). In Europe and other developed countries students' involvement in governance has been increasing over the years. (Bergan, 2003). NHEIs have no students' representatives in both internal and external governance structures.

Statutes of NHEIs provide for a Senate/Academic Board. The body is academic governance and is accountable to the GC. It has responsibility for academic and research activities. Table V contains the summary of composition of Senate/Academic Boards of sampled NHEIs.

4.3. Composition of the Senate/Academic Boards of 30 High Ranking Nigerian Higher Education Institution

From Table V, NHEIs have the Vice Chancellors (VC)/Rectors/Provosts and their respective deputies, Librarians, Deans of Students Affairs, Campus Heads, Academic Directors, Directors of Academic Planning, Heads of Departments and Representatives of Congregation in the composition of the Senate/Academic Boards. NHEIs do not have Staff and Students union's representatives in Senate/Academic Board as practiced in developing countries.

The Senates/Academic Boards of participating institutions also adopt a committee system of governance. Research Grant and Staff Development, Business Committee, Committee of Directors/Deans, Curriculum Committee and Students Disciplinary Committee are common to sampled institutions. Some of these NHEIs also operate a joint committee of the GC and Senate particularly on appointments and promotions of academic staff.

Operation management of the NHEIs is vested with the Principal Officers appointed by the Councils and comprising the VC/ Rector/Provost, DVC/ Deputy Rector/Deputy Provost, Registrar, Bursar and the University/Polytechnic/College Librarian. To achieve organizational wide participation in decision making, an expanded management known as Management Committee is put in place. The Committee is composed of the Principal Officers, Dean Student Affairs, Deans of Faculty/Schools, Directors of Ventures, Director Academic Planning, Director of Works, Director Health Administration, Chief Internal Auditor and Director Public Relations. The committee exists to advise the executive management on the day to day running of the institution.

Apart from the foregoing statutory internal structures, there are Management and Advisory Committees which further enhance participation in decision making. Vice Chancellors, Provosts and Rectors operate a committee system to advice on strategic and non-strategic issues. Examples are Executive Management, Management, Ceremonies, Sports and Games, Students and Staff Discipline, Staff and Students Welfare, Research and Development, External Relations, Congregation, Security and Housing Committees. The adoption of Committee System enhances the beauty of CG in NHEIs. It also facilitates capacity building and participative management.

Management of NHEIs also engage in interactive sessions with all stakeholders including students, teaching and non-teaching staff, Ministries, Departments and Agencies (MDAs) of the governments, royal fathers and the hosting communities. Faculty Boards, School Boards and Academic departments also play important role in CG of NHEIs. They are responsible to the Senate/Academic Board and are expected to report their activities to the Senate/Academic Board for approval. In addition, they provide inputs for academic and management decisions.

Congregation is statutory recognised but has no executive functions, yet is strategic to good governance and order of NHEIs. The Statutes in all cases prescribe that congregation shall comprise all full time academic staff who hold a degree of any HEIs recognised for the purpose of the Statute by the VC/Rectors/Provosts not being honorary degrees. A meeting of the congregation is usually held periodically for the purpose of receiving reports of NHEIs activities. It offers the most convenient forum for disseminating vital information and exchanging views freely on issues affecting stakeholders.

Statutes of NHEIs also provide for Convocation, in Nigerian Universities, it is usually presided by the Chancellor, in his absence, VC and where both are absent, the Deputy VC. The Convocation comprises all officers of HEIs as mentioned in the Schedule of the Statutes and all academic staff and all graduates of HEIs are members of the Convocation. The purpose is to confer degrees, diplomas and fellowships on graduates and members of the society.

Furthermore, the conditions of service and financial guidelines are two basic CG instruments common to NHEIs. The NHIs Conditions of Service regulates appointments of various categories of staff. It addresses issues like compensation package, promotion, staff discipline, retirement, leave, and governance procedure. The Financial Guidelines of NHEIs outline the primary responsibility of the CEOs on financial matters, responsibility of spending officers, bursary, internal audit, budgetary provisions, order of work, tenders, acquisition of assets, payments, income, insurance, etc.

4.4 Challenges of Corporate Governance in NHEIs

From the scheduled interviews on design and implementation of governance in NHEIs, the major emerging themes are internal and external challenges. Funding was found to be one of the major internal challenges affecting effective adoption of CG. Majority of the stakeholders argued that inadequate funding from the government and owners of NHEIs did not allow for effective CG practices. This situation is echoed by comments of the following stakeholders:

> *"The Polytechnic relies heavily on government subvention to survive. The total monthly personnel costs are over 210 million naira and the monthly subvention from the State Government is 153 million naira which is grossly inadequate. To complement the subvention, part time programs are run to boost internal revenue generation. The operation of part time system affects the quality of education. Moreover, the institution is not in full control. The State that provides the bulk of funds for running the institution usually dictates the programs and projects to channel the funds". (Rector)*

> *"The university still faces numerous challenges, the key of which is inadequate funding. While we deeply appreciate the crucial support of the government, a lot more is required if we have to realize our dream of becoming a world class institution in the not too distance future" (Vice Chancellor)".*

"While appreciating the state government for all the past and continued support towards the development of the college, made possible through release of capital grant and increase in subvention, like "Olive Twist", the Council is requesting for more assistance from the government to supplement internally generated revenue base in order to bring the college into an amiable standard. I come to our aids to improve the infrastructural base of the college (Chairman, Governing Council).

Inadequate funding and breakdown of infrastructure in NHEIs since the commencement of economic recession in the late 1980s has resulted into employment many staff that have no business in academic environment. Such people have limited understanding of the system; they are products of the prevalent emergency situations. NHEls also witnessed a lot of bellicose unionistic interventions for redeeming this deplorable situation. In fact, rather than these interventions leading to progression in performance of NHEls, the system witnessed retrogression (Ajayi and Haastrup, 2016).

As one Executive Secretary observed:

"Records from the Boards Quality Assurance Department indicate a worrisome level of continued existence of expired programs in most state polytechnics. This is a serious problem that if left unaddressed would greatly affect our standards. This problem is further compounded by the menace of over enrolment driven solely by desire to generate revenue. While there is need to complement government subvention, education remains a social investment that is quality conscious" (Executive Secretary, Regulatory Agency).

A similar disturbing symptom of poor CG in NHEIs is the historical evolution and changing dynamism of staff unions whose instruments for negotiation is strike. Over the years, these unions had embarked on strikes to press for their demands (Assem, Dima, Sarah, 2007). As rightly noted by a Registrar:

"Majority of the strikes are caused by financial and other problems of NHEIs and traceable to government who routinely bypass the Management and Governing Council to issue all sorts of instructions and circulars" (Registar).

Over the years, Nigeria Higher education system has witnessed a number of crises leading to instability of academic calendar. For NHEIs to achieve effective governance and ultimately succeed, peaceful academic environment is a sin quo none. A Rector remarked:

"The greatest challenge faced by CEO of tertiary institutions in Nigeria is the issue of staff embarking on strike for improvement in working conditions and students protesting a decision or policy of the institution. We have had a crisis-free in the Polytechnic since the inception of the administration in 2015. This indeed is a worthy celebration and contributes to our sound governance" (Rector).

Another group of stakeholder, Executive Secretary of a regulatory agency agreed with the position of the Rector by commenting:

"There is also the problem of increasing wave of management and union conflicts threatening the smooth running of academic calendar. There is need for partnership between the Board, Governing Councils, Rectors and other relevant agencies to solve the problem in order to maintain quality in the system." (Executive Secretary, Regulatory Agency).

Resulting from reliance on government for funding is the interferences of the State in administration of these institutions which is also a major challenge. Admission of quality candidates and recruitment of qualified manpower to fuel CG practices are problematic considering the frequent requests from civil servants, public officers and politicians. As rightly remarked by a Provost of College of Education:

"There are criteria for selection of prospective candidates for admissions and recruitment of manpower. Such criteria are compromised to accommodate requests from top government functionaries. This to a large extent would affect the quality of students and staff" (Provost).

Most NHEIs were established by various Statutes. These laws contain relevant information relating to appointment of key officers. In some cases the laws are violated to satisfy the need of the key stakeholders. For example, a State Government recently filled the vacuum created by the death of a College Provost through selection of a university lecturer in acting capacity without following normal procedure. NHEIs where political considerations and loyalty to the government were the main criteria for the appointment would be governed based on the dictates of the government and politician rather than application of CG principles.

Leadership is another major challenge. Effective implementation of CG in these institutions is contingent on good leadership in both teaching and non-teaching departments. Also good leadership is necessary at the Councils. Leadership in NHEIs requires not only professional competence but administrative acumen to successfully implement CG principles as rightly echoed by a Rector:

"Some officers have professional skills but majority of these leaders lack administrative experience to stir the affairs of the institutions. The passage of the new Pension Law by the Government created leadership vacuum for my institution. Majority of experienced staff retired to take opportunity of the old pension schemes. The mass retirement of experienced staff left the administration of the institution in the hands of inexperienced staff. In addition, the composition of the present Council constituted an impediment to effective to CG practices. Council comprising members from the geo political zones of the States appointed not on the basis of skills and experience but political affiliations will not provide for robust decision making process"(Rector).

This sentiment is supported by Executive Secretary of a regulatory agency.

"The Board observes with dismay, the trending practice of recruitment and promotion of unqualified staff especially in the academics, in clear violation of prescribed rules. Appointment should not be based at the whims and caprices of those in authority but based on laid down rules. Anything contrary will only water

> *down standards and make our products half-baked" (Executive Secretary, Regulatory Agency).*

Meanwhile, the present composition of Federal Universities Councils designed to favour internal members is also a major challenge. While some members are elected to the Council with leadership skills and commitment, a number of these elected officers lack the skills, experience and attitudes to contribute positively to the development of the institutions. They are just squarely politicians pursuing the narrow interest of their sponsors.

Moreover, the domineering influence of unions on election matters has its decreasing impact. A situation in which elective positions are influenced by the unions will create mediocrity and shift of loyalty. A former Registrar commented on the negative effect of this development in his Valedictory Speech delivered in June 2010 as follows:

> *"A Council with this composition is obviously not in good position to take an independent view of the affairs of its University; such Council will be more concerned with internal politics" (Registrar).*

In the same vain, appointments of leadership of academic and non-academic units by the VC/Rector/Provost on the basis of personal and principle of giving job to the boys will also affect quality of output negatively.

Higher education is the foundation for sustainable development and its creation must be based on clearly articulated, formulated and implemented educational programs. Establishment of HEIs on political, regional or tribal sentiments will negatively affect effective governance. This external challenge was acknowledged by a union leader:

> *"Government establish HE purely on political sentiments and now unable to meet the minimum standard due to poor funding. In fact, most of the infrastructures in the State Polytechnics are Tertiary Education Trust Fund projects" (President, Academic Staff Union).*

5. CONCLUSIONS AND RECOMMENDATIONS

5.1. Conclusions

The mandate of higher institutions to develop a whole man mentally, morally and physically is being seriously challenged nationally and internationally. Effective CG is a sine qua non for long term corporate success. (MenihUkpong, 2013). Intellectual capital is the most important resources in knowledge-based organizations. Its importance is increasingly appreciated in the world of business (Bontis, 1996; Bradley, 1997; Keenan and Aggestam, 2001.) CG practices were initially confined to corporate giants and businesses. However, the trend has started to take roots in NHEIs with growing need for an educated society. Governance in NHEIs has been under spotlight for several years due to leadership problem, poor funding, and mismanagement of resources, government interference, organizational politics, and influence of unions and faulty composition of GC to mention just a few. CG addresses the issues of autonomy and accountability. In most developed and developing countries, autonomy is being extended to NHEIs for flexibility in meeting the societal needs. Autonomy of these institutions also implies societal accountability (Pandey, 2004). Various governance models have been documented in recommending best governance practices for quality education. There is no model that fits all situations. However, an effective model must seek for greater accountability, transparency, competition and fewer regulations.

State involvement in NHEIs is supervisory in nature with Ministry of Education and regulatory agencies playing oversight functions. The internal governing structures of NHEIs are the Council, Senate/ACB and Management. The Council serves as a focal point of governance. It is the highest decision making body for good order and governance. The recent changes in composition of internal governance structures of NHEIs are directed towards empowering the Council and Management effective performance.

5.2. Recommendations

In view of the foregoing, it is therefore recommended that attempts by the various Nigerian governments in granting autonomy to higher institutions through the various enabling laws should be used as opportunities by NHEIs to take full responsibility for good CG. This system of administration must be accountable, transparent, participatory, ethically caring, motivating, guarantees free flow of information and guarantee fundamental human rights. To sustain public confidence, the GC should include more external members with a focus on strategic direction and little interference in management.

Disclosure of internal government practices which is one of the core aspects of international best practices is virtually non-existent in NHEIs. Hence, commitment of these institutions to CG principles of independence, transparency, accountability and responsibility is in doubt. NHEIs irrespective of nature must be accountable to all stakeholders. While this does not imply uncontrolled interference by the stakeholders, it imposes on obligation on the NHEIs to periodically report and to have their performance examined in transparent manner. Although, Congregation reports delivered by Vice Chancellor/Rectors/Provost provide some account of stewardship. Without disclosure of application of CG principles by the Councils and Management, the stakeholders will find it difficult to hold the constituents of governance accountable. Usually, CG Reports must be prepared, published and submitted to the government through the Ministry of Education. Such reports will list the contribution of NHEIs to the society and can be used for the purpose of benchmarking. In addition, a National Database that will guarantee access of these documents for public use should be established.

5.3. Contribution to Knowledge

Meanwhile, the study makes important contributions to theory and practice. First we expand the existing small number of studies on CG in NHEIs. This study clearly describes the internal and external governance structures of NHEIs and the importance of CG in the performance of these institutions in light of developments in the global environment. Second, the study highlights some challenges faced by NHEIs in achieving good governance. Third, we demonstrate the absence of disclosure of application of CG in institutional reports which needs adequate attention.

5.4. Suggestions of future research

Nevertheless, the findings of this exploratory study must be interpreted with care. It has some limitations. Hence, suggestions for future studies deserve some comments. The study focused mainly on few NHEIs and generating data from only key stakeholders. A more comprehensive study on NHEIs incorporating both academic and non-teaching staff would be desirable in order to enlarge the sample size and increase the possibility of generalizing the findings for future studies.

Finally, a study of this nature is expected to improve performance and subsequently ranking of NHEIs in the global environment. Consequently, it is suggested that future study should analyse institutional governance practices and performance.

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Appendix

Table 1 – Higher Institutions Offering Approved and Accredited Programs in Nigeria

S/N	INSTITUTION TYPE	FEDERAL	STATE	PRIVATE	TOTAL
1	Colleges of Education [a]	22	47	17	86
2	Polytechnics/Monotechnics [b]	28	43	48	119
3	Universities [c]	41	47	74	162
	Total	91	137	139	367

Source: (a) National Council for Colleges of Education (NCCE) Website 2018
(b) National Board for Technical Education (NBTE) Website 2018
(c) National Universities Commission (NUC) Websites 2018

Table 2 – Interviewees and Interviewed Schedule Details

S/N	ORGANISA-TION	TYPE	POSITION	RANK	N/V	QUALIFICATION	EXPERIEN-CE IN CG
1.	University	Federal	Vice Chancellor	TMT	V	B.Sc., M.Sc., Ph.D.	8years
2.	Polytechnic	State	Registrar	TMT	V	B.Sc MPA	5years
3.	University	Federal	Registrar	TMT	N	B.Sc., M.Sc., Ph.D.	8years
4.	Polytechnic	Federal	Rector	TMT	V	B.Sc., MSC, Ph.D.	8years
5.	Polytechnic	State	Rector	TMT	N	B.Sc., MSC,	4years
6.	Polytechnic	Private	Rector	TMT	N	B.Sc., M.Sc.	8years
7.	Regulatory Agency	Federal	Executive Secretary	TMT	V	B.Sc., M.Sc., Ph.D.	8years
8.	College of Education	State	Chairman, Governing Council	TMT	N	B.A, MA, MPA	4years
9.	Polytechnic	Federal	Union President	MM	N	HND	5years

Key:
TMT/MM: Top Management/Middle Management
V/N: Voice/Recording/Note taking

Table 3 – Application of Corporate Governance Practices in Best 30 Higher Institutions in Nigeria

S/N	Institution	Year of Establishment	Statute	Constituents of Internal Governance	Constituents of External Governance	Disclosure of CG Practices	Principal Officers
1	University of Ibadan (UI)	1948	University miscellaneous provision 1993, amendment 2003	Councils, Management, Senate, Faculty Board, Departments	NUC, Federal Ministry of Education	None	VC, 3 DVCs, Registrar, Bursar, University Librarian
2	Covenant University, Ota (CU)	2002	Incorporated Trustees	Board of Regents, Senate, Faculty Board, Department	NUC, Board of Trustees, Federal Ministry of Education	None	VC, DVC, Registrar, Director Financial Services, Director Centre for Learning Resources, Director Physical Planning and Resources, University Chaplain
3	University of Nigeria, Nsukka (UNN)	1960	University miscellaneous provision 1993, amendment 2003	Councils, Management, Senate, Faculty Board, Departments	NUC, Federal Ministry of Education	None	VC, 3 DVCs, Provost College of Medicine, Registrar, Bursar, University Librarian
4	Obafemi Awolowo University, Ile-Ife (OAU)	1962	University miscellaneous provision 1993, amendment 2003	Councils, Management, Senate, Faculty Board, Departments	NUC, Federal Ministry of Education	None	VC, 2 DVCs, Registrar, Bursar, University Librarian
5	Federal University of Technology, Minna (FUTM)	1983	University miscellaneous provision 1993, amendment 2003	Councils, Management, Senate, Faculty Board, Departments	NUC, Federal Ministry of Education	None	VC, 2 DVCs, Registrar, Bursar, University Librarian
6	University of Lagos (ULG)	1962	University miscellaneous provision 1993, amendment 2003	Councils, Management, Senate, Faculty Board, Departments	NUC, Federal Ministry of Education	None	VC, 3 DVCs, Registrar, Bursar, University Librarian
7	Ahmadu Bello University, Zaria (ABU)	1962	University miscellaneous provision 1993, amendment 2003	Councils, Management, Senate, Faculty Board, Departments	NUC, Federal Ministry of Education	None	VC, 2 DVCs, Registrar, Bursar, University Librarian
8	Federal University of Agriculture, Abeokuta (FUAB)	1988	University miscellaneous provision 1993, amendment 2003	Councils, Management, Senate, Faculty Board, Departments	NUC, Federal Ministry of Education	None	VC, 2 DVCs, Registrar, Bursar, University Librarian
9	University of Ilorin (ULR)	1975	University miscellaneous provision 1993, amendment 2003	Councils, Management, Senate, Faculty Board, Departments	NUC, Federal Ministry of Education	None	VC, 3 DVCs, Provost College of Health Services, Registrar, Bursar, University Librarian

10	Federal University of Technology Akure (FUTA)	1981	University miscellaneous provision 1993, amendment 2003	Councils, Management, Senate, Faculty Board, Departments	NUC, Federal Ministry of Education	None	VC, 2 DVCs, Registrar, Bursar, University Librarian
11	Federal Polytechnic Nekede, Imo State (FPN)	1978	Federal Polytechnics Acts 2004 Amendment 2017	Councils, Management, Academic Board, Board of School, Departments	NBTE, Federal Ministry of Education	None	Rector, 2 DRCs, Registrar, Bursar, Polytechnic Librarian
12	Federal Polytechnic Ilaro, Ogun State (FPI)	1979	Federal Polytechnics Acts 2004 Amendment 2017	Councils, Management, Academic Board, Board of School, Departments	NBTE, Federal Ministry of Education	None	Rector, 2 DRCs, Registrar, Bursar, Polytechnic Librarian
13	Kaduna Polytechnic Kaduna (KPK)	1956	Federal Polytechnics Acts 2004 Amendment 2017	Councils, Management, Academic Board, Board of School, Departments	NBTE, Federal Ministry of Education	None	Rector, 2 DRCs, Registrar, Bursar, Polytechnic Librarian
4	The Polytechnic Ibadan (TPI)	1970	Ibadan Poly edict 1970	Councils, Management, Academic Board, Board of School, Departments	NBTE, State Ministry of Education	None	Rector, 2 DRCs, Registrar, Bursar, Polytechnic Librarian
15	Federal PolytechnicBida (FPB)	1977	Federal Polytechnics Acts 2004 Amendment 2017	Councils, Management, Academic Board, Board of School, Departments	NBTE, Federal Ministry of Education	None	Rector, 2 DRCs, Registrar, Bursar, Polytechnic Librarian
16	Auchi Polytechnic Auchi (APA)	1963	Federal Polytechnics Acts 2004 Amendment 2017	Councils, Management, Academic Board, Board of School, Departments	NBTE, Federal Ministry of Education	None	Rector, 2 DRCs, Registrar, Bursar, Polytechnic Librarian
17	Institute of Management and Technology Enugu (IMT)	1973	IMT edit No.10 of 1973	Councils, Management, Academic Board, Board of School, Departments	NBTE, State Ministry of Education	None	Rector, 2 DRCs, Registrar, Bursar, Polytechnic Librarian and Director of Works
18	Federal Polytechnic Offa (FPO)	1992	Federal Polytechnics Acts 2004 Amendment 2017	Councils, Management, Academic Board, Board of School, Departments	NBTE, Federal Ministry of Education	None	Rector, 2 DRCs, Registrar, Bursar, Polytechnic Librarian
19	Rufus GiwaPolytechnic Owo (RGP)	1979	Rufus Giwa Poly edict of 1979	Councils, Management, Academic Board, Board of School, Departments	NBTE, Federal Ministry of Education	None	Rector, 2 DRCs, Registrar, Bursar, Polytechnic Librarian and Chairman committee of Deans
20	Yaba College of Technology Yaba (YCT)	1947	Federal Polytechnics Acts 2004 Amendment 2017	Councils, Management, Academic Board, Board of School, Departments	NBTE, Federal Ministry of Education	None	Rector, 2 DRCs, Registrar, Bursar, Polytechnic Librarian
21	Adeyemi College of Education, Ondo (ACE)	1964	Federal College of Education Acts 1986	Councils, Management, Academic Board, Board of School, Departments	NCCE, Federal Ministry of Education	None	Provost, 2 Deputy Provosts, Registrar, Bursar, College Librarian

22	Federal College of Education Zaria (FCZ)	1962	Federal College of Education Acts 1986	Councils, Management, Academic Board, Board of School, Departments	NCCE, Federal Ministry of Education	None	Provost, 2 Deputy Provosts, Registrar, Bursar, College Librarian
23	Niger State College of Education, Minna (NCM)	1975	Niger State edict N.S.L.N Number 3 of 1983	Councils, Management, Academic Board, Board of School, Departments	NCCE, State Ministry of Education	None	Provost, 2 Deputy Provosts, Registrar, Bursar, College Librarian
24	Federal College of Education (Special) Oyo (FCO)	1977	Federal College of Education Acts 1986	Councils, Management, Academic Board, Board of School, Departments	NCCE, Federal Ministry of Education	None	Provost, 2 Deputy Provosts, Registrar, Bursar, College Librarian
25	Federal College of Education, Kano (FCK)	1965	Federal College of Education Acts 1986	Councils, Management, Academic Board, Board of School, Departments	NCCE, Federal Ministry of Education	None	Provost, 2 Deputy Provosts, Registrar, Bursar, College Librarian
26	Federal College of Education, Abeokuta (FCA)	1976	Federal College of Education Acts 1986	Councils, Management, Academic Board, Board of School, Departments	NCCE, Federal Ministry of Education	None	Provost, 2 Deputy Provosts, Registrar, Bursar, College Librarian
27	College of Education Warri (CEW)	1979	College of Education 1995 amended edict.	Councils, Management, Academic Board, Board of School, Departments	NCCE, State Ministry of Education	None	Provost, 1 Deputy Provost, Registrar, Bursar, College Librarian, Director of Works and Maintenance
28	Emmanuel Alayande College of Education Oyo (ECO)	1976	Edit No.16 Vol 30, 2005	Councils, Management, Academic Board, Board of School, Departments	NCCE, State Ministry of Education	None	Provost, 2 Deputy Provosts, Registrar, Bursar, College Librarian, Director of Works.
29	College of Education, Agbor (CEA)	1979	College of Education 1995 amended edict.	Councils, Management, Academic Board, Board of School, Departments	NCCE, State Ministry of Education	None	Provost, 2 Deputy Provosts, Registrar, Bursar, College Librarian
30	College of Education IkereEkiti (CEI)	1977	College Law No.3 of 1999	Councils, Management, Academic Board, Board of School, Departments	NCCE, State Ministry of Education	None	Provost, 2 Deputy Provosts, Registrar, Bursar, College Librarian

Source: Compiled by the Authors

Table 4 – Composition of Governing Councils According to the Statutes of Best 10 Nigeria Universities, Polytechnics, and Colleges of Education

Composition of Governing Councils According to the Statutes of Best 10 Nigeria Universities											
S/N	MEMBERSHIP	UI	CU	UNN	OAU	FUM	UNLG	ABU	FUAB	LRN	FUTA
1	Non-Executive Chairman	1	1	1	1	1	1	1	1	1	1
2	Executive Chairman	-	-	-	-	-	-	-	-	-	-
3	VC/Recto	1	1	1	1	1	1	1	1	1	1
4	DVC/Dep. Rector/Dep. Provost	3	2	3	2	2	3	2	2	3	2
5	Rep Senate/ACB	4	4	4	4	4	4	4	4	4	4
6	Rep Congregation	2	1	2	2	2	2	2	2	2	2
7	Rep Ministry of Education	1	-	1	1	1	1	1	1	1	1
8	Rep Convocation	1	1	1	1	1	1	1	1	1	1
9	Rep Students	-	-	-	-	-	-	-	-	-	-
10	Rep Geo Political Zones	9	-	9	9	9	9	9	9	9	9
11	Rep of Regulatory	-	-	-	-	-	-	-	-	-	-
12	Rep Professional	-	-	-	-	-	-	-	-	-	-
13	Rep Industrial Ass	-	-	-	-	-	-	-	-	-	-
14	Rep Alumni	-	-	-	-	-	-	-	-	-	-
15	Rep BOT	-	4	-	-	-	-	-	-	-	-
16	Rep of University	-	-	-	-	-	-	-	-	-	-
17	Rep National Council for Women	-	-	-	-	-	-	-	-	-	-
	TOTAL	21	15	21	20	20	21	20	20	21	20
Composition of Governing Councils According to the Statutes of Best 10 Nigeria Polytechnics											
S/N	MEMBERSHIP	FPN	FPI	KPK	TPI	FPB	APA	IMT	FPO	RGP	YCT
1	Non-Executive Chairman	1	1	1	1	1	1	1	1	1	1
2	Executive Chairman	-	-	-	-	-	-	-	-	-	-
3	Rector	1	1	1	1	1	1	1	1	1	1
4	Dep. Rector	2	2	2	2	2	2	2	2	2	2
5	Rep ACB	2	2	2	2	2	2	2	2	2	2
6	Rep Congregation	3	3	3	3	3	3	3	3	3	3
7	Rep Ministry of Education	1	1	1	1	1	1	1	1	1	1
8	Rep Convocation	3	3	3	3	3	3	3	3	-	3
9	Rep Students	-	-	-	-	-	-	-	-	-	-
10	Rep Geo Political Zones	5	5	5	5	5	5	5	5	5	5
11	Rep of Regulatory	1	1	1	1	1	1	1	1	1	1
12	Rep Professional	-	-	-	-	-	-	-	-	-	-
13	Rep Industrial Ass	1	1	1	1	1	1	1	1	1	1
14	Rep Alumni	1	1	1	1	1	1	1	1	1	1
15	Rep BOT	-	-	-	-	-	-	-	-	-	-
16	Rep of University	-	-	-	-	-	-	-	-	-	-
17	Rep National Council for Women	-	-	-	-	-	-	-	-	-	-
	TOTAL	21	15	21	20	20	21	20	20	21	20

(continuing)

(following)

Composition of Governing Councils According to the Statutes of Best 10 Nigeria Colleges of Education											
S/N	MEMBERSHIP	ACE	FCZ	NCM	FCO	FCK	FCA	CEW	ECO	CEA	CEI
1	Non-Executive Chairman	1	1	1	1	1	1	1	1	1	1
2	Executive Chairman	-	-	-	-	-	-	-	-	-	-
3	Provost	1	1	1	1	1	1	1	1	1	1
4	Dep. Provost	2	2	2	2	2	2	2	2	2	2
5	Rep ACB	2	2	2	2	2	2	1	2	2	2
6	Rep Congregation	3	3	3	3	3	3	1	3	3	3
7	Rep Ministry of Education	1	1	1	1	1	1	1	1	1	1
8	Rep Convocation	2	2	2	2	2	2	2	2	2	2
9	Rep Students	-	-	-	-	-	-	-	-	-	-
10	Rep Geo Political Zones		5	5	5	5	5	5	5	5	5
11	Rep of Regulatory	1	1	1	1	1	1	1	1	1	1
12	Rep Professional	-	-	-	-	-	-	-	-	-	-
13	Rep Industrial Ass	-	-	-	-	-	-	-	-	-	-
14	Rep Alumni	1	1	1	1	1	1	1	1	1	1
15	Rep BOT	-	-	-	-	-	-	-	-	-	-
16	Rep of University	1	1	1	1	1	1	1	2	1	1
17	Rep Ministry of Finance	-	-	-	-	-	-	-	1	-	-
	TOTAL	21	20	21	20	20	21	18	22	21	20

Source: Compiled by the Authors

Table 5 – Senate Composition of Best 10 Nigerian Universities, Polytechnics, and Colleges of Education According to the Statutes

Academic Board Composition of Best 10 Nigerian Universities According to the Statutes											
S/N	COMPOSITION	UI	CU	UNN	OAU	FTM	ULG	ABU	FUA	ULR	FTA
1	VC/Rector/Provost	√	√	√	√	√	√	√	√	√	√
2	DVC/Dep. Rector/Dep. Provost	√	√	√	√	√	√	√	√	√	√
3	Registrar	√	√	√	√	√	√	√	√	√	√
4	Campus Heads/Directors	√	√	√	√	√	√	√	√	√	√
5	Deans	√	√	√	√	√	√	√	√	√	√
6	Dean Students Affairs	√	√	√	√	√	√	√	√	√	√
7	Director ICT	√	√	√	√	√	√	√	√	√	√
8	Director Academic Planning	√	√	√	√	√	√	√	√	√	√
9	Heads of Departments	√	√	√	√	√	√	√	√	√	√
10	Professors/Chief Lecturers	√	√	√	√	√	√	√	√	√	√
11	Librarian	√	√	√	√	√	√	√	√	√	√
12	Senate Representative	√	√	√	√	√	√	√	√	√	√
13	Representative of Congregation	√	√	√	√	√	√	√	√	√	√
14	Representative of Unions	-	-	-	-	-	-	-	-	-	-
15	Students Union Representative	-	-	-	-	-	-	-	-	-	-
16	Rep of Council	-	-	-	-	-	-	-	-	-	-

(continuing)

(following)

Academic Board Composition of Best 10 Nigerian Polytechnic According to the Statutes											
S/N	COMPOSITION	UI	CU	UNN	OAU	FTM	ULG	ABU	FUA	ULR	FTA
1	Rector	√	√	√	√	√	√	√	√	√	√
2	Dep. Rector	√	√	√	√	√	√	√	√	√	√
3	Registrar	√	√	√	√	√	√	√	√	√	√
4	Campus Heads/Directors	√	√	√	√	√	√	√	√	√	√
5	Deans	√	√	√	√	√	√	√	√	√	√
6	Dean Students Affairs	√	√	√	√	√	√	√	√	√	√
7	Director ICT	√	√	√	√	√	√	√	√	√	√
8	Director Academic Planning	√	√	√	√	√	√	√	√	√	√
9	Heads of Departments	√	√	√	√	√	√	√	√	√	√
10	Professors/Chief Lecturers	√	√	√	√	√	√	√	√	√	√
11	Librarian	√	√	√	√	√	√	√	√	√	√
12	Senate Representative	√	√	√	√	√	√	√	√	√	√
13	Representative of Congregation	√	√	√	√	√	√	√	√	√	√
14	Representative of Unions	-	-	-	-	-	-	-	-	-	-
15	Students Union Representative	-	-	-	-	-	-	-	-	-	-
16	Rep of Council	-	-	-	-	-	-	-	-	-	-

Academic Board Composition of Best 10 Nigerian Colleges of Education According to the Statutes											
S/N	COMPOSITION	ACE	FCZ	NCM	FCO	FCK	FCA	CEW	ECO	CEA	CEI
1	Provost	√	√	√	√	√	√	√	√	√	√
2	Dep. Provost	√	√	√	√	√	√	√	√	√	√
3	Registrar	√	√	√	√	√	√	√	√	√	√
4	Campus Heads/Directors	√	√	√	√	√	√	√	√	√	√
5	Deans	√	√	√	√	√	√	√	√	√	√
6	Dean Students Affairs	√	√	√	√	√	√	√	√	√	√
7	Director ICT	√	√	√	√	√	√	√	√	√	√
8	Director Academic Planning	√	√	√	√	√	√	√	√	√	√
9	Heads of Departments	√	√	√	√	√	√	√	√	√	√
10	Professors/Chief Lecturers	√	√	√	√	√	√	√	√	√	√
11	Librarian	√	√	√	√	√	√	√	√	√	√
12	Senate Representative	√	√	√	√	√	√	√	√	√	√
13	Representative of Congregation	√	√	√	√	√	√	√	√	√	√
14	Representative of Unions	-	-	-	-	-	-	-	-	-	-
15	Students Union Representative	-	-	-	-	-	-	-	-	-	-
16	Rep of Council	-	-	-	-	-	-	-	-	-	-

Source: Compiled by the Authors

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