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Office: KM 1 Gboko Road, Behind Pleasure Travel's Park, Wurukum, Makurdi Benue State
Branch: ILHR Annex, No. 27 Point Road, Apapa Lagos
Web: https://goddmmastecicltd.com/

Email - goddmmastecicltd@gmail.com
goddmmastecic@yahoo.com

Phone: - +234 806 3569 341
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When received, manuscripts are first evaluated in terms of contribution and proper fit with the IJBRIFR Editorial Policy. Manuscripts are also evaluated in terms of contribution-to-length ratio. Manuscripts making strong contributions to the international business literature should be 5,000 words and those making narrower contributions about 3,000 words. We consider word count includes everything: abstract, text, references, tables, figures and appendices etc.

In this edition, we have well researched articles contributing heavily on current business environment. Contributions discuss on issues of investment funding, technology and digitization, tax incentives, project appraisal checklist, value for money audit and industry sustainability, profiting in a volatile business environment, blockchain technology, and crowning it all on the need to break the vicious cycle of corruption in the public sector, business and the society in general.

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Education and knowledge Development

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Knowledge and Education

Many people use education and knowledge as if they are synonyms and that is incorrect. But there is a clear difference between knowledge and education. The topic of education and knowledge has been a source of debate for ages. It is often argued that these two terms are interchangeable. However, there is an actual difference between them. Depending on which definition you look up, knowledge and education can have different meanings. While both education (the act of learning, not teaching others) and knowledge are different forms of information and learning, they each possess different characteristics that make them unique. Education is geared towards understanding and gaining new knowledge, while knowledge is based on accumulated information gained through experience or study.

What is Knowledge?

Knowledge is best defined as information acquired from various sources, including textbooks and lectures and our own experiences. We can also gain knowledge through discussions with other people familiar with a particular subject matter. But what do we do with this information? How do we use it? Knowledge acquisition begins with an awareness of a problem or situation. This awareness often results in questions that need answers, which require people to gather information from textbooks, teachers, or other sources of information and then analyze it to determine its value for solving their problem; this may be called the knowledge gap model of decision making.

The first thing we should do is ask ourselves questions about the material we read or hear about. For example: Why did this event happen? What would happen if I did this instead? What if I tried to change something about my life? The more questions you ask yourself, the more likely you will find answers that help you understand concepts better than before.

Another critical aspect of knowledge is making connections between different pieces of information, so they make sense together (also known as synthesis). For example: If someone tells me to add apples and oranges together to make fruit salad, I might look at them like they're crazy because apples and oranges don't go together!

What is the purpose of Knowledge?

a. To improve our lives by learning new things and practicing them.
b. Help us make better decisions in life by understanding it better.
c. To improve our performance at work and in life by increasing our knowledge about things we love doing.
d. To help us do good for others by sharing what we have learned from experiences.

What is Education?

Education is a process that aims to develop and maintain the knowledge, skills, and habits required for an individual to function in society. It is a process where individuals acquire their education from one or more institutions. It is done to prepare the individuals for life by providing them with information, training, and guidance. Education is a means by which society regulates its future. It provides people with the knowledge they will need to progress into adulthood. Education helps people gain skills they will need to find work and be successful at it. It also helps people develop their intellectual abilities, so they may advance socially or politically within society and help them become advocates for social change.

Education can be achieved through various methods, including teaching, tutoring, mentoring, self-education, and training. It can also be received informally through human interaction; as in human conversation or through printed material. It can be structured formally or informally. Education can occur in any institution; it can be free or paid for.

What is the purpose of Education?

a. Education is gaining knowledge, developing skills, and qualifying.
b. Education is the process of imparting information, instruction, and training. In the past, education was provided by the state (a government system), but it is also offered by private providers in many countries today including Nigeria.
c. Education is often used to promote equality and increase opportunities for disadvantaged backgrounds.
d. Education is also essential for maintaining strong national economies. A high-skilled workforce is more productive than a low-skilled one, and better-educated people earn more throughout their lifetimes than less educated people do.

Here are the difference between knowledge and education

a. Education and knowledge are two different things. Knowledge is what you know, while education is how you learn it. Knowledge is the facts and information that you can recall or use. Education is how we acquire knowledge.
b. Education grows with age. You learn new things every day, and those new things become part of your education. Knowledge has no such predefined growth rate. You can gain understanding at any point in your life, and it stays with you forever.
c. Another difference between knowledge and education is that knowledge is a familiarity with a subject gained through experience or study. It's a body of information acquired through research and analysis, including facts, concepts, principles, laws, and theories about a particular subject or area of study.
d. Education involves imparting knowledge to others using study and training, while knowledge is primarily gained through experience. The distinction between education and knowledge is not always clear-cut, as there is some overlap between the two concepts depending on one's point of view.
e. Knowledge is just the facts of something, whereas education is the understanding and appreciation of those facts. For example, you can have a lot of knowledge about the solar system; you know all of its planets, how they move around the sun, what they're made of, but that doesn't mean you understand it or appreciate it.
f. Knowledge and education are two different things. While knowledge comes from your own experiences, education comes from other people's experiences. For example: if you have a personal computer, you know how to use it. You might be able to type and navigate around the screen, but that doesn't mean you are educated in the subject matter of computers. If you wanted to get a job as a computer technician, you would need to go through schooling and learn hardware and software fundamentals.

Knowledge has significant and direct positive effect on innovation and firm performance. Hence, most experienced and knowledgeable individuals or people are always good entrepreneurs.

IMPACT OF CAPITAL MARKET DEVELOPMENT ON THE AVAILABILITY OF INVESTMENT FUNDS (A SURVEY OF NIGERIA STOCK EXCHANGE)

By

Leonard Iliya Avre

Nigerian Army School of Finance and Administration (NASFA), Apapa – Lagos

Abstract

This research work examined the impact of capital market development on the availability of investment funds, a survey of Nigeria Stock Exchange. The importance of the capital market as an efficient channel of financial intermediation has been well recognized by the researchers, academicians, and policy makers as a primary determinant of the economic growth of a country, both developed and developing. To this end, the objective of this study is to evaluate the impact of capital market development on the availability of investment funds in Nigeria. Secondary source of data were used. Using the cluster sampling technique, all listed companies on Nigeria Stock Exchange was selected. Data retrieved was analyzed using regression analysis and the study rejected the null hypothesis, concluding that, "There is relationship between capital market development and availability of investment funds in Nigeria". The study recommended an improvement on the unstable movement the market capitalization by encouraging more foreign investors to participate in the market, maintain state of the art technology like automated trading and settlement practice, electronic fund clearance and eliminate physical transfer of shares.

CHAPTER ONE
INTRODUCTION

1.1 Preamble

This chapter consists of background to the study, statement of the problem, objectives of the study, research questions, hypothesis, significance of the study, scope of the study, limitation of the study.

1.2 Background to the Study

The importance of the capital market as an efficient channel of financial intermediation has been well recognized by researchers, academicians, and policy makers as a primary determinant of the economic growth of a country, both developed and developing. Economic growth in a modern economy hinges on an efficient financial sector that pools domestic savings and mobilizes foreign capital for productive investments. Underdeveloped or poorly functioning capital markets typically are illiquid and expensive which deters foreign investors. Furthermore, illiquid and high transactions costs also hinder the capital raising efforts of larger domestic enterprises and may push them to foreign markets according to Mishira B. R. (2010).

Capital market is a subset of the financial framework that is involved in the provision of long-term funds for productive use. The capital market is a network of financial institutions and infrastructure that interact to mobilize and allocate long-term funds in the economy. The market affords business firms and governments the opportunity to sell stocks and bonds, to raise long-term funds from the savings of other economic agents. The capital market is a highly specialized and organized financial market and indeed an essential agent of economic growth because of its ability to facilitate and mobilize saving and funds for investment.

According to Okodua and Ewetan, (2013), the capital market is a profoundly specific and coordinated financial market and indeed one of the essential agent of economic growth and development due to its capacity and ability to facilitate and mobilize saving and investment. Emeh and Chigbu (2014) posit that capital market adds to financial growth through the specific services it performs either directly or indirectly, notable among these functions are: mobilization of savings, creation of liquidity, risk diversification, improved dissemination, acquisition of information, and enhanced incentive for corporate control.

The job of a monetary framework is basic to the advancement of any economy significantly as a result of the tremendous help it gives to financial exercises. The simple presence of a monetary framework isn't sufficient however, subsequently, for quicker development and extension in financial exercises, a sound, and proficient monetary framework should be set up to viably invigorate monetary reconciliation which will achieve the ideal development.

In facilitating monetary intermediation, reserves are moved from net savers to net borrowers. The net savers are arranged as the excess unit (financial backers), with a generous measure of inactive assets, while the net borrowers then again are sorted as the shortfall unit (borrowers) in the monetary chain as in they have openings, however, don't have the necessary accounts to take advantage of them. Leaving them all alone, these units would think that it is undeniably challenging and practically difficult to sort out the relating job they need to play. It follows accordingly that, to save cost and time, the monetary framework, regardless of whether banking establishments or non-banking foundations should moderate, assembling assets from financial backers and making them available to borrowers in the most efficient and cost-effective manner. It is with this backdrop that this research study is undertaken to examine the impact of capital market development on the availability of investment funds.

1.3 Statement of the Problem

The financial markets in both developed and the developing economies witnessed dramatic growth over the last decades in both relative and absolute terms, with a number of causes and consequences. In Nigeria, the late 70s and early 80s witnessed a rapid increase in trading at the stock exchange, with increased participation of both individuals and institutions with more emphasis made on the market rather than the real sector. Ologunla, (2008) opine that, when the burst came after the boom, the capital market drove down with market activities witnessing considerable fluctuations just like the burst experienced in the real economy. This was synonymous with happenings in other African countries during the period.

Equity markets in developing countries until the mid-1980s generally suffered from the classical defects of bank dominated economies that are shortage of equity capital, lack of liquidity, absence of foreign institutional investors, and lack of investor's confidence in the stock market.

Ariyo A. & Adelegan O. (2005) contend that, the liberalization of capital market contributes to the growth and development of the Nigeria capital market, yet its impact at the macro-economy is quite negligible. Ewah et al (2009) appraised the impact of capital market efficiency on economic growth in Nigeria, using time series data on capitalization, money supply, interest rate, total transaction and government development stock that ranges between 1961 to 2004. The result of the study shows that the capital market in Nigeria has the potential of growth inducing; but it has not contributed meaningfully to the economic growth of Nigeria. The study attributed the findings to the low market capitalization, low absorptive capitalization, illiquidity, misappropriation of funds among others.

A developed and efficient credit market encourages savings, allocative efficiency of investible funds and promotion of capital accumulation. Countries with deeper credit market like US and UK face less severe business cycle, output contraction and lower chances of an economic downturn which directly or indirectly boost private investment behavior in the economy. However, in Nigeria the objective of improving the level of economic development through the credit market increasing availability of investment funds is yet to be achieved. Thus, this study is set to ascertain the impact of capital market development on the availability of investment funds in Nigeria.

1.4 Objectives of the Study

The broad objective of this study is to evaluate the impact of capital market development on the availability of investment funds in Nigeria. Furthermore, the specific objectives include:

a. To determine if there is a relationship between capital market development and investment funds availability in Nigeria.
b. Evaluate the impact of capital market on economic growth in Nigeria.
c. Proffer solutions on how capital market in Nigeria can be developed to enhance growth in the economy.

1.5 Research Questions

In light of this, therefore, the questions to guide this study include the following:

a. Does capital market development affect the availability of investment funds in Nigeria?
b. How vital is market development to the growth of the Nigerian economy?

1.6 Research Hypothesis

To achieve the objectives of the study, the following hypothesis stated in null and alternative form is formulated and tested:

H_0: There is no relationship between capital market development and availability of investment funds in Nigeria.

1.7 Significance of the Study

The significance of any academic research is measured by its relevance to solving human problems. This study will be of immense benefit to Policy Makers. It will enable them to fashion out good and effective policies that could help move the capital market forward. It will also be of assistance to private and corporate investors. It will enable them understand the dynamic surrounding the operations of the market. This study will offer to other researchers an ample opportunity to critique the work and, thus expand on the existing body of knowledge on subject matter. Lastly, this study could also help to educate the general public on the important role the capital market can play in the economic growth of the nation creating investment funds to the deficit sectors.

1.8 Scope and Limitation of the Study

Capital market is a market for buying and selling medium to long-term securities (i.e. ordinary shares, preference shares, bonds and debentures). Capital market also provides for indirect investments in securities through products offered by Collective Investment Schemes (CIS). For businesses and governments to do well and prosper, they require stable source of long term funds which is not available in the money market (the banking system). The development of the capital market is seen as an agent that can impact on the effective operation of the market providing long term funding for business organizations. This study is limited to capital market development on the availability of investment funds, a survey of Nigeria Stock Exchange.

On the other head, the following were the bottleneck affecting this research work:

a. **Time**: The research project was carried out side-by-side with other academic and professional studies as the time available could not be evenly pro-rated in order to arrive at a more comprehensive conclusion. However, the conclusion reached is sufficient for the purpose of decision making.
b. **Data**: Research work of this nature requires large data collection to enable the researcher make a reasonable inference. This was however constraint in this works due to the time frame for the completion of this research work. Nevertheless, the volume of data collected for this work is adequate for a reasonable inference to be drawn.

CHAPTER TWO
REVIEW OF RELATED LITERATURE

2.1 Preamble

This chapter consists of conceptual reviews, empirical evidence and theoretical framework.

2.2 Conceptual Review

2.2.1 An Overview of the Nigerian Capital Market

The capital market consists of institution and mechanisms through which economic units desirous to invest their surplus fund, interact directly or through financial intermediaries with those who wish to procure funds for their businesses. The Securities and Exchange Commission (SEC) is a major regulator in charge of the Nigerian stock market while the Nigerian Stock Exchange (NSE) supervises the operations of the formal quoted market (as a self- regulatory organization).

However, the Nigerian financial markets is encountering difficulties such as poor infrastructural facilities, low level of public awareness as to the benefits derivable from the operation of the capital market, inadequacy of supply of securities, stringent stock exchange listing requirements limiting mostly the smaller companies, illiquid market and unfavorable government policies (Taiwo, 2016).

2.2.2 Structure of the Nigerian Capital Market

The capital market operations are organized into three broad categories: the primary, secondary and derivatives markets.

The Primary Market: it is answerable for the issue of new offers through the stock exchange or by private placement. Their activities are directed through the following strategies: offer for subscription, offer for sale, right issue, private placing and listing by introduction (Taiwo, 2016).

The Secondary Market: also referred to as the stock market, it provides the forum for capital market activities (trading in stock and shares, bonds, debentures and other long-term securities) and is usually accessible to all category of investors – small or big, government institution or individuals. The major participant in the Nigerian capital market includes development banks, private firms, the treasury and the CBN while the minor ones includes commercial and merchant banks, individuals, states and local governments. The secondary market is an important segment of the capital market because it provides an avenue for investors to convert their securities to cash and allow those wishing to buy additional existing securities to do so (Alaka, 2016).

The Derivatives Market: This is the market that trades, not in the issued securities, but on the right to title on the underlying security or on the basis of the future title to the security. The derivatives market in Nigeria is still in its infancy and the only derivative presently being actively traded on the Nigerian Stock Exchange is right offer issue options.

2.2.3 Method of Trading in the Secondary Market

The Call over System

Stock brokers gather on the same floor of the stock exchange at a given period of trade on the listed securities. The listed securities are then read out aloud, one after the other by a presiding official of the stock exchange called the call over chairman. As each security is being read out, the stock brokers who had orders to buy or sell indicate interest at the price at which they were willing to strike a deal. Thereafter, bargain slips will be exchanged after the transactions had been authenticated by the stock exchange. (Alaka, 2016).

The Auction Market

The market does not exist in Nigeria, but in the more developed markets such as U.K, U.S.A, and Japan.

The Automated Screen-Based Trading System

The Automated-Screen-Based Trading System (ATS) is a process which allows trading to be done electronically such that orders to buy and sell are traded electronically. Nigerian capital market is presently operating an Automated Trading System (ATS).

2.2.4 The Central Securities and Clearing System as a Subsidiary of NSE

Central Securities Clearing System (CSCS) was established on 14th April, 1997. It serves as a central depositing for all shares certificates of quoted securities including new issues. The CSCS operates an automated clearing and settlement system, i.e. the transfers of stock possession from one shareholder to another and the transfer of sales proceeds from the buying shareholder to the selling shareholder.

The transfer of shares is presently done on a T+3 (Trading day + three working days) time frames under the automated CSCS while transactions are executed on the basis of delivery versus payment.

Since its introduction in 1997, it has diminished instances of fraud perpetuated by capital market operators especially stock brokers. It also provides clearing settlement and custodian services for local and foreign investments. CSCS brought the Nigerian stock market at par with what is obtained from other developed countries.

2.2.5 Benefits of Listing on the Nigerian Stock Exchange

To the Government:

a. Source of cheap financing for infrastructure projects.
b. Better valuation of corporate taxes due to disclosures
c. Social stability; quoted firms are not susceptible to attacks during communal disturbance due to common ownership become paramount.

To the Company:

a. Access to capital at minimal cost
b. Transparency and credibility in operation
c. Marketing of shares
d. Free publicity and advertisement (local/international)
e. Eternal life (perpetual operation)
f. Ease of valuation of shares – As determined from trading
g. Code of corporate governance as a corrective tool
h. Capital market – discipline (disclosure ensures high ethical standards)
i. Risk sharing
j. Greater visibility: The possibility of being included on a major performance index e.g., the NSE – 30, translating into greater liquidity.
k. Qualification of investment by pension funds administrators.

To the Society:

There is an efficient flow of capital, generation of employment, reduction in crime and an improvement in the standard of living occasioned by production of high quality goods and services.

To the Investor:

a. Provide exit rout for existing owners
b. Avenue to share in the fortunes of viable companies
c. Outlet to reduce current consumption promotes savings
d. Avenue for incorporating securities in a portfolio as part of the financial planning process.
e. Avenue for safe guarding wealth/security of investment
f. Shelter to the impact of inflation.

2.2.6 Characteristics of the Nigerian Capital Market

Capital Market development can be categorized using three main characteristics. This includes the traditional, institutional and asset pricing. These are briefly discussed below:

a. **Traditional Characteristics**: The traditional characteristics are concerned with basic growth measures of stock market. These measures include number of listed companies and market capitalization.
b. **Institutional Characteristics**: The institutional characteristics measures are the regulatory and legal job that may influence functioning of the market, information divulgence and transparency prerequisites as well as market barriers and trading costs
c. **Asset Pricing Characteristics**: This deals with the efficiency of the asset pricing process in the securities market. The major yardstick for measuring efficiency in terms of market prices is the informational content inherent in such prices.

The Securities and Exchange Commission (SEC)

This is the Apex Regulatory institution of the Nigeria capital market. It is a statutory body administered by the federal ministry of finance.

2.2.7 Measurement of Growth and Development in the Nigerian Capital Market

The growth of Nigeria’s capital market can be ascertained through the following measures:

Gross Capital Formation:

The stock of capital formation in a progressive economy should reflect the growth and development in the capital market especially, in a cordial helpful environment. There seems to be a consensus among development experts that the level of domestic capital formation in Nigeria is low due to low degree of investment arising from inadequate capital asset.

Market Capitalization:

Market capitalization, commonly called market cap, is the market value of a publicly traded company’s outstanding shares. Market capitalization is equal to the share price multiplied by the number of shares outstanding.

All Share Index:

This is a quick measure to pass judgment on the overall course of the market and the extent of its development

Stocks Traded (Total Value):

This alludes to the total value of share traded during a particular timeframe.

Total New Issue:

This term doesn't necessarily allude to newly issued stocks, although initial public offerings are the most commonly known new issues. Securities that can be newly issued include both debt and equity. A company makes a new issue through guarantors who have the duty to place the offering with individual and institutional investors

Listed Domestic Companies:

Listed domestic companies are the domestically incorporated companies listed on the country's stock exchange at the end of the year.

Total Listed Equities:

This is the total amount of preferred stock equity added to the amount of common stock equity.

Government Stock (bonds):

It is a bond issued by a national government, generally with a promise to make a periodic interest payment and to repay the face value on the maturity date.

2.2.8 Functions of the Nigerian Capital Market

The Nigerian capital market serves as a link between Investors and Savers. It encourages Savings and Investment. It also promotes economic growth and stabilizes the price of securities. Specifically, the functions of the capital market include:

a. Providing opportunities for companies to borrow funds needed for long-term investment purposes.
b. Providing avenue for the marketing of shares and other securities in order to raise fresh funds for expansion of operations leading to increase in output/production.
c. Providing a means of allocating the nations real and financial resources between various industries and companies. Through the capital formation and allocation mechanism the capital market ensures an efficient and effective distribution of the scarce resources for the optimal benefit to the economy.
d. Reducing the over reliance of the corporate sector on short term financing for long term projects and also provides opportunities for government to finance projects aimed at providing essential amenities for local investors.
e. The capital market can aid the government in its privatization programme by offering her shares in the public enterprises to members of the public through the stock exchange.
f. The capital market also encourages the inflow of foreign capital when foreign companies or investors invest in domestic securities, provides needed seed money for creative capital development and acts as a reliable medium for broadening the ownership base of family-owned and dominated firms.

2.2.9 Impact of Capital Market on Availability of Investment Funds in Nigeria

The capital market has impacted on investment funds through the following means:

a. It is encouraging the inflow of foreign capital when foreign companies or investors invest in domestic securities.
b. It is helping to diminish over reliance of the corporate sector on short term financing for long term projects and also gives opportunities to government to finance projects aimed at providing essential amenities for financial turn of events.
c. The stock market has impacted decidedly by providing avenue for the marketing of shares and other securities in order to raise new asset for expansion of operations leading to increase production/yield.
d. The stock market is helping to give means of allocating the nations real and financial assets between various sectors, industries and companies

2.2.10 Challenges of the Nigerian Capital Market

The Nigerian Capital Market is still faced with some challenges. This includes investors apathy. Investors are still terrified to raise money in the capital market. There is still this challenge of misappropriation of assets and extravagant uses, corruption, insufficient information about the market, lack of active control and regulation on the part of the SEC, tardy growth of securities market, postponement in the provision of share certificates, issue of manual call-over, twofold taxation, small size of the market, and issue of macroeconomic volatility

2.2.11 Shortcomings and Problems of the Nigerian Stock Market

The Nigerian capital market has its own share of short comings and problems. This includes:

a. Unavailability of valid Information as they come forth.
b. Lack of Functioning Research Department.
c. Ignorance.
d. Inadequate Supply of securities.
e. Market Illiquidity.
f. Dominance in governments Participation

2.3 Theoretical Framework

The stock market is being guided by a set of rules and standards to make it work. No one rule is a master cap that fits all situations. Its usage is a function of the ensuing scenario. Some of the basic theoretical frameworks guiding the operations of the Nigerian capital market are briefly highlighted below:

2.3.1 Efficient Market Theory:

It states that assets prices fully reflect all available information (Eugene Fama 1970). There are three variants of the hypothesis: They are the "weak", "semi-strong", and "strong" form. The weak form of the efficient market hypothesis claims that trading information of traded assets is already incorporated in prices. If weak form efficiently holds then technical analysis cannot be used to generate superior returns. The semi-strong form of the efficient market hypothesis is of the opinion that prices incorporate all publicly available information. The strong form of the efficient market hypothesis claims that prices incorporate all public and non-public (insider) information, and therefore even insiders cannot expect to earn superior returns when they trade assets of which they have inside information.

2.3.2 Capital Assets Pricing Theory:

The CAPM describes the relationship between systematic risk and expected return for assets, particularly stocks. CAPM is widely used throughout finance for pricing risky securities and generating expected returns for assets given the risk of those assets and cost of capital (Fama, Eugene F; Kenneth R 2004)

2.3.3 Arbitrage Pricing Theory:

This is a multi-factor asset pricing model based on the idea that an asset's return can be predicted using the linear relationship between the assets expected return and a number of macroeconomic variables that capture systematic risk. It is a useful tool for analyzing portfolios from a value investing perspective in order to identify securities that may be temporarily mispriced. (Stephen Ross 1976).

2.3.4 Modern Portfolio Theory:

The theory is set to finding a balance between maximizing an investor's return and minimizing his risk. The objective is to select investments in such a way as to diversify ones risks while not reducing the expected return. While it does not replace the role of an informed investor, it can provide a powerful tool to complement an actively managed portfolio. (Harry Markowitz 1952).

2.4 Empirical Review

There have been studies on the relationship between capital market development, availability of investment funds and economic growth. Some of them are briefly reviewed below. We intend to review only the relatively recent studies and strictly from the Nigerian perspective.

Araoye, Ajayi and Aruwaji (2018) examined the impact of the Nigerian stock market development on the economic growth of Nigeria for the period 1985 to 2014. Results of their study suggested that the stock market was significant in determining economic growth in Nigeria. They recommended that policy makers should ensure improvement in the market capitalization, by encouraging foreign direct investment participation into the market.

Taiwo, Adedayo and Evawere (2016) examined the contributions of capital market to the economic growth of Nigeria. The outcome of the study indicated that market capitalization rate, total value of listed securities, labor force participation rate, accumulated savings and capital formation are significant macroeconomic determinants of economic growth in Nigeria. The study recommended that, for the capital market to realizes its full potentials, its environment must be enabled to promote and encourage investment opportunities for both local and international investors.

Okoye, Modebe, Taiwo and Okorie (2016) investigated the connection between capital market advancement and financial growth for the period 1981-2014. Employing the econometric methodology of the vector mistake revision model, their examination showed that in the shortrun, market capitalization proportion and turnover proportion have significant negative impact on aggregate public yield (GDP). Result of their examination additionally showed beneficial outcome of significant worth exchanged proportion just as negative impact of swelling rate on GDP though not significant. Their long-run gauge showed that every one of the exogenous factors contrarily affect GDP and that changes in market capitalization proportion, esteem exchanged proportion and turnover proportion produce more than proportionate changes in GDP. Their investigation set up that financial exchange improvement establishes a significant determinant of monetary growth in Nigeria.

Ogunleye (2015) analyzed the effect of securities exchange advancement on monetary growth in Nigeria for the period 1970 and 2008. The Cointegration Analysis and Error Correlation Mechanism were embraced as the estimating strategies to check the presence of long-run connection between securities exchange improvement and monetary growth. The exact outcomes uncovered that there is presence of long-run connection between financial exchange improvement and monetary growth in Nigeria. In view of the findings of study government, should address the shortage of venture assets through powerful policy estimates that upgrade the exhibition of securities exchange in Nigeria and to reestablish certainty of the financial backers.

Taiwo (2015) contemplated the commitment of capital market to the growth of Nigeria's economy. A blunder amendment model was assessed for monetary growth in Nigeria, using Vector Error Correction methods on a yearly time arrangement information spanning from 1981 to 2014. The result of the study uncovers that market capitalization rate, all out worth of recorded protections, workforce support rate, gathered savings and capital arrangement are significant macroeconomic determinants variables of monetary growth in Nigeria. It was then suggested that, for the capital market to understands its true abilities, its current circumstance should be empowered to advance and encourage speculation openings for both neighborhood and global financial backers,

Enekwe (2014) did an examination on the impact of capital market in the financial growth in Nigeria for the period 1981-2012. GDP was picked as the intermediary for monetary growth while the capital market factors considered incorporates: Market capitalization, Number of recorded protections and all out worth of protections exchanged. The findings of study show that financial growth was significantly impacted simply by market capitalization. Exercises of the securities exchange might but rather have impacted the economy expected. It was therefore suggested that the regulatory specialists ought to acquaint ICT polices to encourage more organizations to get to their reconnaissance to check sharp practices which sabotage, the market integrity and disintegrate financial backers certainty

Atoyebi Kehinde (2013) investigated the effect of capital market on financial growth in Nigeria using yearly information from 1981 to 2010. A normal least square test was utilized to confirm the measurable significance of the factors utilized and vector auto regression method to decide the long run relationship inside the factors of study. Exact investigations uncovered that two factors are genuinely significant at 10% and these factors are market file and market capitalization. It was prescribes that there is need to reestablish certainty to the market by regulatory specialists through ensuring transparency and reasonable trading in the stock exchange.

2.5 Appraisal of the Review

Although the relationship between capital market, financial and economic growth has been researched in the past in Nigeria, there seems to be a gap in the level of availability of investment funds due to the development of the capital market. This study seeks to close this gap by utilizing market capitalization, numbers of listed domestic companies and value of transactions for a period of 2010 – 2020. This will paint a true picture of real growth that is devoid of the effects of inflation. It is hoped that this will produce a more robust picture of economic growth relying on availability of investment funds occasioned by developments in the capital market.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Preamble

The chapter describes the methodology that was used to carry out the research study. This chapter consists of Locale of the Study, Design of the Study, Population of the Study, Sample Size and Sampling Technique, Sources of Data, Instrument for Data Collection, Validity and Reliability of the Instrument for Data Collection, Method of Data Collection and Method of Data Analysis.

3.2 The Locale of the Study

Nigeria Stock Exchange is the study environment. The CBN Annual Statistical Data was the main source of data for this study. This information was collected from CBN Websites.

3.3 Design of the Study

The study is a survey design and data were collected from CBN Annual Statistical Bulletins. The survey study is chosen and preferred to other designs of research because of the nature of the population. The population of the study is large and scattered in the country. Therefore survey design would best aid the achievement of the study within the expected time.

3.4 Sources of Data

Secondary source of data were used. Secondary data were sourced from published works such as journals, CBN Annual Statistical Data, textbooks, newspapers/magazines as well as internet sources.

3.5 Population of the Study

A study population encompasses the entire groups of individuals, objects, items, cases, articles, or things with common characteristics existing in space at a particular point of time. For the purpose of this study, the population consists of all companies listed on the Nigeria Stock Exchange.

3.6 Sample Size and Sampling Technique

The focus of this research is on the impact of capital market development on the availability of investment funds. Using the cluster sampling technique, all listed companies on Nigeria Stock Exchange was selected.

3.7 Instruments for Data Collection (Instrumentation)

Secondary data was collected from library, CBN Annual Statistical Data, financial and management books, research reports and the internet.

3.8 Validity and Reliability of Instrument for Data Collection

The validity and reliability of the data collected was adjudged valid and reliable coming from a government and the financial regulatory body of the country, the Central Bank of Nigeria (CBN).

3.9 Method of Data Collection

Secondary data can be both qualitative and quantitative. The qualitative data in this study were obtained through journals, newspapers, articles, library etc., while the quantitative data came from statistics, CBN annual statistical bulletin.

3.10 Method of Data Analysis

The study used both qualitative and quantitative methods of data analysis. Data retrieved was analyzed using regression analysis. Regression was employed in testing the hypothesis because it is a statistical forecasting model that is concerned with describing and evaluating the relationship between a given variable (usually called the dependent variable) and one or more other variables (usually known as the independent variables).

CHAPTER FOUR
DATA PRESENTATION AND ANALYSIS

4.1 Preamble

This chapter consists of data presentation, analysis, test of hypothesis, and summary of findings.

4.2 Data Analysis

The summary of the analysis result and its corresponding interpretations of the impact of capital market development on the availability of investment funds are presented below.

4.2.1 Definition and Measurement of Variables

Market capitalization refers to how much a company is worth as determined by the stock market. While this increases, companies might be able to secure better financing terms to procure investment fund. Also, these companies might benefit from competitive advantages related to their size, such as economies of scale or widespread brand recognition.

Listing stimulates liquidity and the primary goal of listing is to raise funds. Listed companies can issue fresh share capital to raise funds for growth and expansion. Upon share subscription, there is a considerable inflow of funds from the market. This gives the company the means to meet a sizable part of its financial needs. In addition, a raising annual value reflects a profitable future which indicates investors' expectation.

4.2.1 Table 1: Dependent and Independent Variables

Year	Market Capitalization	Number of Listed Companies	Annual Total Value of Transaction
2020	13.82	177	638.93
2019	8.99	180	1,086.18
2018	9.18	164	931.48
2017	11.97	166	1,203.37
2016	9.11	169	1,078.49
2015	10.46	183	577.82
2014	12.89	188	978.05
2013	16.51	188	1,338.60
2012	12.51	186	2,350.88
2011	10.37	196	808.99

Source: CBN Annual Statistical Bulletin & NBC, June 2022

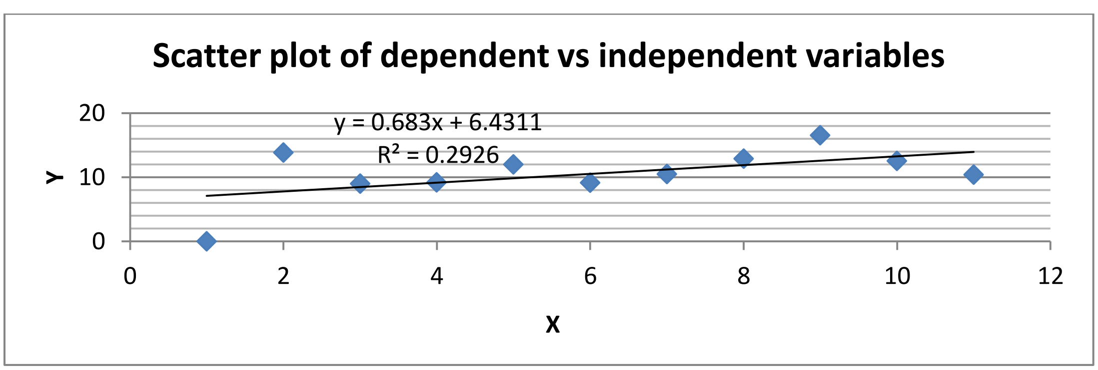
4.2.4 Table 2: Measurement of Variables

Variable		Measurement
MC	=	Market Capitalization (increase indicate availability of and great financing terms while decrease indicate less)
NLC	=	Number of Listed Companies (increase indicate adequate access to fund while decrease indicate less access to fund)
ATVP	=	Annual Total Value of Transaction (increase reflect a profitable future while decrease reflect less profitable future)

Source: ***Field Survey, May 2022***

Therefore, looking at 4.2.4 Table 2 (Measurement of Variables) above, capital market can only still be relevant if companies are able to access fund for investment. Measuring this, the availability of investment funds is tested using market capitalization, which is influence by the annual total value of transaction and number of listed companies on the Nigerian Stock Exchange.

4.2.4 Dependent and Independent Variables Plot



Scattered plots are useful for interpreting trends in statistical data. Each observation (or point) in a scattered plot has two coordinates, the Y and X coordinates. Looking at the scattered plot, it is observed that, the graph shows a nonlinear relationship with a low correlation as indicated by R^2 of 0.2926.

4.2.3 Descriptive Statistics

	Market Capitalization	***Number of Listed Companies***	***Annual Total Value of Transaction***
Mean	11.5818	179.7	1099.279
Median	11.2155	181.5	1028.27
Minimum	8.986	164	577.82
Maximum	16.514	196	2350.88
Std. Deviation	2.436523607	10.59402347	499.5753392
Kurtosis	0.247306374	-1.031205849	4.715966642
Skewness	0.813204424	-0.224936436	1.899437874
Sum	115.818	1797	10992.79
Count	10	10	10

Source: Field Survey, May 2022

The above table shows the mean (average) for each variable, their maximum values, minimum values, and standard deviation. The result provides some insight into the nature of the impact of capital market development on the availability of investment funds. First, it was observed that over the period under review, capital market development have positive average investment funds availability of 11.5818. The mean of number of listed companies is 179.7, this also means that availability of investment funds has a positive influence on number of listed companies on the stock exchange in the period under study. The table also reveals a positive average value of 1099.279 for annual total value of transaction. These values mean that a high transaction value will result to a positive impact on funds availability of listed companies. The maximum value of number of listed companies is 196 and its minimum value is 164, maximum value for annual total value of transaction is 2350.88 and its minimum value is 577.82.

4.2.6 Table 4: Correlation Analysis

	Market Capitalization	***Number of Listed Companies***	***Annual Total Value of Transaction***
Market Cap	1		
NLC	0.371659315	1	
ATVT	0.239176929	0.106703714	1

Source: Field Survey, May 2022

The correlation matrix is to check for multi-colinearity and to explore the association between each explanatory variable and the dependent variable. The table shows that Market Capitalization has low but positive association with Number of Listed Companies (0.371659315), and also low but positive association with Annual Total Value of Transaction (0.106703714). In checking for multi-colinearity, the study observed that no two explanatory variables were perfectly correlated.

4.3 Test of Hypothesis

The study employed regression analysis statistical method to test the hypothesis formulated to support descriptive analytical procedure. The analysis was carried out with the aid of Microsoft Excel (Microsoft Excel 2010). The result that precedes the analysis is presented as follows:

Null Hypothesis (H_O):

There is no relationship between capital market development and availability of investment funds in Nigeria.

4.3.1 Table 5: Regression Statistics

Regression Statistics	
Multiple R	0.422370855
R Square	0.178397139
Adjusted R Square	-0.056346536
Standard Error	2.504227785
Observations	10

a. Predator (constant): Market capitalization
b. Independent variable: Number of listed companies
c. Independent variable: Annual total value of transactions

Multiple R: 0.422370855. This represents the multiple correlation between the response variable market capitalization and the other two independent variables (Number of listed companies on the stock exchange and the annual total value of transaction).

R Square: 0.178397139. The R-squared which is the co-efficient of determination or measure of goodness of fit of the model, tests the explanatory power of the independent variables in any regression model. From our result, the R-squared (R^2) is 17.84%.

Adjusted R-Square: -0.056346536. This represents the R-Squared value, adjusted for the number of predictor variables in the model. The result shows a negative Adjusted R-Square (-0.056346536).

4.3.2 Table 6: ANOVA

	df	***SS***	***MS***	***F***	***Significance F***
Regression	2	9.531728012	4.765864006	0.759966	0.502709162
Residual	7	43.89809759	6.271156798		
Total	9	53.4298256			

a. Constant: Market capitalization
b. Independent variable: Number of listed companies
c. Independent variable: Annual total value of transactions

The F-statistics measures the overall significance of the explanatory parameters in the model, and it shows the appropriateness of the model used for the analysis while the F-significance value means that, the model is statistically significant and valid in explaining the outcome of the dependent variables.

From the table above, the calculated value of the F-statistics is 0.759966 and its F critical value (F-significance) at 0.05 level of significance is 0.502709162.

4.4 Summary of Findings

Table 3 above shows the mean, median, maximum values, minimum values, and standard deviation of the variables. The results under review shows, a positive average of 11.5818 for Market Cap. The mean of number of listed companies is 179.7, and that of annual value of transaction is 1099.279 respectively.

The maximum value of number of listed companies is 196 and its minimum value is 164, maximum annual value for transaction is 2350.88 and its minimum value is 577.82. The large differences between the maximum and minimum value shows that the data used for the study are homogeneous.

In table 4, the correlation matrix is to check for multi-colinearity and to explore the association between each explanatory variable and the dependent variable. The table shows that Market Cap has low but positive association with number of listed companies, and also, a low but positive association with total annual value of transaction. In checking for multi-colinearity, the study observed that no two explanatory variables are perfectly correlated. These agree to the nonlinearity and low correlation of the scattered plot.

In table 5, Multiple R is 0.427423623. This represents the multiple correlation between the response variable market cap and the two predictor variables (Number of listed companies on the stock exchange and the annual value of transaction on the stock exchange).

R Square is 0.178397139. The R-squared which is the co-efficient of determination or measure of goodness of fit of the model, tests the explanatory power of the independent variables in any regression model. From our result, the R-squared (R^2) is 17.84%. This shows that, 17.84% of the variation is explained, out of the expected 100%, leaving about 82.16% unexplained.

Adjusted R-Square is -0.056346536. This represents the R-Squared value, adjusted for the number of predictor variables in the model. The result shows a negative Adjusted R-Square (-0.056346536). This means that, the explanation towards R-Square is very low signifying a very low correlation.

Lastly, table 6 reveal the F-statistics and F-critical value in the mode of testing the hypothesis. The results of the calculated value of the F-statistics is 0.759966 and its F-critical value (F-significance) at 0.05 level of significance is 0.502709162. Since the F-statistics is greater than F-significance, we therefore, reject the null hypothesis, and conclude that, "There is relationship between capital market development and availability of investment funds in Nigeria".

CHAPTER FIVE
DISCUSSION, CONCLUSION AND RECOMMENDATION

5.1 Preamble

This chapter presents the discussion of findings, implications of the study, conclusion, recommendations and contribution to knowledge.

5.2 Discussion of Findings

The study investigates the impact of capital market development on the availability of investment funds, a survey of Nigerian Stock Exchange, and the following were found at 5% level of significant:

a. In checking for multi-colinearity, the study observed that no two explanatory variables were perfectly correlated.
b. There is relationship between capital market development and availability of investment funds in Nigeria.

This means that, a steady growth in capital market development will increase funds availability on the stock exchange for listed companies to acquire and invest, this will increase their performance and competitive capacity

5.3 Implications of the Study

Capital market influences economic growth through a number of channels such as liquidity, risk diversification, providing information for companies, corporate governance and the mobilization of savings. The sharing of risk and the efficiency with which capital is allocated to the real economy, boosting economic growth and welfare is the concern of this study.

The growth and development of capital market encourages economic growth. The various institutions which operate in the capital market give quantities and qualitative direction to the flow of funds and bring rational allocation of resources. Therefore, a positive development of the capital market will increase availability of funds as investment capital.

5.4 Conclusion Based on Findings

The study concludes that, "there is relationship between capital market development and availability of investment funds", dwelling on the topic; impact of capital market development on the availability of investment funds via market capitalization, annual value of transaction and number of listed companies. As it was observed market capitalization, number of listed companies on the stock exchange and annual value of transaction are important capital market variables that are capable of influencing availability of investment funds. Hence the capital market remain one of the mainstream in every economy that has the power to influence or impact funds availability therefore the organized private sector is to invest in it.

5.5 Recommendation Based on Findings

In order for the Nigeria capital market to be pivotal force in economic growth and development, the following recommendations are put forward.

a. There should be an improvement on the unstable movement the market capitalization by encouraging more foreign investors to participate in the market, maintain state of the art technology like automated trading and settlement practice, electronic fund clearance and eliminate physical transfer of shares.
b. There is also need to restore confidence to the market by regulatory authorities through ensuring transparency and fair trading transaction and dealing in the stock exchange.
c. Regulatory authorities must also address the reported case of abuse and sharp practices by some companies in the market.
d. To increase the value of transactions in the Nigerian capital market, there are needs for accessibility of more investment instruments.

5.6 Contribution to Knowledge

This study evaluated the impact of capital market development on the availability of investment funds. In the end, the study reveals that, if capital market is well develop, companies will find it easy to access fund for their investment.

5.7 Suggested Topics for Further Studies

a. The Impact of Capital Market and Economic Growth and Development in Nigeria

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- ***I Leonard Iliya Avre declare that this research report is my original work and that all ideas and information cited were duly credited. Hence, I take responsibility for all short comings in this research report.***

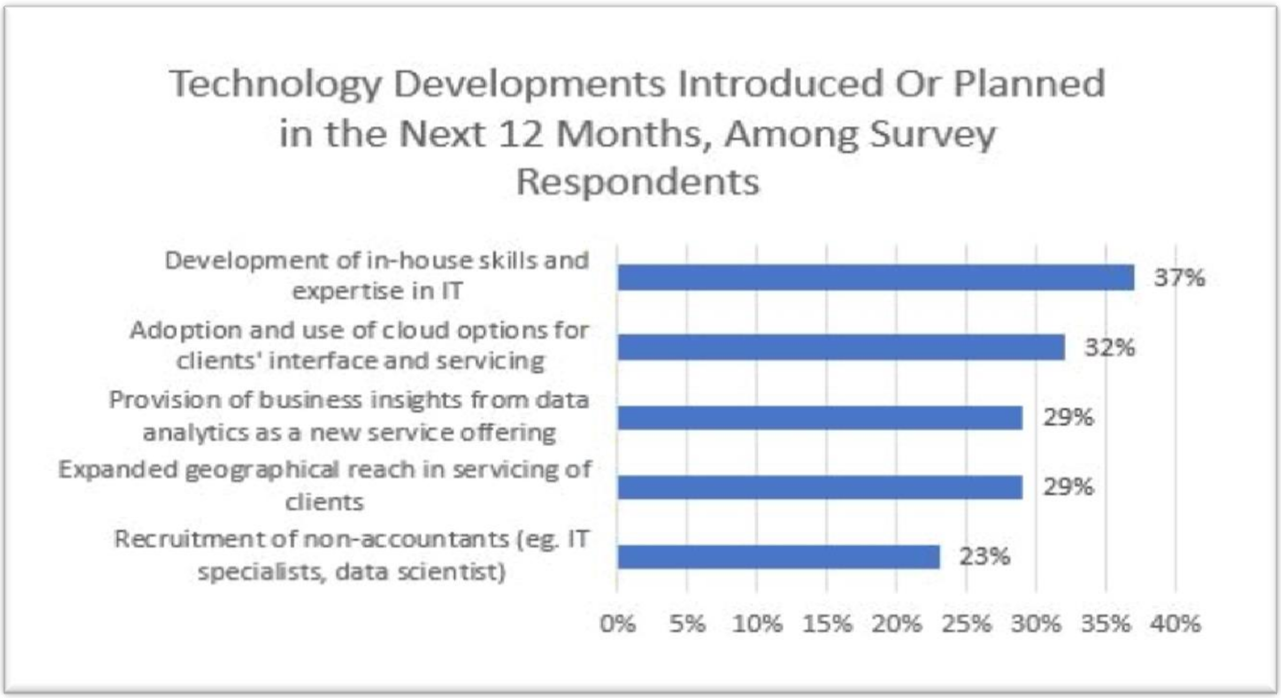
- ***July 2022***

5 Steps to Consider When Making Technology Investments

Introduction

Based on the 2018 IFAC Global SMP Survey (the Survey), 46% of 6,258 small- and medium-sized practices (SMPs) were planning to invest less than 5% of their next 12 months' forward revenue on technology products and services, while one third plan to invest less than 1%. Technology is a game changer and a disruptive force on so many business fronts; thus, it is important for firms to make the necessary investment in technology to remain relevant to their clients.

Based on the responses to the Survey, the top technology developments planned or introduced were the development of in-house skills and expertise in IT and the adoption and use of cloud options for client's interface and servicing:



The SMP Business Support Task Force (SBSTF) of the IFAC SMP Committee recently discussed this topic as part of its practice transformation initiatives. The Committee offered five steps for SMPs to consider when investing in technology:

1. Develop a Technology Strategy

An investment in technology, like everything else in a practice, needs to be planned. What is the firm's business strategy within the next year? What about the next three to five years? What specific technology and the requisite investment will need to be prioritized by the firm to meet its long-term business plan? How will this impact the firm's service delivery over time?

The technology strategy should be fully aligned to the firm's long-term business plan. To develop a comprehensive plan, ***Chapter 5 of the IFAC - Guide to Practice Management for Small- and***

Medium-Sized Practices (PM Guide) and a Gateway article on "***Developing a Technology Strategy***" which covers the steps to help embed technology into a practice will be of help.

Chapter 5 of the PM Guide also includes other in-depth information for firms planning to embark on a technology project, starting with a plan, the selection of technology, and covering training and contracts that come with system implementation.

2. Identify Technology Needs and Examine Firm Readiness

The firm-wide technology strategy will need to be broken down into sub-components, either by services provided (e.g. audit, tax etc.) or by some identifiable functionality (e.g. human resources, billing, and/or customer relationship management).

It is important to determine the firm's current operational needs and future requirements, and how those align with the firm's strategic direction. How critical is it for a firm to meet those needs, and by when? It can be helpful to draw up a list using categories such as critical, beneficial, or optional (good to have) which can then help the firm to prioritize. Conversations with other practitioners who are ahead of the technology curve can be insightful. It is imperative to gauge whether staff are also ready to embrace new ways of working with technology. If staff are not ready, then appropriate intervention will have to be applied such as in-house training and demonstrations, appointment of product champions, and other possible incentives. Buy-in from staff will be necessary for a successful technology implementation strategy.

3. Conduct a Thorough Cost Benefit Analysis and Investment Appraisal

Being aware of the technology needed to achieve the firm's strategy is critical. The next step is to conduct a cost-benefit analysis of technology investments while being cognizant of the opportunity cost. For example, a firm may have $15,000 with the choice to either invest in a new technology system that can enhance the productivity of the staff, or leave the money in a fixed deposit that earns 5% per annum. If the increase in productivity from the former can be quantified at 10% per annum on the cost of investment, then the opportunity cost for NOT making the investment on the new technology system is a negative return of 5%. This negative return should form part of the cost-benefit analysis.

The extent of an investment appraisal will very much dependent upon the scale of investment in question. Usually, an investment should be considered only if it can produce a positive return. It is also important to identify the break-even timeframe in the implementation phase. But, on the flip side, the cost of being left behind should not be ignored too.

Various methodologies can be used to conduct an investment appraisal. Common challenges are: arriving at an acceptable rate of return, getting complete information on costs (including opportunity cost), and quantifying benefits such as efficiencies and staff satisfaction in monetary terms. In recent years, training budgets have become more common and spending on cyber security has risen, so it is more important than ever that these costs are also factored into the computation. The Institute of Chartered Accountants, Scotland (ICAS) has an article (***see below article on Carrying out investment appraisals***) that can be useful as a reference on various appraisal techniques.

4. Explore Different Funding Strategies

Different investment alternatives should be considered at this stage: for example, a "bring your own" device strategy may reduce entry cost for the firm but may also require robust cyber security firewall/ protection and consequently, more investment in this specific area. There are also options such as outright purchase (rather than leasing or paying rent). Arrangements such as Software as a Service (SaaS) or Infrastructure as a Service (IaaS) in recent years have proved to be popular alternatives for firms. Such investments generally allow firms to break up their initial capital outlay over time.

In an SMP environment, funding can be obtained from the following sources:

a. **Partners and/or shareholders**. This is the most directly accessible source, but possibly the most difficult to mine because not everyone shares the same enthusiasm for investment returns. Different people have different investment timeframes.

b. **Co-funding with other firms**. This is possible if a technology type can be shared among firms. Sharing will reduce the necessary cost contribution by any single firm. However, there may be copyright issues and scheduling conflicts during peak work cycles.

c. **Commercial loans from banks and other financial institutions**. These usually involve collateral and personal guarantees from partners/ shareholders. They can take a long time to obtain. Interest rates can also be prohibitive in certain jurisdictions.

d. **Credit from suppliers or technology suppliers**. This routinely means that the credit provider will have the final say on the type of technology to be selected. As a result, the firm might have limited options.

e. **Assistance from government agencies**. In many developing countries, governments have set up agencies to help small- and medium-sized entities (SMEs) and/or SMPs. Some provide loans at highly-subsidized rates while others award grants to targeted groups. For example, the Malaysian Government had set up an SME Corporation, among other institutions, that can help SMPs to modernize their practices, provided that their services can be exported to other countries. With the proliferation of cloud technology, this capability is no longer rare.

While it is crucial to plan the monetary outlay in all funding options, the timing of cash outflows and how they will be met by these funding options will also need to be examined concurrently as part of the investment appraisal.

5. Determine the Implementation Timetable and Monitoring

Once an implementation timetable is drawn up and a budget finalized, it is time to put the plan into action. Appointing a product champion is a good way to get staff buy-in. It is vital for the firm to ensure that the project is executed on a manageable scale with clear milestones, and that it can be built upon when moving upward to bigger-scale projects. This allows for easier project management and better risk management. For bigger technological implementation project, SMPs must be open to seek professional help from experts.

It is also essential to monitor the implementation against a set timetable. This helps in managing budgets and cashflows. Actions may be required should issues occur during the implementation phase. Partners and/ or proprietors' support is paramount for a technology project to be successful.

Conclusion

Successful implementation of any technology investment will be highly dependent on SMPs getting the right support along the implementation journey. One of the more important skill sets that SMPs will need to cultivate internally in the next few years is in the area of change management as all these disruptions become more of a reality. With buy-in from staff and support from senior management, the journey of the SMPs will be much more certain and manageable.

- ***George Willie, Michael Mbaya | May 18, 2020***
- ***IFAC***

Best Sectors to Invest in 2023

Our research reveals two (2) best areas to lookout for investments by especially startups, entrepreneurs or prospective investors in 2023 as:

1. *Agriculture.*
2. *Information Communication Technology (ICT)*

Agriculture was favored due to the low-risk that keeps pace with inflation and increase in value over the long-term. Therefore, investment in agriculture will guarantee significant revenue for the investors. Depending on the investment, type of firm or the value chain that comes with agricultural products, investors are sure of having a diversify portfolio that will guarantee significant revenue.

On the other hand, coordinating ICT infrastructure investments among all sectors will be instrumental, not only in connecting the 3.6 billion people who remain with no connectivity at all, but also in driving the development of new technologies ranging from AI to G5 that are central to digital economy.

Hence, ICT makes a business more efficient, effective and promptly respond to customers' needs. In essence, ICT can assist business activities including design, manufacturing, R&D, distribution and sales and feedback.

Entrepreneurs or startup can take these areas as business opportunities to provide services to organization that are not willing to invest in ICT infrastructures, but are looking forward to contract or outsource some of these areas to independent service providers. With continues demand for ICT to reduce business process, investment in ICT will guarantee significant revenue come 2023 and beyond.

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Goddmmaste CIC Ltd
RC 1886733
Phone: +2348063569341 and +2348094860494
Email: goddmmastecicltd@gmail.com and goddmmastecic@yahoo.com
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IMPACT OF TAX INCENTIVES ON THE COMPETITIVE CAPACITY OF LOCAL INDUSTRIES IN NIGERIA (SURVEY OF LISTED LOCAL INDUSTRIES IN NIGERIA STOCK EXCHANGE)

By

Usman Ramatu

Nigerian Army School of Finance and Administration (NASFA), Apapa – Lagos

Abstract

This study was designed to investigate the impact of tax incentives on the competitive capacity of local industries in Nigeria, survey of listed local industries in Nigeria Stock Exchange. The objective of the study was to identify the existing tax incentives in Nigeria relevant to improve the competitive ability of local industries, and to also examine the impact of same on the competitive performance of local industries in Nigeria. The population of the study consists of all indigenous companies listed on the Nigeria Stock Exchange. Secondary source of data were used mainly from CBN Annual Statistical Data. Regression was employed in testing the hypothesis and the null hypothesis was rejected concluding that, "Tax incentives significantly affect funds availability for investment in local industries in Nigeria". This study, therefore recommends that the method of providing tax incentives should be clear without discrimination about the owner of the companies. Furthermore, government should increase the awareness on tax incentives available to indigenous companies so that they take advantage of them.

CHAPTER ONE
INTRODUCTION

1.1 Preamble

This chapter encapsulates the background to the study, statement of the problem, objectives of the study, research questions, hypothesis, significance of the study, scope of the study, limitation of the study.

1.2 Background to the Study

Taxation is a worldwide phenomenon that affects every organization and individual. The necessity of tax triumphs because, it is the main source of income for funding government activities. If this source of income is not available, government might not be able to execute key projects that cannot be implemented by individuals on their own (some of which includes road provision, security for protection of life and properties or health infrastructures etc.). Consequently, according to Fakile and Uwuigbe (2013), individuals and organizations that generate more revenue are required to have increased tax and those with no income should also enjoy the application of tax revenues via the provision of benefits made available to everyone.

In Nigeria, there are various forms of taxes such as; company income tax, value added tax, petroleum profit tax, personal income tax, capital gains tax, withholding tax, stamp duties, education tax, to mention but a few. Taxes contribute in reducing the income/revenue of businesses affecting their competitive capacity in financing some of their important projects. These in addition to the general economic factors that impact on all businesses, local industries in Nigeria have the added burden from international competitors.

In conceptualizing and formulating incentive packages, the government of Nigeria has largely been driven and guided by a number of key considerations including the following: support for infant industries, encouragement of investment in industries which have potential multiplier effects on the growth of the economy, including but not limited to employment generation and manpower development, promotion of non-oil exports, with potential attendant positive impact on foreign exchange earnings, and the development of local content.

Tax incentives are anticipated to bring about investments which would eventually bring about higher future production in the economy. With this in mind, tax incentives are strategies to promote indigenous investment aim at encouraging the growth of local industries which will in turn reduce the amount of severe challenges by international competitors.

Historically, Fowowe (2013) observed that, fiscal tax incentives in Nigeria have been in existence since 1949 and they are still very much in existence in modern day governance. This is evidence from the fact that, since early 2000 to date, there have been different technical institutions formed by the Finance Ministry to oversee and assess tax incentives/structure in the country and make recommendation that will attract investments and promote development and growth in the country.

Nigerian Government has put in place a variety of incentive schemes which aims to support the development and growth of local industries to be commercially viable and sustainable for enterprises through the provision of tax reliefs in form of incentives. Some of the various investment incentives provided under the relevant laws and regulations include: tax holidays, tax credits, capital allowances, tax exemptions, duty drawback, subsidies, export expansion grants, export development funds, double taxation reliefs, investment promotion, protection agreements etc.

These incentives are however backed by various Government Legislations. They are granted to enhance the growth and development of industries as well as empowering individuals and corporate taxpayers economically. One of such legislation enacted for the purpose of encouraging local industries in Nigeria is the Nigerian Investment Promotion Commission Act ("NIPC Act"), 1995 (Cap N117, Laws of the Federation of Nigeria ("LFN") 2004 as amended). The Nigerian Investment Promotion Commission (the "NIPC") was established by the NIPC Act as the agency of the Federal Government of Nigeria charged with the duties of encouraging and promoting investment in the Nigerian economy and for other related matters.

Furthermore, for the purpose of encouraging rapid industrial and the development of local content, attracting foreign direct investment (FDI) and promoting public-private-partnership (PPP) for economic development (especially in export-orientated industries), the Government has designated certain economic or business areas as free zones or export processing zones where enterprises enjoy exemption from taxes on their profits and other fiscal incentives and benefit from economies of scale and concentration of infrastructure. In this connection, Section 2 of the Nigeria Export Processing Zones Act ("NEPZ Act"), 1992 (Cap N107, LFN 2004 as amended) establishes the Nigeria Export Processing Zones Authority (the "NEPZA") as the agency charged, under Section 4 of the NEPZ Act, with general administration, supervision and coordination of the activities within Export Processing Zones ("EPZ") in Nigeria. The President is empowered (under Section 1 of NEPZ Act), on the recommendation of the NEPZA, to designate any area in Nigeria as an EPZ.

In light of the above, to improve the competitive capacity of local industries and prevent as well as to protect local industries from international competitors who may employ several strategies like dumping, aggressive trade tactics such as flooding the market, in an attempt to gain market share and putting domestic producers out of business, governments of every economy use tax incentives to mitigate the effects of foreign entities employing unfair tactics, hence, the study will evaluate the impact of tax incentives on the competitive capacity of local industries in Nigeria.

1.3 Statement of the Problem

The objective of granting tax relief and incentives to local industries is to enhance and improve their growth and development, thus contributing to the overall economic development of the country. However, despite the efforts made by the government, there are still a lot of ailing industries in Nigeria and this has caused a lot of concern to the government. Also, the objective of tax incentives cannot be achieved in a situation where the would-be beneficiaries are not even aware of the existence of such reliefs or incentives. Moreover, the few once who are aware of these incentives may not even bother to apply for them due to the poor and inefficient tax administration in the country. Thus, higher tax rate serve as disincentive to firms for investment and expansion as, it leaves firms with less money to reinvest. This eventually discourages productivity, investment and also, the level of output by the manufacturing industries. Local enterprises and companies therefore find it difficult to cope with competitors especially international competitors in the areas of prices and quality of their products. Therefore, there is the need to proffer solutions to these problems to ensure that local industries are protected against this sharp practices to ensure the growth and development of a collective economy.

1.4 Objectives of the Study

The general objective of this study is to identify the existing tax incentives in Nigeria relevant to improve the competitive ability of local industries, and to also examine the impact of tax incentives on the competitive performance of local industries in Nigeria.

The specific objectives include:

a. To examine the effect of tax incentives on funds availability for investment in local industries in Nigeria
b. To examine the impact of tax incentives on the productivity of local industries in Nigeria.
c. To examine the effect of tax incentives on growth of local industries in Nigeria.
d. To identify challenges of applying for any form of tax incentives by local industries in Nigeria.

1.5 Research Questions

The following research questions will be considered in this study:

a. What is the effect of tax incentives on funds availability for investment in local industries in Nigeria
b. What are the impact of tax incentives on the productivity and growth of local industries in Nigeria
c. What are the challenges of applying for any form of tax incentives by local industries in Nigeria

1.6 Research Hypothesis

To achieve the objectives of the study, the following hypothesis stated in null and alternative form is formulated and tested:

H_0; Tax incentives do not significantly affect funds availability for investment in local industries in Nigeria.

1.7 Significance of the Study

The significance of any academic research is measured by its relevance to solving human problems. Tax incentive scheme is an economic policy which exists among other competing alternatives. Taxation not only pays for public goods and services; it is also a key ingredient in the social contract between citizens and the economy. How taxes are raised and spent can determine a government's very legitimacy.

The scheme may be an inducement towards rightful investment and securing a proposal on private investors. This means that if the scheme achieves its aim of implementation, then, it can attract investment into the country, increase employment, increase capital transfer and also serve as an improvement to less developed areas of the economy.

The study will be of benefits first to the local industries, as it will expose them to the various tax incentives and how to exploit them. It will expose areas of challenges experience by the tax payers and ways government could be engaged to resolve the challenges. The outcome of the study will also help students and future researchers to who may carry out similar investigation or study.

1.8 Scope and Limitation of the Study

This study covered all listed indigenous companies in Nigeria Stock Exchange looking at 2010 to 2020 annual accounting periods.

On the other head, the following were the bottleneck affecting this research work:

a. **Time**: The research project was carried out side-by-side with other academic and professional studies as the time available could not be evenly pro-rated in order to arrive at a more comprehensive conclusion. However, the conclusion reached is sufficient for the purpose of decision making.
b. **Data**: Research work of this nature requires large data collection to enable the researcher make a reasonable inference. This was however constraint in this works due to the time frame for the submission of the work. Nevertheless, the volume of data collected for this work is adequate for a reasonable inference to be drawn.

CHAPTER TWO
REVIEW OF RELATED LITERATURE

2.1 Preamble

This chapter consists of conceptual reviews, empirical evidence and theoretical framework.

2.2 Conceptual Review

The Institute of Chartered Accountants of Nigeria (ICAN) (2006) and the Chartered Institute of Taxation of Nigeria (2002) described tax as an imposed contribution of money to government pursuant to a defined authorized legislation. In others words, it is a compulsory payment that is guided by law.

Tax is therefore, one of the major source of government revenue and the government uses these taxes collected to cater for the needs of the society. Tax could be described as giving to the government and then the government is as well giving back to the community or the society. So, it is a two-way thing; the community or tax individuals give a particular or specified amount or rate of their incomes or revenue to the government and then the government provides individuals and operating firms or businesses with the necessary amenities.

However, operating companies are always interested in the relief or incentives that government is willing to offer to reduce the amount of tax to be paid by them in order to provide them more funds to invest in capital projects. The tax relief (tax incentives) offered by the government reduces the tax burden on the company and goes a long way in encouraging businesses or individuals to pay their taxes. Tax incentives are basically designed to attract new investment into the country and to expand existing ones in priori industries which is based on the country development plan capable of stimulating economy growth.

Tax incentives or reliefs remains very popular and it is still evolving in the world. This study, therefore, defines tax incentives as all actions that offer additional satisfactory tax treatment of some particular actions or segments in relation to what is allowed for general industry. In relation to this description, Klemm (2009) opined that, a general reduction in the rate of tax or depreciation scheme for all firms will not be seen as a tax motivation.

Therefore, tax incentives provide a protectionist trade policy allowing the government of a country to promote domestic producers, and thereby boosting the domestic production of goods and services by imposing tariffs or otherwise limiting foreign goods and services in the marketplace.

2.2.1 Forms of Tax Incentives

Uwuigbe U et al (2016), in Ohka and Agundu (2012) identified the following forms of tax incentives:

Tax holidays: Temporary exemption of a new firm or investment from certain specified taxes, typically at least corporate income tax. Sometimes, administrative requirements are also waived, notably the need to file tax return. Partial tax holidays offer reduced obligations rather than full exemption.

Pioneer companies investing in specified industrial activities may, on application, be granted a tax holiday for three years initially, which may be extended for up to two years upon satisfaction of specified conditions. Examples of economic activities that may be granted a tax holiday include glass and glassware manufacturing, manufacturing of fertilizers, and steel manufacturing. An indigenous company that engages in the mining of solid minerals is exempted from tax for the first three years of its operations.

Furthermore, small or medium sized companies engaged in primary agricultural production are eligible for an initial tax free period of four (4) years which may be extended for an additional two (2) years period subject to satisfactory performance.

The Finance Act 2020 provide additional incentives as follow:

a. A small company whose annual gross turnover is Twenty-Five Million Naira (₦25,000,000.00) and below, such a company is exempted from paying Company Income Tax.
b. A medium-sized company whose annual gross turnover is Twenty-Five Million Naira (₦25,000,000.00) per annum but below One Hundred Million Naira (₦100,000,000.00), such an entity pays Companies Income Tax at the rate of 20%.
c. The new Act also includes a provision that grants to all companies engaged in agricultural production in Nigeria, an initial tax-free period of five years renewable for an additional three years subject to the determination of the satisfactory performance of such company.

Tax losses can be carried forward indefinitely. This is useful as startups who incur significant losses in the first few years of business can now carry forward tax losses against future taxable profits.

Special zones: These are special areas that are geographically located to enjoy tax exemptions of varying scope, since they are basically targeted for exporters (e.g. export processing zones incentives and oil and gas free zones incentives). Among many benefits of investing in Special Economic Zones, one of the most important is the ability to take advantage of the tax credits, consisting of an exemption for entrepreneurs from income tax or local taxes. In the later, reduction of taxation is rather more common than exemption.

Investment tax credit: Incentive here are received when qualified assets are acquired for use (production). Investment tax credits are basically a federal tax incentive for business investment. They let individuals or businesses deduct a certain percentage of investment costs from their taxes. These credits are in addition to normal allowances for depreciation (capital allowance).

Investments allowance: This is the subtraction of a portion of an investment from the profit that is taxable (in addition annual allowance). The worth of an allowance is the product of the allowance and the tax rate. Contrary to a tax credit, its value varies across firms unless, there is a single tax rate. Besides, this value is affected by changes to the tax rate with a tax cut bringing about a reduction.

However currently, an investment allowance of 10% on the cost of qualifying expenditure in respect of plant and machinery is available as a deduction from assessable profits in the year of purchase. There is no restriction to the full claim of capital allowance in any year of assessment for companies in the mining, manufacturing, and agricultural sectors.

Re-investment allowance: It is an allowance that is added to existing firms that incur large expenditure. In other way, it means an allowance available to a business as deductible expenditure for additional capital expenditure incurred.

Accelerated depreciation: This is calculating depreciation at a quicker schedule than available for the rest of the economy. Accelerated depreciation is a depreciation method in which a capital asset reduces its book value at a faster (accelerated) rate than it would.

Exemptions from various taxes: Industries can be exempted from taxes on imported goods. Such taxes include tariffs, excise duties and VATs.

Finance Act 2020 exempt businesses with turnover below Twenty-five Million Naira (₦25,000,000:00) from VAT payments, while VAT registration is compulsory when a business crosses the VAT threshold which is Twenty-five Million Naira (₦25,000,000:00).

The implication of this is that a small company is exempted from output VAT i.e. VAT on the sales invoice. However, if a small company is involved in a transaction with a large company, the small company is expected to pay VAT on the purchase invoice but if a small company is involved in a transaction with another small company, VAT would not be paid by either of the small company.

The Finance Act 2020 also included some additions to the list of VAT-exempt goods and services. The additional exemptions for goods and services include the following:

a. Locally manufactured sanitary towels, pads or tampons etc.
b. Services rendered by microfinance banks; tuition relating to the nursery, primary, secondary and tertiary education.

Financing incentives: Reductions in tax rates which apply to those that provide funds. The Nigeria Government has put in place a number of investment incentives for the stimulation of private sector investment from within and outside the country. While some of these incentives cover all sectors, others are limited to some specific sectors. The nature and application of these incentives have been considerably simplified (Akinyomi and Tasie, 2011; Oriakhi and Osemwengie, 2013).

2.2.2 Objectives of Tax Incentives

The objectives of tax incentives are: national/regional development, sectorial investment, performance enhancement, transfer of technology and structural development. Some of the tax incentives in Nigeria are sector-based. They are targeted at agriculture, solid minerals, manufacturing, tourism and hospitality, oil and gas industry etc. Furthermore, special economic zones like the export processing zones and the oil and gas free zones enjoy a number of tax incentives. Recently, the Finance Act 2020 introduce a number of incentives to encourage and improve the performance of micro small and medium enterprises.

In its traditional form, Nigeria is widely known as an agrarian nation, leading the continent on the scale and diversity in agricultural activities. Agribusinesses include all the activities within the agricultural food and natural resource industry involved in the production of food and fiber. Financing agribusinesses can increase the added value of raw materials, strengthening local rural economies, food security and nutrition, and improving the quality of life in many homes at risk of exclusion and vulnerability.

The ultimate goal of an agribusiness like every other business is wealth maximization and one reliable means of achieving this purpose is through cost minimization. But as a business entity, an agribusiness is mandated to pay a certain percentage of its income as taxation to the state to promote public sector activities and this compulsory payment constitutes a major cost and serves as a barrier to the goal of wealth maximization of agribusiness, thereby threating its growth and survival. Although other businesses equally pay tax, the taxation of agribusinesses should be minimal to promote agricultural growth for economic development as a main source of raw materials to other sectors. Many agribusinesses have been forced out of business because taxation has eroded their profits with little or nothing as dividends for owners thereby discouraging investors' willingness to supply the fund they needed to stay in business.

In order to reduce their tax liabilities, agribusinesses see tax planning as a viable option. Tax planning is the analysis of a financial situation or plan to ensure that all elements work together to allow a business entity to pay the lowest taxes possible. This implies that tax plans which contravene existing legislations are not acceptable and that is the essence of ensuring that tax plans do not run foul of the law. According to Stigliz (1985), effective tax planning is based on three principles-postponing taxes from the current period to future period, arbitraging across different income streams facing different tax treatments, and shifting income from high tax brackets to low tax brackets. Uki (2004) observed that even with tax planning effort, agribusinesses have not improved their performance. It is against this backdrop that government provides some financial assistance in form of tax incentives to prevent the failure of agribusinesses considering their role in economic growth and development. Agribusinesses are seen as the major source providing raw materials to other sectors of the economy.

According to Philip (1995), tax incentive is a deliberate reduction in or total elimination of tax liability granted by government in order to encourage particular economic units to act in some desirable ways-invest more, produce more, employ more, save more, consume less, import less, pollute less and so on.

2.2.3 Challenges of the Nigerian Tax System

Tax being a mandatory financial charge or some other type of levy imposed upon a taxpayer (an individual or other legal entity) by the government in order to generate revenue. Aside being a means to generate revenue is enforced by federal, state and local government with each tier having its own responsibility explicitly spelt out in the Taxes and levies Act, rules and regulations. Aside being a means to generate revenue, it is also used to redistribute income among the populace.

The Tax system in Nigeria has undergone various policy changes geared at a more effective and efficient way of tax collection and administration. Such policy includes the introduction of the taxpayer's identification number (TIN, which became effective since February 2008); an automated tax system that enhances the tracking of an individual taxpayer's positions and challenges, launching of an e-payment system which promotes smooth payment procedures and reduces the incidence of tax tout, introduction of luxury taxes and ongoing process to review incentives such as pioneer status.

Despite these changes, and the fact that tax laws are constantly being reviewed with the aim to revoking obsolete provisions and simplifying the main ones, there are still a number of issues that need to be looked into immediately.

Highlighted below are some of the issues still faced by the Nigerian tax system and possible way forward:

a. **Multiplicity of taxes**: This simply means paying similar taxes on the same or almost similar tax base. Examples of multiple taxes are Company Income Tax, Education tax, etc. (which are based on income) and also Value Added Tax, sales tax, etc. (based on sales). Beyond this, there are multiple agencies that companies have to deal with outside those required by the constitution. To solve this issue, approved list of taxes should be listed, properly delineated and strictly adhered to by all the tiers of government.

b. **Poor tax administration**: Ministries, departments, and agencies (MDAs) suffer from limitations in manpower, money, tools, and machineries to meet the ever increasing needs of individual taxpayers. As a matter of fact, the negative attitude of most tax collectors can be linked to poor remuneration and motivation. Also, it has been noted that staff are not provided with regular training to keep them ahead of developments in tax related matters. This makes the administration of taxes in terms of coverage and assessment very weak. This issue can be checked by educating government staff as well as the citizens on tax matters. Tax education may make citizens perform their responsibilities willingly. Also, in administering tax, rules should be clear, concise and simple. There should be minimal compliance costs, easy access to information, low tax burden on taxpayers, including mutual trust and fairness.
c. **Tax refunds**: Although there are specific provisions in the tax laws, especially under the FIRS Establishment Act 2007 for tax refunds, these provisions are yet to be fully functional. There should be appropriate funds set aside out of tax collected to cater for tax refunds both at the federal and state levels and tax authorities should be more willing to refund genuine over payment of taxes. The FIRS Act requires tax authorities to pay a taxpayer's refund claim within 90 days of the application subject to appropriate audit. Failure to pay refund on time should attract adequate penalties.
d. **Inability to prioritize tax efforts**: Revenue allocation in Nigeria does not promote tax efforts as it is anchored on factors like equality of states, population, internally generated revenue (IGR), education, land mass, etc. This approach discourages a proactive revenue drive, particularly for IGR and makes all the tiers of government to be heavily reliant on unstable oil revenue. The share of IGR should be increase to encourage state to look inward to generate more revenue through tax.

Despite the number of changes Nigeria has made to its tax system in the past, there is still a very long way to go and the current situation of things is a no-no. Taxes should be collected effectively and fairly, both in equitable and monetary terms, for our benefit, so as to ensure our desired growth and development.

Ironically, what businesses and investors need, as a matter of priority, is the removal of tax disincentives and not the opposite. The only way this can happen is when a good tax system that is aim to achieve economic growth by empowering indigenous industries through adequate incentives is in place.

2.3 Theoretical Framework

This study is anchored on the **neoclassical theory** of taxation coined in 1900 by J. Mutt, A. Laffer, and others. According to Eisner & Nadiri, (1970) neoclassical theory of taxation policy should be developed under the same assumptions; taxes must be as small as possible and corporations should be granted significant tax exemptions. Olaniyi, Mustapha & Oyedoku, (2019) postulate that, a high tax burden would hinder economic activity and restraint the investment policies of corporations, which would lead to a downfall in the production funds renewal and an economic recession.

The basic reasoning behind this theory is that a firm will weigh the costs and benefits of a venture and invests when the benefits exceed the costs. The neoclassical theory of taxation is related to this topic because it incorporates the adjustment of tax policies to increase government revenue base and encourages corporate tax exemptions to facilitate economic activities of companies which goes a long way in improving economic growth nationwide.

2.4 Empirical Review

Several studies have established a link between tax incentives, corporate financial performance, growth and development and competitive capacity of local industries. A few of these studies are reviewed below.

In a study carried out by Ohaka and Agundu (2012), the study established the fact that enhancing of firm's Return on Equity (ROE) is a direct consequence of reduction of corporate tax liability through tax incentives. They were of the opinion that firms which receive tax incentives pay less tax and therefore recorded a higher ROE as well as Return on Assets (ROA).

Further studies carried out by Akinyomi and Tasie (2011), examined the impact of tax incentives on the overall performance of registered small scale industries in Rivers State, Nigeria. Eleven, out of the twenty-two registered small scale food and beverages manufacturing industries in Rivers State were selected randomly for the study. Questionnaires were administered to 260 respondents in the selected companies. The chi-square was used in the analysis of data and hypotheses testing respectively. The findings revealed that there are various tax incentives available to small scale industries and the operators in these industries are very familiar with them. It was also discovered that tax incentives do significantly affect the profitability, staff strength and the growth and development of small scale industries positively. Their conclusion was that tax incentives do have significant effect on the economic performance of small scale industries. Specifically, tax incentives help in improving the after tax profit and capital employed of small scale industries in Nigeria.

In a study carried out by Uwuigbe U et al. (2016) on the topic, Tax Incentives and the Growth of Manufacturing Firms in Nigeria, the study covered 20 selected small and medium scale manufacturing industries in the South-West region of Nigeria. The South-Western part of Nigeria is selected for this research with particular emphasis on Ogun State. This state was selected because it is one of the major industrial areas in the country. The study concluded that, tax incentives granted to manufacturing industries will go a long way in ensuring the growth of small and medium scale manufacturing industries in Nigeria. This is in line with the research carried out by Akinyomi and Tasie (2011) above that tax incentives significantly affects the growth of small scale industries.

Ironkwe Uwaoma and Promise A. Ordu (2016) examined the impact of tax incentives on economic development in Nigeria that is seen in terms of industrial growth in the nation with evidence from years 2004 to 2014. The population of this study includes 51 respondents drawn from taxpayers, management and members of staff of some selected manufacturing companies in the South-South geo-political zone of Nigeria and Federal Inland Revenue Services. Using probability method, a sample size of 45 respondents were used whilst Thirty (30) companies were studied. The classes of personnel included in the research were administrative managers, accounts managers, internal auditors, and marketing and production staff. The findings of the study reveal that sufficient tax incentives enhances industrial growth and economy development, whilst in conclusion, it was recommended among others that, government should waive certain taxes on corporate bodies to help them develop and mature especially at their early stage. Government should not focus on the revenue that may be lost at this point because in the long-run the benefit surpasses what is lost at the initial time.

Olabisi (2009) observed that tax incentives have a positive impact on investment decision and tax incentives coupled with political stability stimulate the economic growth. Also, it leads to a decline in revenue generated by the government. However, this decline is compensated for with economic development. They concluded that to bring about sustainable working capital for companies the tax regime must not be outrageous. This is in line with the research carried out by Ironkwe Uwaoma and Promise A. Ordu (2016) above on impact of tax incentives on economic development in Nigeria, which conclude that, the long-run benefit of tax incentives surpasses what is lost at the initial time.

Abou and Takor in 2003 conducted a study on "the Relevance of Tax Incentives in Export-oriented Enterprises in Lebanon". 117 managers of export businesses in Lebanon were considered for the study to indicate whether tax incentives significantly promote their investment. The data generated from the study, which were analyzed using simple percentages, revealed that tax incentive is a strong tool for investment promotion in export-oriented businesses.

In 2009, Jayeola Olabisi conducted a study on "Tax incentives as a catalyst for Economic Development in Nigeria. The population of the study consisted of twelve selected companies in Lagos and 120 management staff were chosen from the selected companies through a purposive sampling method. A questionnaire designed in four likert-scale was used for the study. The data generated from the study were analyzed with the simple mean while the stated hypotheses were tested with chi-square (X^2) test. The findings from the study claimed that tax incentive has a positive significant impact on investment decision, but usually leads to reduction in government revenue. More so, Iyare and Alabi in 2001 carried-out a study on the impact of tax incentives on the stock price of selected manufacturing companies quoted in the Nigerian Stock Exchange. Forty-three (43) executive directors from selected manufacturing companies were considered for the study. Data were tested using the regression analysis and their results showed that tax incentives enhance the stock price of manufacturing firms.

Finally, in 1996, Mary Holland in her Ph.D Dissertation conducted a study on "Income tax incentives for investment in agro-allied business". She operationalized tax incentive into investment allowance and loss relief. The main objective of her study was to examine the extent to which tax incentives influence investment of agro-allied business in free-trade zone areas. In order to collect the necessary data for the study, Holland considers eighty-three business executives whose businesses are located in the nine free-trade zones in Uruguay. A well-structured questionnaire was administered on those respondents. The data generated from the study were analyzed with the simple mean, while the t-test was used for hypotheses testing. Part of her findings showed that investment allowance and loss relief has a positive significant impact on corporate investment of agro-allied businesses.

2.5 Appraisal of the Review

Most of these studies, focused on the effects or impacts of tax incentives on corporate performance, decision making, growth and development and only few are on competitive capacity of local industries.

However, competitive capacity of local industries can only be achieved when there is improved performance in terms of after tax profit, decision making, growth and development.

Tax reliefs or incentives have been proved in all the empirical evidence in this study to be effective ensuring good performance, decision making, growth and development which are key for competitive capacity of local industries in Nigeria.

In light of the above, this study examined the extent to which tax incentives affect the available of funds for investment in indigenous companies in Nigeria.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Preamble

The chapter describes the methodology that was used to carry out the research study. Content include, Locale of the Study, Design of the Study, Population of the Study, Sample Size and Sampling Technique, Sources of Data, Instrument for Data Collection, Validity and Reliability of the Instrument for Data Collection, Method of Data Collection and Method of Data Analysis.

3.2 The Locale of the Study

The locale of the study is Nigeria Stock Exchange. All Nigeria indigenous companies form part of the study. The CBN Annual Statistical Data was the main source of data for this study. This information was collected from CBN Websites and others from Nigeria Bureau of Statistic (NBS).

3.3 Design of the Study

Both the diagnostic and explanatory approaches were adopted for the study. The diagnostic approach shows the association between the variables while the explanatory approach studies the causal relationship between the variables (Kothari, 2004). The descriptive approach provided the foundation to the study by clearly giving an in-depth profile and understanding on the two issues of tax incentives and competitive capacity of local industries in Nigeria. The study adopted the archival research strategy because government records and documents where used as the main source of data (Saunders et al, 2009).

3.4 Sources of Data

Secondary source of data was used. Secondary data were sourced from published works such as journals, CBN Annual Statistical Data, Nigeria Bureau Statistics, textbooks, newspapers/magazines as well as internet sources.

3.5 Population of the Study

A study population encompasses the entire groups of individuals, objects, items, cases, articles, or things with common characteristics existing in space at a particular point of time. For the purpose of this study, the population consists of all indigenous companies listed on the Nigeria Stock Exchange.

3.6 Sample Size and Sampling Technique

The focus of this research is on the impact of tax incentives on competitive capacity of local industries in Nigeria. Using the cluster sampling technique, all indigenous companies listed on the Nigeria Stock Exchange form the sample size. Currently, about 177 indigenous companies are listed on Nigeria Stock Exchange.

3.7 Instruments for Data Collection (Instrumentation)

Secondary data was collected from library, CBN Annual Statistical Data, Nigeria Bureau of Statistics, financial and management books, research reports and the internet.

3.8 Validity and Reliability of Instrument for Data Collection

The validity and reliability of the data collected was adjudging valid and reliable coming from a government and the financial regulatory body of the country, the Central Bank of Nigeria (CBN) and the Nigeria Bureau of Statistics (NBS).

3.9 Method of Data Collection

Secondary data was use for data analysis and this come from CBN, NBS management, financial reports and internet.

3.10 Method of Data Analysis

The study used both qualitative and quantitative methods of data analysis. Data retrieved was analyzed using regression analysis. Regression was employed in testing the hypothesis because it is a statistical forecasting model that is concerned with describing and evaluating the relationship between a given variable (usually called the dependent variable) and one or more other variables (usually known as the independent variables).

In this study, the independent variables are: number of listed indigenous companies on the Nigerian Stock Exchange, annual tax paid, while the annual gross domestic product (GDP) of the country is the dependent variable.

Decision Rule

If the present value is less than level of significant that is (0.05), we feel to accept the null hypothesis otherwise fells to reject null hypothesis.

CHAPTER FOUR
DATA PRESENTATION AND ANALYSIS

4.1 Preamble

This chapter consists of data presentation, analysis, test of hypothesis, and summary of findings.

4.2 Data Analysis

The summary of the result and its corresponding interpretations of the impact of tax incentives on the competitive capacity of local industries in Nigeria are presented below.

4.2.1 Definition and Measurement of Variables

Tax incentives stimulate and motivate companies, individuals and business firms to establish industries leading to industrial development. It is a strong fiscal measure/policy which raises investment funds and can in turn bring about industrial growth and economic development.

Generally economists agree that economic growth and development are influence by four factors: physical capital, human resources, natural resources and technology. Physical capital been the most important can enable the rest three (3). Variables in the study are defined and measured as used in the below tables.

4.2.2 Table 1: Dependent and Independent Variables

Year	GDP	Number of Listed Companies (NLC)	Annual Tax Paid (ATP)
2020	152324071	177	4747.021
2019	144210492	180	5191.2861
2018	69799941.95	164	5235.4979
2017	68490980.34	166	3919.9307
2016	67931235.93	169	3247.6023
2015	69032929.94	183	3684.016
2014	67152785.84	188	4661.2678
2013	63218721.73	188	4756.7021
2012	59929893.04	186	4956.0399
2011	57511041.77	196	4584.604

Source: CBN Annual Statistical Bulletin & NBC, May 2022

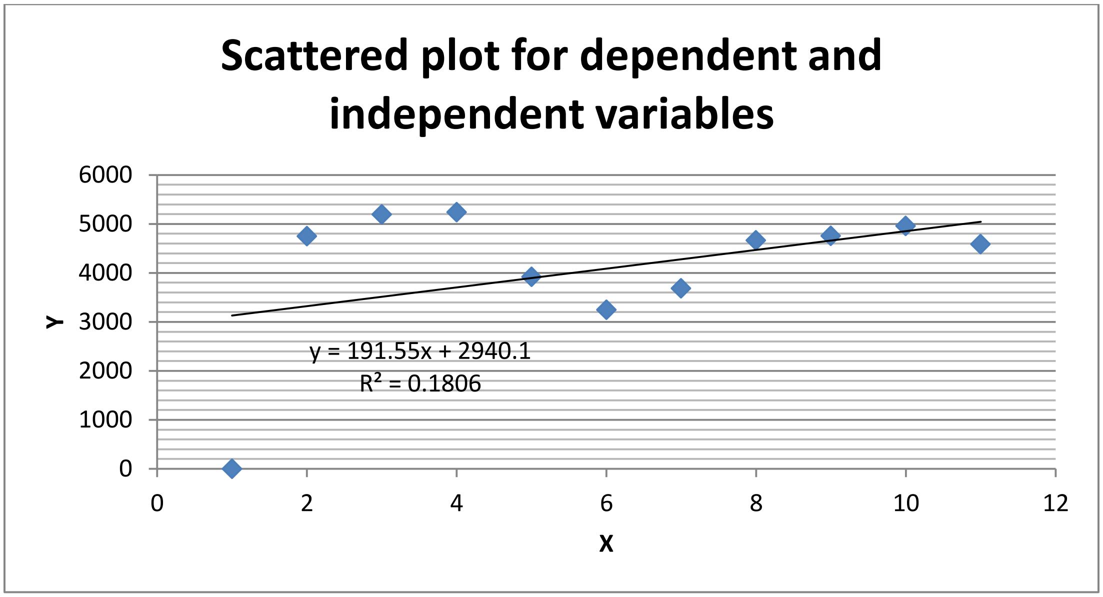
4.2.3 Table 2: Measurement of Variables

Variable Measurement		
GDP	=	Gross Domestic Product (increase indicate more available finance and decrease indicate less finance availability)
NLC	=	Number of Listed Companies (increase indicate good competitive environment and decrease indicate poor competitive environment)
ATP	=	Annual Tax Paid (increase indicate less finance and decrease indicate more finance)

Source: Field Survey, May 2022

Therefore, looking at 4.2.3 Table 2 (Measurement of Variables) above, local industries can only compete effectively against their international counterparts if they have access to additional finance to power their growth plan. Measuring this, the competitive capacity of local industries is tested using Annual GDP growth which is influence by the annual value of tax paid and number of listed domestic companies on the Nigerian Stock Exchange.

4.2.4 Dependent and Independent Variables Plot



Scattered plots are useful for interpreting trends in statistical data. Each observation (or point) in a scattered plot has two coordinates, the Y and X coordinates. Looking at the scattered plot, it is observed that, the graph shows a nonlinear relationship with a low correlation as indicated by R^2 of 0.1806.

4.2.5 Table 3: Descriptive Statistics

Variables	*GDP*	*Number of Listed Companies*	*Annual Tax Paid*
Mean	81960209.35	179.7	4498.39678
Median	68211108.14	181.5	4704.1444
Minimum	57511041.77	164	3247.6023
Maximum	152324071	196	5235.4979
Std. Deviation	35234120.74	10.59402347	663.1298752
Kurtosis	1.384110512	-1.03120585	-0.300864309
Skewness	1.731470506	-0.22493644	-0.86874625
Sum	819602093.5	1797	44983.9678
Count	10	10	10

Source: Field Survey, May 2022

The above table shows the mean (average) for each variable, their maximum values, minimum values, and standard deviation. The result provides some insight into the nature of the impact of tax incentives on the competitive capacity of local industries in Nigeria. First, it was observed that over the period under review, tax incentives have positive average financial availability (GDP) of 81960209.35. The mean of number of listed companies is 179.7, this also means that financial availability has a positive influence on number of listed companies on the stock exchange in the period under study. The table also reveals a positive average value of 4498.39678 for tax paid. These values mean that overpaid taxes will result to a negative impact on financial availability of listed companies. The maximum value of number of listed companies is 196 and its minimum value is 164, maximum value for tax paid is 5235.4979 and its minimum value is 3247.6023.

4.2.6 Table 4: Correlation Analysis

Variables	***GDP***	***Number of Listed Companies***	***Tax Paid***
GDP	1		
Number of Listed Companies	-0.150078915	1	
Tax Paid	1	-0.150079209	1

Source: Field Survey, May 2022

The correlation matrix is to check for multi-colinearity and to explore the association between each explanatory variable and the dependent variable. The table shows that GDP has perfect positive association with tax paid (1), and negative association with number of listed companies (-0.150078915).

4.3 Test of Hypothesis

The study employed regression analysis statistical method to test the hypothesis formulated to support descriptive analytical procedure. The analysis was carried out with the aid of Microsoft Excel (Microsoft Excel 2010). The result that precedes the analysis is presented as follows.

Null Hypothesis (H_O):

Tax incentives do not significantly affect funds availability for investment in local industries in Nigeria.

4.3.1 Table 5: Regression Statistics

Regression Statistics	
Multiple R	0.427423623
R Square	0.182690953
Adjusted R Square	-0.050825917
Standard Error	679.7731113
Observations	10

a. Predator (constant): Annual GDP
b. Independent variable: Number of listed indigenous companies
c. Independent variable: Annual tax paid

Multiple R: 0.427423623. This represents the multiple correlation between the response variable (GDP) and the other two independent variables (Number of listed companies on the stock exchange and the annual value of tax paid).

R Square: 0.182690953. The R-squared which is the co-efficient of determination or measure of goodness of fit of the model, tests the explanatory power of the independent variables in any regression model. From our result, the R-squared (R^2) is 18.26%.

Adjusted R-Square: -0.050825917. This represents the R-Squared value, adjusted for the number of predictor variables in the model. The result shows a negative Adjusted R-Square (-0.050825917).

4.3.2 Table 6: ANOVA

	Df	*SS*	*MS*	*Statistics F*	*Significance F*
Regression	2	723030.703	361515.3515	0.782345845	0.493573769
Residual	7	3234640.38	462091.4829		
Total	9	3957671.083			

a. Predator (constant): Annual GDP
b. Independent variable: Number of listed indigenous companies
c. Independent variable: Annual tax paid

The F-statistics measures the overall significance of the explanatory parameters in the model, and it shows the appropriateness of the model used for the analysis while the F-significance value means that, the model is statistically significant and valid in explaining the outcome of the dependent variables.

From the table above, the calculated value of the F-statistics is 0.782345845 and its F critical value (F-significance) at 0.05 level of significance is 0.493573769.

4.4 Summary of Findings

Table 3 above shows the mean, median, maximum values, minimum values, and standard deviation of the variables. The results under review shows, a positive average of 81960209.35 for GDP. The mean of number of listed companies is 179.7, and that of tax paid is 4498.39678 respectively.

The maximum value of number of listed companies is 196 and its minimum value is 164, maximum value for tax paid is 5235.4979 and its minimum value is 3247.6023. The large differences between the maximum and minimum value shows that the data used for the study are homogeneous.

In table 4, the correlation matrix is to check for multi-colinearity and to explore the association between each explanatory variable and the dependent variable. The table shows that GDP has perfect positive association with tax paid (1), and negative association with number of listed companies (-0.150078915). In checking for multi-colinearity, the study observed that only one of the two explanatory variables (Tax Paid) is perfectly correlated. These agree to the nonlinearity and low correlation of the scattered plot.

In table 5, Multiple R is 0.427423623. This represents the multiple correlation between the response variable (GDP) and the two predictor variables (Number of listed companies on the stock exchange and the annual value of tax paid).

R Square is 0.182690953. The R-squared which is the co-efficient of determination or measure of goodness of fit of the model, tests the explanatory power of the independent variables in any regression model. From our result, the R-squared (R^2) is 18.26%. This shows that, 18.26% of the variation is explained, out of the expected 100%, leaving about 81.74% unexplained.

Adjusted R-Square is -0.050825917. This represents the R-Squared value, adjusted for the number of predictor variables in the model. The result shows a negative Adjusted R-Square (-0.050825917). This means that, the explanation towards R-Square is very low signifying a very low correlation.

Lastly, table 6 reveal the F-statistics and F-critical value in the mode of testing the hypothesis. The results of the calculated value of the F-statistics is 0.782345845 and its F-critical value (F-significance) at 0.05 level of significance is 0.493573769. Since the F-statistics is greater than F-significance, we therefore, reject the null hypothesis, and conclude that, "Tax incentives significantly affect funds availability for investment in local industries in Nigeria".

CHAPTER FIVE
DISCUSSION, CONCLUSION AND RECOMMENDATION

5.1 Preamble

This chapter presents the discussion of findings, implications of the study, conclusion, recommendations and contribution to knowledge.

5.2 Discussion of Findings

The study investigates the impact of tax incentives on the competitive capacity of local industries in Nigeria, and the following were found at the 5% level of significant:

a. A perfect positive relationship exist between annual GDP and annual value of tax paid,
b. A negative relationship exists between GDP and number of listed domestic companies on the floor of the Nigerian Stock Exchange.
c. Tax incentives significantly affect funds availability for investment in local industries in Nigeria

This means that, an increase in tax incentives granted to domestic companies will go a long way in ensuring the growth of local companies in Nigeria. Also, it will increase fund availability and competitive capacity of local companies.

5.3 Implications of the Study

The implication of tax incentives on the competitive capacity of local companies is that, there will be more funds to invest in capital projects and this will lead to expansion of local companies in Nigeria. This in the long run will increase the revenue of the government.

5.4 Conclusion Based on Findings

The study concludes that Nigerian indigenous companies are privileged to enjoy certain tax incentives from the government. This, therefore, increase the financial performance of the companies. Furthermore, tax incentives increase the availability of funds to finance capital projects among indigenous companies in Nigeria. This therefore increase the companies' growth and invariable the economy as a whole.

5.5 Recommendation Based on Findings

This study, therefore recommends that the method of providing tax incentives should be clear without discrimination about the owner of the companies. The public should also know the comprehensive information on procedures and criteria for obtaining tax incentives under each existing programs. Furthermore, the government should increase the awareness on the tax incentives available to indigenous companies so that they take advantage of them.

5.6 Contribution to Knowledge

This study evaluated the impact of tax incentives on the competitive capacity of local industries in Nigeria. In the end, the study reveals that, tax incentives are another way of providing finance for investment by indigenous companies. Therefore, if designed and implemented properly, tax incentives can attract investment to a country.

5.7 Suggested Topics for Further Studies

a. Impact of tax incentives on economic growth and development of Nigeria.
b. Tax incentives and the growth of Micro Small and Medium Enterprises.

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- ***I Usman Ramatu declare that this research report is my original work and that all ideas and information cited were duly credited. Hence, I take responsibility for all short comings in this research report.***
- ***July 2022***

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Challenges, Initial Steps and Key Resources for Small Firm Digitalization

IFAC's Small and Medium Practices Advisory Group (SMPAG) met recently and discussed challenges for small firms embracing digitalization, recent trends and tools that are being used in practice, digital marketing strategies, and the opportunities available for small firms to flourish. The SMPAG considered digitalization from a broad perspective, including the challenges to digital adoption, how SMPs can implement new software, how digitization may provide new services to clients, and how to leverage technology to make processes more efficient.

Digitization Challenges

There is a range of factors impacting small firms' adoption of technology, including:

a. **Culture/mindset to embrace change**: For some firms, digitalization and more broadly, changing old habits or adopting new ideas, causes alarm. Some firms find resistance from the firm's leadership on its strategic direction or encounter resistance from employees. Other firms might be complacent, having the view that if their clients are not digital there's no need for them to evolve, especially if they are close to retirement or looking to sell their practice.

b. **Knowledge and competence level**: Individuals' digital expertise can range from those who are not particularly digitally savvy to those that have a good level of knowledge but would still benefit from instruction and support. Practitioners can lack the necessary skills and training to assess different, inherently complex software products and technology and determine whether those tools fit the needs of their practice. For example, practitioners may struggle to decide between best-of-breed software, which performs a single function very well, but which may lack integration or communication with other products, compared to an all-in-one software option that has everything but might not do certain things very well.

c. **Level of resources and array of technology options**: There are an overwhelming number of technology products available in the marketplace to support digitalization of practice management and services. These include products for audit, tax, financial accounting, payroll, and consulting. One of the challenges for practitioners is deciding where to start and finding the time and resources to research all the options.

d. **Firm size**: A firm that only has one or two partners is less likely to have somebody that will push for transformation or champion implementing change.

e. **Costs**: Acquisition and maintenance expenses can be very high and prohibitive, especially in countries that rely on imported software products and are significantly impacted by foreign exchange rates. In addition to financial constraints there are other considerations making cost a pain point: pushing back deadlines, adding new work to staff, changes in clients' needs and IT errors during the process, amongst others.

f. **Jurisdictional issues**: Some countries have difficulties due to fundamental infrastructure challenges, such as frequent electricity outages. In addition, during busy seasons, servers can overload, resulting in significant delays. On the other hand, there are often loans and subsidies offered by governments and public bodies to help SMEs to finance digitization projects.

Initial Steps on the Digitization Journey

The IFAC 'Practice Transformation Action Plan – A Road Map to the Future' highlighted that fundamental to the success of all future firms will be embracing technology developments to improve practice efficiencies, enhance how clients are serviced, and expand the range of services provided. The plan covers five initiatives for small firms to successfully adopt and embed technology:

1. Conduct an Environmental Scan
2. Align with the Long-Term Strategy & Formulate a Realistic Implementation Plan
3. Adopt the Cloud
4. Involve Clients in Technology Decisions
5. Identify and Support an Internal Technology Champion

It's important for the firm's leadership to all be on the same page. Investing in technology can require both a digital transformation strategy which aligns with the firm's business goals, as well as a cultural need for change management to make the transition a success. Identifying an individual to lead and drive the process is important. If the size of the firm means there is limited in-house IT expertise, it can be worthwhile to work with external consultants who are experts in digital transformation. It is also critical to line up required resources, financial or otherwise, to back up the implementation plan.

A first step is to research and analyze the firm's current internal processes to identify outdated systems that need improvements before exploring external products. If a firm is not doing anything digitally (e.g., time and process management or billing), it will have more of a challenge in embracing new software or getting clients and staff to buy into the journey.

A small firm could have great numbers – for example, high income per partner and large realization rates and margins – but if the firm is not digitized, or on the cloud, it will struggle to attract and retain staff and to support the clients' needs. The data available to monitor practice efficiencies, such as client retention, and the timeframe for delivering engagements provide new information to aid strategic decisions, as well as a better understanding of what KPIs can be changed through introducing digital processes.

One useful initial step for firms is the movement of clients away from the more traditional accounting software packages to ones that are cloud-based, which can integrate clients' data. A second step is to take stock of all the products available and determine which one the practice wants to move forward with.

Initial questions for firm leadership to consider include:

1. Do you have a digital transformation strategy?
2. Do you know why you are replacing legacy systems and manual processes with a new digital approach?
3. Do you have a plan to implement advanced and complex systems?
4. Are you ready to properly migrate your existing system to a new one?
5. Do you know what areas of the firm need upgrades?
6. Do you understand your client's needs, including pain points or friction areas in the firm's service offerings or products?
7. Is there a plan to provide comprehensive training to employees to help them understand what the changes are and how they can be more proficient with new tools?

A key advantage of small firms is their size, which allows them to be agile and flexible in choosing products. The IFAC Guide to Practice Management includes a dedicated technology module covering new and emerging technologies, developing a technology strategy, hardware and software options, and technology risks. There are also multiple resources to guide the decision-making process. ***For example, for helpful tips please see the article below "5 Steps to Consider When Making Technology Investments."***

As indicated in Insights on Small Firm Specialization with an Enhanced Focus on Business Advisory Services, an increasing number of practitioners are now also utilizing technology and data analytics to provide valuable insights to clients and provide a basis for new advisory services. As the firm enhances its technology knowledge, it can become a trusted advisor in the field and recommend different software or tools to clients. It may also introduce new advisory service offerings, such as digital transformation and cyber security.

Common Tools & Software Applications

Professional accountancy organizations (PAOs) are actively supporting their members in this space (***e.g. see the article below "As Digitalization Takes Hold, Here's How PAOs Can Support Small Practices"***), including through facilitating access to specific software providers, as well as producing guides to help members evaluate options and better service their clients' needs.

SMPAG members provided details on different applications being used in practice, which are listed below.

Practice Management Tools

a. **Acumatica**: cloud ERP
b. **CCH**: tax, accounting, workflow and firm management solutions
c. **Ignition**: online proposals, automated engagement letters and payments
d. **Iris Practice Engine**: billing, time tracking, and client information database
e. **Karbon**: onboarding and enterprise solution
f. **Office Tools**: accounting practice management software
g. **Thompson Reuters**: accounting firm workflow solutions

Audit Engagement or Workpaper Products

a. **ASD Auditor**: cloud-based digital audit solution
b. **Caseware**: cloud and desktop audit, financial reporting, and analytics
c. **Inflo**: (can also be used as a document exchange portal between client and firm)
d. **CCH**: tax, accounting, workflow, and firm management solutions
e. **Thompson Reuters**: accounting and auditing software and guidance

Supplemental Audit Tools (Efficiency, Analytical, etc.)

a. **MindBridge**: financial risk discovery and anomaly detection
b. **Data Snipper**: audit platform within excel that improves the speed and quality of an audit
c. **Caseware IDEA**: data analysis
d. **TeamMate Analytics**: data analysis for audits
e. **Validis**: on-demand access to standardized financial data

Accounting & Payroll

a. **Sage**: cash flow, invoicing, payments, banking, inventory management, job costing, payroll, and reporting
b. **Xero**: bill pay expense tracking, banking, project tracking, payroll, bank reconciliations, data capture, file storage, reporting, multi-currency, purchase orders, quotes, sales tax, and fixed asset tracking
c. **BrightPay**: payroll software
d. **Intuit QuickBooks**: income and expense tracking, mileage tracking, manage cash flow and invoicing, run reports, manage 1099 contractors, track sales tax, enter time, track inventory, and manage employee expenses

Digital Filing Storage System

a. **Doc.It**: electronic Document Storage and Document Management System. Also has workflow management for each engagement for each client.
b. **iManage**: document storage – e-mails Word, Excel

Business Advisory Services

a. **Codat:** connects to customers' financial data
b. **Fathom**: takes clients data and aids analysis and trends
c. **Profit Cents**: financial analysis and comparison with different industry sectors and sizes
d. **Spotlight Reporting**: financial reporting, forecasting and KPI tracking

Digital Marketing Strategies

Today, it's generally agreed that small firms need a digital marketing strategy to reach potential and existing clients online. This goes beyond just having a company website. A multi-dimensional digital marketing strategy can cover the use of email, social media, messaging platforms, blogs and search engine optimization. Some firms are using customer relationship management (CRM) and automated workflow concepts such as Hubspot CRM, Salesforce, and Sage CRM.

However, local codes of ethics in some countries may restrict the use of marketing by accounting firms, including sending unsolicited proposals to potential new clients. The level of activity can also depend on whether the firm is looking to grow, either by attracting new clients or recruiting staff.

Whilst traditional marketing methods such as personal networking and word of mouth referrals for new clients are still very prevalent, the SMPAG provided multiple insights on innovative approaches to digital marketing. They advise digital marketing newcomers to:

a. Consider a digital strategy that provides an opportunity to reach a broader audience as part of the overall marketing mix for the firm.
b. Consider the objectives of what is being communicated. Information could be segregated between clients and recruiting, as the channels will be different (e.g., use LinkedIn to communicate business information to clients and Instagram for attracting talent).
c. Adopt a client-centric digital marketing approach, which can help identify clients' constantly evolving needs and expectations.
d. Utilize young professionals within the firm, particularly for social media.

e. Use social media proactively and reactively (e.g., target people or clients on LinkedIn not just when there is a marketing push, but consistently so that when marketing events occur, audiences are already engaged).
f. Use Google Analytics, which can provide useful metrics on the number of visits and searches the firm's website is achieving and enable tracking of competitor firms.
g. Use search engine optimization (SEO) to obtain more visibility.
h. Use external marketing companies not just for campaigns, but also to identify topics for blogs and interviewing staff for videos. This can be more efficient and produces high-quality content.
i. Creative competitions can motivate staff engagement and participation. (For example, prizes for staff who get above 500 connections on LinkedIn.)
j. Digital marketing can be a great way to demonstrate that the firm is active and has expertise in different service areas – it provides a way to highlight unique specialisms.

Summary

In a world where the pace of change seems to move faster than ever, considering a digital strategy has become critical to many firms' success. Digital transformation also became essential for some firms as they navigated a world of social distancing during the pandemic. While it may seem daunting to enter this brave new digital world, there are a lot of resources available to firms to assist in the process.

- ***Christopher Arnold, Johnson Kong***
- ***October 13, 2022***
- ***IFAC***

IMPACT OF 2020 FINANCE ACT ON EASE OF DOING BUSINESS IN NIGERIA (A STUDY OF SELECTED SMALL AND MEDIUM ENTERPRISES IN APAPA LOCAL GOVERNMENT AREA OF LAGOS STATE)

By

Udogu Emmanuella Chisom

Nigerian Army School of Finance and Administration (NASFA), Apapa - Lagos

Abstract

The research aimed to investigate the Impact of 2020 Finance Act on Ease of Doing Business in Nigeria. In-depth analysis of the study was conducted to ascertain the impact of the Finance Act on ease of doing business in Nigeria. A survey design was adopted in conducting the research work with population size of 40 respondents. Data was sourced through the structured questionnaire. Research questions guided the study. The study reviewed relevant existing theories and concepts, to get a more systematic view of the phenomenon by specifying possible relationships among the variables. The data eventually gathered from the field was scrutinized and analyzed to answer the questions raised. The outcome of the data analysis led the Researcher into discussions of findings from where conclusions were made. Subsequently, the study gave recommendations among which includes strengthening the existing institutions for fighting corruption. This may have positive effects on the bureaucracy and cost of operations for the existing and potential investors. The recommendations are expected to assist the policy makers and other affected stakeholders, on the breakthrough of overcoming the problem associated with doing business in Nigeria with a view to making better progress in other to achieve expected economic growth.

CHAPTER ONE
INTRODUCTION

1.1. Background of the study

President Muhammadu Buhari, on the 31st of December 2020, signed the Finance Bill, 2020 (now "Finance Act" or "FA 2020") into law. Similar to the Finance Act, 2019 which introduced several long-overdue and far-reaching changes to Nigeria's fiscal landscape, the Finance Act, 2020 was enacted to refine select provisions of various statutes (revenue laws and other kindred legislation) and it also introduced provisions to clarify certain provisions in the Finance Act, 2019 (Yetunde F & Patience A, 2021).

The changes to the Nigerian tax laws will further improve the Ease of Doing Business in Nigeria, which has been a front burner issue for the Nigerian government. In July 2016, President Muhammadu Buhari established the Presidential Enabling Business Environment Council (PEBEC) to implement reforms in the Nigerian business environment in order to make the country a progressively easier place to establish and conduct businesses. Notably, PEBEC made significant efforts towards improving the ease of doing business in Nigeria, with the result being a gradual improvement in Nigeria's position on the World Bank's Ease of Doing Business rankings, from 170 out of 190 countries in 2015 to 131 out of 190 in 2020.

Potential impact on the ease of doing business in Nigeria includes, Introduction of E-initiatives. Given the impact of the COVID-19 pandemic on business activities and the increased need for the adoption of virtual and electronic processes in government administration, the FA 2020 introduced some electronic initiatives to address these dynamics. Based on the new introductions, the Federal Inland Revenue Service (FIRS) can now serve notices of Companies Income Tax assessment electronically. Similarly, taxpayers can object to such assessments electronically. This is expected to improve the ease of paying taxes and automation of tax processes in Nigeria, which is a relevant indicator in measuring the ease of doing business in Nigeria, (Yetunde F & Patience A, 2021).

According to Ahmed Y & Ejiofor S (2021), a new subparagraph has been introduced in the Fifth Schedule to the Federal Inland Revenue Service (Establishment) Act which empowers the Tax Appeal Tribunal ("TAT") to conduct hearings remotely (via virtual means). Based on this introduction, physical presence of parties is no longer a mandatory requirement for a tax matter to be heard at the TAT.

These developments are in line with 21st century business realities and should significantly improve the administration of tax, as well as the adjudication of tax matters in Nigeria. Other changes that can guarantee ease of doing business includes; exemption of small companies from payment of education tax, exemption of minimum wage earners from payment of personal income tax, introduction of additional items exempt from Value Added Tax (VAT), Tax Treatment of COVID-19 and other Related donations amongst others, (Yetunde F & Patience A, 2021).

1.2. Statement of the Problem

Nigeria, for 16 years between 1999 and 2015, the value of naira to the dollar was determined largely by the market. During this period the naira depreciated by over 100%. Enter this regime and fiat determination of the currency value has been the new policy and the naira has lost 300% of its value in seven years! Additionally, ad hoc disruptions of businesses such as border closures, Twitter ban, including harassment of prominent foreign businesses for perceived tax infractions. All these and many others are the real messages investors read, not the pronouncements on better ease of doing business in Nigeria.

By its various actions, this regime has time and again confirmed the philosophy that drives their policies and it's a dirigisme philosophy, which believes government should do it all. I dare to say that until there is a change at the helm of affairs, international business investors are going to be reluctant to come to Nigeria. Underlying economic philosophies drive policies and that is what we have seen playing out in the last seven years.

A dirigisme attitude is driving statist policies and that drives away investors in droves. This dirigisme philosophy is so embedded in us that many players view the government as 'The Economy' and whenever government revenue goes down, they assume the economy is down, so for the economy to rise, government revenues must rise, not knowing that in many circumstances government revenues rising means the economy/businesses are faltering. This being the mindset of our bureaucrats and politicians in government we might understand the lack-lustre performance of the economy despite rising government interventions.

1.3. Purpose of the Study

The aim of this study is to access the impact of 2020 Finance Act on the ease of doing business in Nigeria. The specific objectives are:

a. To examine if the provisions of Finance Act 2020 guarantees ease of doing business in Nigeria.
b. To ascertain if by the enactment of Finance Act 2020 there will be increase in Foreign Direct Investment (FDI) in Nigeria.
c. To investigate if tax incentives can contribute to ease of doing business.
d. To know if the reduction of minimum tax has any impact on ease of doing business.
e. To know if the exemption of small companies from payment of tertiary education tax affects their corporate ability to compete with other foreign companies.
f. To know if the introduction of additional items exempted from Value Added Tax (VAT) can impact on ease of doing business.
g. To know if tax treatment of covid'19 and other related matters can encourage investors into the country.

1.4. Significance of the study

This study will identify the major effect of Finance Act 2020, on the ease of doing business in Nigeria, the root causes of decline or reduction in foreign direct investment in Nigeria over the years. The impact of tax incentives, reduction of minimum tax rate and other provisions of the Finance Act 2020 on ease of doing business in Nigeria:

a. The government of Nigeria stands to benefit from the outcome of this research since there will be more investments which will result to increase in tax revenue to the Government. Increased investment in the country will also open up the economy bringing about the needed development.
b. Foreign investors stands to benefit from the outcome of this research, hence they will be more informed on the provisions of the Finance Act 2020.
c. Local investors stand to benefit from the outcome of this research since they will be aware of the additional tax incentives that will encourage them to invest in Nigeria.
d. Individuals especially minimum wage earners will also benefit from the outcome of this research as it will enable them have more resources available for investment since the Act as exempted them from tax payment.
e. Small companies will have the capacity to grow or expand due to additional revenue accruable from additional tax incentives that will be available for re-investment.

1.5.1. Research Questions

In view of the above therefore, this study will focus on proffering solution to the following research questions.

a. What is the impact of Finance Act 2020 on the ease of doing business in Nigeria?
b. Does an additional tax incentive encourage investors or potential investors to invest more in the economy?
c. How the reduction in minimum tax affects the growth of small scale businesses.
d. Does the provision of Finance Act 2020 encourage foreign direct investment?
e. How has the outbreak of Covid'19 contributed to the ease of doing business particularly in Nigeria?
f. What impact will the additional items exempted from value added tax have on the level of revenue generation of the businesses?

1.5.2. Research Hypothesis

Ho: There is no significant relationship between Finance Act 2020 and the Ease of Doing Business (EDB) in Nigeria.

Ho: There is significant relationship between finance Act 2020 and Ease of doing business (EDB) in Nigeria.

1.6. Scope and Limitation of the study

This research will cover the impact of the Finance Act 2020 on the ease of doing business in Nigeria particularly the growth and development of Small Scale Enterprises (SMEs) in Apapa Local Government area of Lagos State. The study will also cover the effect of tax incentives on the development of local industries and Foreign Direct Investments.

1.7. Methodology

This study adopted the ex-post facto research design because the study relies on historic information on ease of doing business in Nigeria and the subsequent enactment of the finance act 2020. According to Agbadudu (2002), the justification for adopting ex-post facto research design is that it is a realistic approach to solving business and socio sciences problems which involves gathering records of the past events, analyzing the records and using the outcome of the analysis to predict the future events.

Data for this study were gathered from both primary and secondary sources. The primary data were from the questionnaire served on some of the small business operators within Apapa local government area of Lagos State while secondary data were from various documents including the Finance Act 2020, journals, internets and documents relating to ratings on ease of doing business.

1.8. Method of Data Analysis

The data obtained will be analyzed using simple percentage and variation ratio while Chi-Distribution will be used to test the hypothesis.

1.9. Definition of Terms

The following will be defined:

Finance: Is a term for the management, creation, and study of money and investments. Specifically, it deals with the questions of how an individual, company or government acquires money called capital in the context of business.

Business: Is the activity of making one's living or making money by producing or buying and selling products such as goods and services. Simply put, it is any activity or enterprise entered into for profit.

Impact: Is something having an effect on another.

Ease: Is the state of being very comfortable and able to live as you want, without any worries or problems

Act: Is a mission-driven

Doing: Act of engaging in something.

CHAPTER TWO
REVIEW OF RELATED LITERATURE

2.1 Preamble

This chapter deals with the review of related literature on the impact of finance act 2020 on the ease of doing business in Nigeria. It encapsulates the conceptual framework, theoretical framework and empirical studies.

2.2. Conceptual Review

2.2.1. The Concept of Finance Act 2019 and 2020

President Muhammadu Buhari led administration is focus on how to improve the ease of doing business and encourage the tax and fiscal responsibility in Nigeria. To achieve this, the government has over the last three years, through the Finance Act 2019, 2020 and 2021 (FA 2019, FA 2020& FA 2021) amended various tax and fiscal legislations to align the Nigerian business environment with global standards, (Yetunde F & Patience A, 2021).

One of such amendments is the categorization of companies into small, medium, and large companies, based on annual gross turnover as seen in the Finance Act 2019 (FA 2019). Small companies are companies with annual gross turnover below ₦25 million; medium size companies have annual gross turnover of ₦25 million and above but below ₦100 million, while large companies are those with annual gross turnover of ₦100 million and above.

The Finance Act 2020 which took effect from 1 January 2021, made amendments to some tax and fiscal legislations by granting additional tax reliefs to small and medium scale companies.

2.2.2 Definition of Small and Medium Scale Companies

The Companies and Allied Matters Act (CAMA) 2020 defines a small company as a private company having an annual turnover and net asset value of not more than ₦120,000,000 and ₦60,000,000 respectively, it has no foreigner as its member and where the company has a share capital, the directors hold at least 51% of the share capital. This definition is at variance with the definition provided in the Finance Act 2019. Consequently, the FA 2020 has now provided amendments to resolve the controversy that arose with CAMA 2020 as small and medium size companies are now required to submit a special type of account along with their tax returns. The CAMA 2020 threshold for small and medium scale companies will also cover some companies classified as medium size companies (whose annual gross turnover does not exceed ₦100 million) based on CITA. However, for medium scale companies whose annual gross turnover falls between ₦100 million and ₦120 million, it is not yet clear the form of accounts that will be submitted along with their tax returns.

2.2.3 Tax Returns by Small and Medium Scale Companies

In line with the ease of doing business and in accordance with CAMA 2020, small companies were exempt from the requirement to appoint auditors. Effectively, small companies are no longer required to prepare audited financial statements which is a requirement for filing annual corporate tax returns with the Federal Inland Revenue Service (FIRS). Consequently, the FA 2020 introduced an amendment to Section 55 of CITA by introducing a new Sub-Section 7 which empowers the FIRS to issue a notice specifying the forms of accounts to be included in the tax returns of small companies. This implies that the cost of engaging the services of an auditor has been eliminated for SMEs, (Yetunde F & Patience A, 2021).

2.2.4 Tax Holiday for Small Companies Engaged in Primary Agricultural Production

Section 1 (7) of the Industrial Development (Income Tax Relief) Act now grants an initial tax-free period of 4 years to small companies engaged in primary agricultural production which can be extended by a maximum of 2 years subject to the satisfactory performance of any company granted the incentive. Small companies that are granted this incentive would however not be qualified for similar incentives provided in any other legislation in Nigeria. This is a welcomed development as this will go a long way in attracting investments to the agricultural industry, (PITA 2011).

2.2.5 Tax Exemption for Minimum Wage Earners

Section 37 of the Personal Income Tax Act (PITA) has been amended to exempt individuals earning ₦30,000 or less from an employment from Pay As You Earn (PAYE). By extension, this will take the burden of PAYE Tax compliance off their employers which are largely SMEs and improve their ease of doing business.

2.2.6 Payment of Tertiary Education Tax

The FA 2019 introduced the threshold for the classification of companies with exemption for small companies from the payment of companies' income tax. However, similar exemption from Tertiary Education Tax (TET) was not specifically provided for in the Act. This created controversies on whether the exemption also extends to TET. This argument has now been clarified by the Finance Act 2020 by the introduction of a new subsection 2 in Section 1 of the Tertiary Education Trust Fund (Establishment, Etc.) Act exempting small companies as defined in the provisions of CITA from the payment of TET. Nevertheless, medium companies as defined in CITA are still required to pay TET at 2% of assessable profit, (Ahmed Y & Ejiofor S, 2021).

2.2.7 Deliberate and Dishonest Returns

In addition, a new Section 53 of CITA now imposes additional tax liabilities to discourage deliberate misstatement of profit and taxes. Specifically, any additional outstanding tax liabilities arising due to deliberate and dishonest declaration of the profits or tax payable by companies will now attract penalties and interests as prescribed by CITA. By extension, any additional tax liabilities established by the FIRS during desk audits, field audits and investigation exercises will now attract penalties and interests. The penalty and interest will accrue from the date the incorrect returns were filed. Therefore, based on these provisions in the amended sections 53 & 55 of CITA, SMEs are to ensure that the forms of account to be submitted contain honest and accurate information to avoid penalties and interest, (Ahmed Y & Ejiofor S, 2021).

Agricultural Companies who Hitherto had been enjoying the exemption on Interest on loans granted to primary agricultural production activity with moratorium not less than 12 months and the interest rate is not more than the base lending rate at the time of granting the loan will be exempted from tax; The exemption of interest on loans with the same moratorium period still accrues on loans granted to Companies for: the fabrication of any local plant and Machinery; or Providing working Capital for any cottage industry established by her. The change of Agricultural Trade or Business to Primary Agricultural Production has not been effected in some sections of the Act. It is important we know what Finance Act 2020 is all about before relating it to the ease of doing business. Also, Introduction of Additional Items Exempt from Value Added Tax (VAT). The Finance Act 2020 has introduced new items to the VAT exemption list as follows:

a. Commercial aircrafts, commercial aircraft engines, commercial aircraft spare parts;
b. Airline transportation tickets issued and sold by commercial airlines registered in Nigeria; and
c. Hire, rental or lease of tractors, ploughs and other agricultural equipment for agricultural purposes.

These exemptions are significant especially for players in the transportation and agricultural sectors who will now transact without the additional financial and compliance burdens of VAT on those items. It is expected that there will be a boost in these industries, and by extension, in the Nigerian economy.

Notably also, "goods" and "services" have now been redefined to clearly exclude interest in lands and buildings, with the effect that transactions in respect of lands and buildings are now clearly exempt from VAT. This effectively lays to rest the controversy on whether real estate transactions, including outright sale or lease of commercial or residential lands and buildings, are subject to VAT. These amendments help companies with decision making, thus improving the ease of doing business in Nigeria, (VATA, 2004).

2.2.8 Exemption of Minimum Wage Earners from Personal Income Tax (PIT)

The FA 2020 has introduced a provision to exclude the income of a person earning gross income at the National Minimum Wage (as defined under the National Minimum Wage Act) or less in any year of assessment from the payment of PIT. Under the National Minimum Wage Act, 2019, the current National Minimum Wage in Nigeria is ₦30,000 per month. Thus, individuals who are paid the National Minimum Wage of ₦30,000 or less per month are exempt from paying PIT. Companies with such employees would not be required to deduct income tax via the PAYE scheme from these employees. This development is expected to have significant impact on low income earners as this will reduce the financial burden on individuals earning the National Minimum Wage of ₦30,000 and thus increasing their monthly disposable income. Also, the exemption of this category of taxpayers reduces the compliance burden on companies with employees that fall within this category.

2.2.9 Tax Treatment of COVID-19 and Other Related Donations

Prior to the enactment of the Finance Act 2020, there was uncertainty as to the treatment/deductibility of donations made towards combating the COVID-19 pandemic and other in-kind donations made to the government. However, the FA 2020 has introduced a provision to allow for the tax deductibility of in-kind or cash donations made by companies to any fund set up by the Federal Government or any State Government, or to any agency designated by the Federal Government or to any similar fund or purpose in consultation with any ministry, department or agency of the Federal Government, in respect of any pandemic, natural disaster or other exigency.

The amendment however comes with a proviso stating that the deductibility is limited to 10% of assessable profits. Furthermore, the relevant documents evidencing the donation must be presented to the relevant tax authority and the cost of the donation must be shown to have been wholly, reasonably, exclusively and necessarily incurred in relation to the procurement, manufacture or supply of the in kind do nation. These amendments appear to cushion the adverse effects of the COVID-19 pandemic and other similar crisis, particularly with respect to encouraging donations from companies, as they are more certain about the tax treatment of such donations. However, there are still questions with respect to these introductions by the Finance Act 2020 that appear unanswered, (Yetunde F & Patience A, 2021).

2.2.10 Doing Business

The **Doing Business Report** (DB) is a study elaborated by the World Bank Group since 2003 every year that is aimed to measure the costs to firms of business regulations in 189 countries in

2012.The study has become one of the flagship knowledge products of the World Bank Group in the field of Private Sector development, and is claimed to have motivated the design of several regulatory reforms in developing Countries The study presents every year a detailed analysis of costs, requirements and procedures a specific type of Private Firm is subject in all countries, and then, creates rankings for every country. The study is also backed up by broad communication efforts, and by creating rankings, the study spotlights countries and leaders that are promoting reforms, (Ahmed Y & Ejiofor S, 2021).

2.2.11 Ease of doing business index

The **ease of doing business index** is an index created by the Bank. Higher rankings indicate better, usually simpler, regulations for businesses and stronger protections of property rights. The index is based on the study of laws and regulations, with the input and verification by more than 9,600 government officials, lawyers, business consultants, accountants and other professionals in 185 economies who routinely advise on or administer legal and regulatory requirements. The ease of doing business index is meant to measure regulations directly affecting businesses and does not directly measure more general conditions such as a nation's proximity to large markets, quality of infrastructure, inflation, or crime. A nation's ranking on the index is based on the average of 10 sub-indices, (Osuji A et al, 2021).

2.3 Theoretical Review

In this study, some relevant theories are adopted to give in-depth understanding of the topic under discussion. These theories are:

2.3.1 Resource-based Theory

Resource based theory evolved as a way to help understand how strategic resources and capabilities usually allow organizations to enjoy excellent performance. Since it emergence in 1990’s, the resource-based theory has gain-typically in action and with contention that the possession of strategic resources provides an organization with a golden opportunity to develop competitive advantages over its rivals. Though the resource based theory never become relevant in firm’s strategic measures until 1980’s.This is simply because of its framework concepts that have focused directly on external issues but at present with strong indications recently, it is observed that resource based theory has gain maturity of some worth that’s to be adopted by scholars instead of resource based view approach (Barney, 2001).

Subsequently, many scholars have theme out that resource based theory perspective was evident from the 1930’s involving the works of Barney which was comprehensively inclined by Wernerfelt's work which thereafter presented the indication of resource position hurdles that are related to entry barriers in the positioning school; while several scholars’ work did suggest that the resource based theory denotes innovative paradigm to businesses with backgrounds in ‘Ricardian and Penrosian’ economic theories that were agreeing to what businesses can make has sustainable returns on investment (ROI) and comparable indicate that competitive advantages in turn can help the organization to enjoy strong profits/revenue for reason that a strategic resource is classified to be an asset that is valuable, rare, difficult to imitate and quite non-substitutable and makeup to an extent whereby it will help organization to develop distinct strategies that make the most of target opportunities and ward off threats to make profits (Barney, Wright, &Ketchen 2001; Hunt, 2013).

2.3.2 Complexity Theory

The complexity theory became familiar to scholars as a system theory of 1960's which advances from natural sciences subject for testing uncertainty and non-linearity because it consist an instance of risk to the domain of uncertainty and nonlinearity in decision making that will specify that the psychological weightiness intricate to an extent the decomposition into sub addictively of probability findings and include the curve of the probability weighting function as the system theory to indicate that they are constrained by order-generating rules which mainly emphasize key interactions and connect circles that would constantly change system as it is considered unpredictable approach. Utmost work of the research on complexity theory initiates from Sante Fe Institute in New Mexico, however numbers of Scientists make claims that through the study of complexity theory that it is possible to see not only the laws of chaos, but also those of order through which a powerful explanation for how much any collection of mechanisms will undoubtedly been organized (Burnes, 2005; Grobman, 2005).

Sherman and Schultz, (1998)argues that the complexity theory places its concentration on the ways a business's usually take after an ecosystem or market, rather than a machine efforts while it is considered to be measures of encouraging innovation and other responsiveness to change system that would allow business units to self-organize through modernize businesses ideas and knowledge in a nonlinear approach with lack continuity in the flow of competitive measures, except when observed from hindsight and likewise efficiently system towards had put complexity theory to work simply has business executives need to give up obstinate control of these systems from above and cause outlying more approaches to consist learning by stepping back from the day-to-day running of the business in order to scrutiny for emergent properties and organizational patterns.

2.3.3 Complex Network Theory

Complex network theory contexts have develop out of network theory that is useful methodology to model and study the structural and communicative relations in organizations; even it is sometime consider to be an early development theory after 2000s, as a young and active region of scientific research because it is enthused largely by the empirical study of everyday networks functions such as; (Duncan, 2003); Computer networks, Technological networks, Brain networks, Social networks and so forth.

Complex network theory comprises of practical system of foreseeable measure of set-up of the modern world which can be characterized as networks with a certain number of nodes to get joined together by edges through which science-world adopt its functioning as process that will establish mutual links and possibly help to create social networks for exchanging processes; the complex network is a graph of network with non-trivial topological types that include those features that do not occur in modest networks as webs or random graphs but must frequently follow pattern in graphs modeling of existence network systems.

After 1980s, the rapid development of computer world and information engineering technology has been represented by the Internet-uses and functions in processes that would ensure development into the network age; starting from the internet to the 'www' World Wide Web, from the power grid to the transportation network, from the organism's brain neural networks to the metabolic network, and from research cooperation network to a variety of political, economic, and social networks, thereby caused people have actually lived in a world filled with a wide variety of complex networks (Duncan, 2003; Hou et. al., 2017).

2.3.4. Game Theory

Game theory is independent disciplines that evolve in applied mathematics, social sciences, and many subjects whereas does include mathematical study of strategy and conflict, in which argents success is to develop choices depending on the choice of other-person. Actually, game theory had developed initially with a letter written by James Wald grave in 1713, whereas sin vented by John von Neumann and Oskar Morgenstern in 1944; after most broaden development does trail economics as a business theory to understand a large collection of economic behaviors, behaviors of firms, markets and consumers through use of important tactics of the applied study in mathematical, economics and business for demonstrating the patterns of behavior to interact with agents or connect players, strategic and outcomes for businesses.

Rapoport (1974), game theory is termed as logical analysis of situations of conflict and cooperation; although it is not just the games like Poker, Football and Chess that fit into game theory but there are many other important decisions like investing, customer engagement, deciding what solution method and consists processes that could be formally defined as a theory of rational decision in conflict situations using model such as: Involve a set of decision makers, called players Consists a set of strategies available to each player, courses of action which he or she may choose to follow; Encompass a set of outcomes, the strategies chosen by each player could determine the outcome of the game; Ought to a set of payoffs accorded to each player in each of the possible outcomes.

2.3.5 Differences and Similarities between the Theories

Following the business theories contexts and other concepts such as resources based theory; complexity theory; complex network theory, statistical learning theory and game theory have demonstrated various critical importance of data and information system research, with similarities and differences that occur among most business theories for basis on most sound empirical analysis that is about their suggestion of each theories of evolution and many knowledge development regarding basics of application of theories (Lim et. al. 2016).

2.4.1 Empirical Review

Orighoye R (2004), studied the effect of Tax Incentives to Compete for Foreign Investment. In his study, he observed that foreign direct investment (FDI) as an important factor in the economic development of countries, especially as the gradual removal of trade barriers has led to host governments to actively competing among themselves to promote their countries as investment location. More countries, despite the heated debate surrounding their efficacy as FDI determinants, resorting to the use of tax incentives as part of these promotional efforts. The study however focused on tax incentives which is fraction of others amendments captured by the Finance Act 2020, hence the gap observed to fill by this work.

Dunu EO (2009), conducted evaluation of manufacturing firms in Rivers State and the effect of tax incentives on business performance. The study observed that not all the companies are aware of the available tax incentives scheme as a result of poor administration of tax incentives scheme hence firms less attention to tax incentives. It equally revealed that the government does not lose revenue in the administration of tax incentives based on the fact that the revenue sacrifice would be compensated for in the long run through multiplier effect. The study however concludes that tax incentives are available but the degree of awareness of tax incentives packages are minimal hence the urgent need to increase awareness on its availability hence, the gap to be filled.

Adelegan O (2007), investigated Effect of taxes on Business Financing Decision and Firm Value in Nigeria. The study sets out to measure how taxation of dividend and debt affects firm value. Tax hypothesis predicts that firm value is negatively related to dividends and positively related to debt. The study concludes that dividend and debt convey information about profitability of firms. This information about firm's profitability obscures any tax effect of financing decisions. However, it was found that earnings and investment are key determinants of firm value in Nigeria. Considering the year of the investigation, it is expected that a lot have changed, hence this study intends to look into contemporary issues on effect of tax on business financing as encapsulated in the Finance Act 2020.

It is important to note that Finance Act 2020 is a recent development and as such not much has been written on it. This study will be one of the pioneer studies in the area of impact of the Act on ease of doing business in Nigeria.

2.5.1 Summary of the Literature Review

President Muhammadu Buhari led administration is focus on how to improve the ease of doing business and encourage the tax and fiscal responsibility in Nigeria. To achieve this, the government has over the last two years, through the Finance Act 2019 and 2020 (FA 2019 & FA 2020) amended various tax and fiscal legislations to align the Nigerian business environment with global standards.

One of such amendments is the categorization of companies into small, medium, and large companies, based on annual gross turnover as seen in the Finance Act 2019 (FA 2019). Small companies are companies with annual gross turnover below ₦25 million; medium size companies have annual gross turnover of ₦25 million and above but below ₦100 million, while large companies are those with annual gross turnover of ₦100 million and above.

The Finance Act 2020 which took effect from 1 January 2021, made amendments to some tax and fiscal legislations by granting additional tax reliefs to small and medium scale companies.

The study reviewed four theories; they are Resource Based Theory, Complexity Theory, Complex Network Theory and Game Theory, The theories analyzed the impact of tax incentives on investment and performance of businesses. Studies have been conducted in the areas of tax incentives and investments as well as business performances. Although, Finance Act 2020 is new development and as such no much research have been conducted on the subject matter.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Methodology

This chapter describes the methodology used for the study. It consists of the locale of the study, design of the study, population of the study, sample size and sample techniques, sources of data, instruments for data collection, validity and reliability of the instrument and methods of data analysis.

3.2 Locale of Study

Apapa is a suburb of the western side of Lagos Island. Apapa contains a number of ports and terminals operated by the Nigerian Ports Authority including the major port of Lagos State and Lagos Port Complex. In its legislation, the NPA itself does not refer to any port called "Port of Lagos", it is a site of a major container terminal which was owned and operated by the Federal Government of Nigeria until March 2005 and now is operated by the Danish firm A. P. Moller-Maersk Group.

3.3 Research Design

The study employs survey research design to examine the impact of finance act 2020 on ease of doing business in Nigeria.

3.4 Sources of Data

The data for the study were generated from two main sources: Primary and Secondary sources. The primary sources includes questionnaire and observations while the Secondary includes journals, bulletin, textbooks and internet.

3.5 Population of the Study

A study population is a group of elements or individuals as the case maybe, who share similar characteristics. These similar characteristics or features can include location, gender, age, sex or specific interest. The emphasis on study population is that it constitutes individual or elements that are homogenous in description (Prince Udoyen 2019). In this study, the population constitutes selected SMEs (Mandarin Supermarket, Dikachi Ventures) in Apapa local government of Lagos state.

3.6 Sample Size Determination

A study is simply a systematic selected part of a population that infers its result on the population. It essence is that part of a whole that represents the whole and its member share the same characteristics in like manner (Prince Udoyen 2019). The targeted size of 40 respondent will be drawn from different SMEs mentioned using stratified sampling techniques because it is the most effective when handling heterogeneous population's parameter to be obtained and enables separate estimates of the populations of parameter to be obtained for each stratum without additional sampling. Respondents from different departments will then be selected using simple random sampling technique to make the results objective and inferences based on them more valid.

3.7 Instrumentation

This is a tool or method used in getting data from respondents. In this study, questionnaires, observations are research instruments used. Questionnaire is the main research instrument used for the study to gather necessary data from the sample respondents. The questionnaire is structured type and provides answers to the research questions and hypothesis therein.

This instrument is divided into two sections; Sections A and B. Sections A deals with the personal data of the respondents while section B contains research statement postulated in line with the research question and hypothesis earlier formulated. Options or alternatives are provided for each respondent to pick or tick one of the options.

3.8 Reliability

The researcher worked in tandem with the research supervisor who played a pivotal role in ensuring that consistency of the results was enhanced.

3.9 Validity

Validity here refers to the degree of measurement to which an adopted research instrument or method represents in a reasonable and logical manner the reality of the study (Prince Udoyen: 2019). Questionnaire items were developed from the reviewed literature. The researcher designed a questionnaire with items that were clear and used the language that was understood by all the participants. The questionnaires were given to the supervisor to check for errors and vagueness.

3.10 Method of Data Collection

The data for this study was obtained through the use of questionnaire administered to the study participants. Observations was another method through which data was also collected. Oral questioning and clarification were made.

3.11 Method of Data Analysis

The study employed the simple percentage model and modified 5 point Likert scale in analyzing and interpreting the responses from the study participants while the hypothesis was tested using Chi-Square statistical tool.

3.12 Ethical Consideration

The study was approved by the Nigerian Army School of Finance and Administration (NASFA) in line with National Board for Technical Education (NBTE) requirement for project writing in Nigeria Polytechnics/Mono-technics. Informed consent was obtained from all study participants before they were enrolled in the study. Permission was sought from the relevant authorities to carry out the study.

CHAPTER FOUR
DATA PRESENTATION AND ANALYSIS

4.0 Preamble

This chapter consists of data presentation, analysis, test of hypothesis and summary of findings.

4.2 Data Analysis

This chapter is divided into two parts, sections A and B. Section A contains bio statistical data of the respondents and B other technical matters relating to the research work. Section "A" deals with the Gender, Marital Status, Age, Profession, Educational Qualification, Length of service etc. While section B contained other variables which will be collected and analyzed. The result obtained will be used to draw summary, conclusion and recommendations in chapter five of this research work.

Table 4.2.1
Title: GENDER

Options	No	%	V-Ration
Male	23	58%	0.42
Female	17	42%	0.58
Total	40	100%	1.0

Sources: Field Work 2022

Model of Analysis: Variation Ratio (a parametric statistic instrument).
Scale: Percentage and Ratio Scale Mode Class-Categories (a)

Variation Ratio =

V= 1 – f/n
= 1 – 23/40
= 1-0.58
= 0.42

A class with least variation ratio representing the model class. The option of 58% in which the decision is based.

Table 4.2.2
Title: Marital Status

Options	No	%	V- Ration
Single	23	58%	0.42
Married	17	42%	0.58
Divorced	0	0	0
Widow/Widower	0	0	0
Total	40	100%	1.0

Sources: Field Work 2022

Model of Analysis: Variation Ratio (a parametric statistic Instrument).
Mode Class – Categories (b)
Variation Ration = V
V = 1 – f/m

= 1 – 23/40
= 1-0.58
= 0.42

A class with least variation rations representing the modal class. The opinion of 58% in which the decision is based.

Table 4.2.3
Title: Age

Options	No	%	v- Ration
20 - 30yrs	23	58%	0.42
31-40yrs	11	27%	0.73
41 and Above	6	15%	0.85
Total	40	100%	2.0

Sources: Field Work 2022

Model of Analysis: Variation Ratio (a parametric statistic Instrument).
Mode Class – Categories (a)
Variation Ratio = V
V = 1 – f/m
= 1 – 23/40
= 1-0.58 = 0.42

A class with least variation rations representing the modal class. The option also represents the opinion of 58% in which the decision is based

Table 4.2.4
Title: Industry

Options	No	%	V-Ration
Manufacturing	35	88%	0.12
Merchandising	5	12%	0.88
Service	0	0	0
Others	0	0	0
TOTAL	40	100%	1.0

Sources: Field Work 2022

Model of Analysis: Variation Ratio (a parametric statistic Instrument).
Mode Class-Categories (b)
Variation Ratio = V = 1 – f/m
= 1 – 35/40
= 1 – 0.88
= 0.12

A class with least variation rations representing the model class. The option of 88% in which the decision is based.

Table 4.2.5
Title: Educational Qualification

Options	No	%	V-Ration
SSCE	18	45%	0.55
ND/NCE	5	13%	0.88
HND/BSc	5	12%	0.87
Masters	12	30%	0.7
PhD	0	0	0
TOTAL	40	100%	3.0

Sources: Field Work 2022

Model of Analysis: Variation Ratio (a parametric statistic Instrument).
Mode Class – Categories (a)
Variation Ration =

V = 1 – f/m
= 1 – 18/40
= 1 – 0.45 = 0.55

A class with least variation rations representing the model class. The opinion of 45% in which the decision is based.

Table 4.2.6
Title: Length of Service

Options	No	%	V- Ration
Below 5 years	23	58%	0.42
5- 10 years	11	27%	0.73
10 – 15 years	6	15%	0.85
16 years and above	0	0	0
Not Applicable	0	0	0
Total	40	100%	2.0

Sources: Field Work 2022

Model of Analysis: Variation Ratio (a parametric statistic Instrument).
Mode Class – Categories (b)
Variation Ratio = V

V = 1 – f/m
= 1 – 23/40
= 1 – 0.58
= 0.42

A class with least variation rations representing the model class. The option also represents the opinion of 58% in which the decision is based.

Table 4.2.7
Title: Numbers of employee

Options	No	%	V- Ration
Below 5	6	15%	0.85
6-10	29	73%	0.28
11-15	5	12%	0.87
15 and above	0	0	0
Total	40	100%	2.0

Sources: Field Work 2022

Model of Analysis: Variation Ratio (a parametric statistic Instrument).

Mode Class – Categories (d)

Variation Ratio = V

$$V = 1 - f/m$$
$$= 1 - 6/40$$
$$= 1 - 0.15$$
$$= 0.85$$

A class with least variation rations representing the model class. The option also represents the opinion of 15% in which the decision is based.

Table 4.2.8
Title: Does your business normally file tax return

Options	No	%	V- Ration
Yes	29	73%	0.27
No	11	27	0.73
Total	40	100%	1.0

Sources: Field Work 2022

Analysis: From the demographic data obtained above, analyses of respondents were taken in percentage as follows; yes were 73% and that of no were 27%. The researcher used this analysis from the information collected for the study.

Table 4.2.9
Title: What is the estimated annual turnover of your business?

Options	No	%	V- Ration
Below N5m	17	42%	0.57
Between N6m – N10m	23	58%	0.43
Between N1m – N15m	0	0	0
Between N16m – N20m	0	0	0
Between N21m – N25m	0	0	0
Total	40	100%	1.0

Sources: Field Work 2022

Analysis: From the demographic data obtained above, analyses of respondents were taken in percentage as follows; below were 77.8% and that of 6m to 10m were 58%. The researcher used this analysis from the information collected for the study.

Table 4.2.10
Title: What is your status in the organization?

Options	No	%	V- Ration
Owners	12	30%	0.70
Manager	5	12%	0.88
Sales man/ woman	6	15%	0.85
Others	17	43%	0.57
Total	40	100%	3.00

Sources: Field Work 2022

Analysis: From the demographic data obtained above, analyses of respondents were taken in percentage as follows; 30% are 0wners, 12% are mangers, 15% are sales man/ woman and others are 43%. The researcher used this analysis from the information collected for the study.

SECTION B

Rating Scale and Assessment Criteria:

Key	Interpretation	Assessment Value/Grade	Point allocated
SA	Strong agree	Exceptionally Good	5
A	Agree	Above Average	4
UD	Undecided	Average Consideration	3
D	Disagree	Below Average	2
SD	Strongly disagree	Inferior Grade	1

Table 4.2.11: The above key is used for the analysis of research statements 11 – 26 in the questionnaire.

Serial	Impact of 2020 finance Act on ease of doing business in Nigeria.	Response					
		SA	A	UD	D	SD	Total
10.	Government policies have impact on the business activities.	22 (55)	18 (45)	0 (0)	0 (0)	0 (0)	40 (100)
11.	Prior to the enactment of 2020 finance Act, Nigeria business environment has been friendly	17 (42.5)	11 (27.5)	0 (0)	12 (30)	0 (0)	40 (100)
12.	The 2020 Finance Act improved the ease of doing business in Nigeria.	11 (27.5)	17 (42.5)	0 (0)	12 (30)	0 (0)	40 (100)
13.	The redefinition of small businesses by finance Act 2020 is a welcome development	11 (27.5)	29 (72.5)	0 (0)	0 (0)	0 (0)	40 (100)
14.	The tax burden imposed on the businesses can add to their financial problems	16 (40)	12 (30)	12 (30)	0 (0)	0 (0)	40 (100)
15.	Effect of taxes can affect the	27	15	2	1	0	40

	expansion rate of a business	(60.0)	(33.3)	(4.4)	(2.2)	(0)	(100)
16.	The exemption of small businesses from Tertiary Education Trust fund has eased doing business in the country	6 (15)	34 (85)	0 (0)	0 (0)	0 (0)	40 (100)
17.	Exemption of additional items from VAT can enhance more revenue generation to the businesses	12 (30)	28 (70)	0 (0)	0 (0)	0 (0)	40 (100)
18.	Minimum wage earners exempted from personal income tax payment can encourage saving habit of individuals	5 (12.5)	29 (72.5)	6 (15)	0 (0)	0 (0)	40 (100)
19.	Tax treatment of COVID 19 and other related donations as enshrined in the FA 2020 its more beneficial to business	22 (55)	18 (45)	0 (0)	0 (0)	0 (0)	40 (100)
20.	Prior to the FA 2020, there was uncertainty as to the treatment/deductibility of donations made towards combating the COVID '19 pandemic.	17 (42.5)	23 (57.5)	0 (0)	0 (0)	0 (2.2)	40 (100)
20.	Prior to the FA 2020, there was uncertainty as to the treatment/deductibility of donations made towards combating the COVID '19 pandemic.	17 (42.5)	23 (57.5)	0 (0)	0 (0)	0 (2.2)	40 (100)
21.	Additional tax incentives encourage investors or potential investors to invest more in the economy.	16 (40)	18 (45)	6 (15)	0 (0)	0 (0)	40 (100)
22.	The reduction in minimum tax affects the growth of small scale businesses.	16 (40)	18 (45)	6 (15)	0 (0)	0 (0)	40 (100)
23.	The provisions of Finance Act 2020 to encourage foreign direct investment.	0 (0)	34 (85)	6 (15)	0 (0)	0 (0)	40 (100)
24.	The outbreak of Covid'19 contributed to the ease of doing business particularly in Nigeria.	28 (70)	12 (30)	0 (0)	0 (0)	0 (0)	40 (100)

Source: Field Work 2022

Scale: Simple Percentage
Model of Analysis: 5 Point Modified Likert scale criteria.
Research Analysis:
Range:
X 0 1 2 3 4 5
01 - 20
21 - 40
41 - 60

61 - 80
81 - 100
Frequencies:
Q10(5) + Q11(5) + Q12(5) + Q13(5) + Q14(5) + Q15(5) + Q16(5) + Q17(5) + Q18(5) + Q19(5) + Q20(5) + Q21(5) + Q22(5) + Q23(4) + Q24(5) = 74

15 x 5 = 75

74/75 x 100 = 98.7%

In the assessment, we add up the total score and check the impacts of tax incentives on the competitive capacity of local industries in Nigeria.

01 - 20 No relationship between Finance Act 2020 and Ease of doing business in Nigeria.
21 - 40 Poor relationship between Finance Act 2020 and Ease of doing business in Nigeria.
41 - 60 There is below average relationship between Finance Act 2020 and Ease of doing business in Nigeria.
61 - 80 There is an average relationship between Finance Act 2020 and Ease of doing business in Nigeria.
81 - 100 There is an excellent relationship between Finance Act 2020 and Ease of doing business in Nigeria.

Discussion

Using a 5 point Likert scale rating and assessment, a maximum of 98.7% was obtained from the response, which indicates that there is an excellent relationship between tax incentives and competitive capacity of local industry in Nigeria.

4.3. Test of Hypothesis

25. What is the impact of Finance Act 2020 on ease of doing business in Nigeria?

Table 4.3.1 (Response to Question 25 in the Questionnaire) 11.29

ATTRIBUTE		Tick (√) Where necessary **EASE OF DOING BUSINESS**				Marginal Total
IMPACT OF 2020 FIN ACT		Easy Access to Capital	Increased Investment	Tax Reductions and Low operating cost	Fast and transparent documentation process	Marginal Total
	High	1 (2.42)	2 (0.02)	5 (2.00)	16 (1.00)	24
	Low	5 (0.97)	1 (0.04)	8 (1.57)	4 (4.00)	16
	Marginal Total	7	3	13	20	40

Source: Field Work 2022

$$X_c^2 = \frac{(O - E)^2}{E}$$

Where X_c^2 is Chi – Square calculated

O is the observed value

E is the expected value

$$E1 = \frac{24 \times 7}{40} = \frac{168}{40} = 4.2$$

$$E2 = \frac{24 \times 3}{40} = \frac{72}{40} = 1.8$$

$$E3 = \frac{24 \times 13}{40} = \frac{312}{40} = 7.8$$

$$E4 = \frac{24 \times 20}{40} = \frac{480}{40} = 12$$

$$E5 = \frac{16 \times 7}{40} = \frac{112}{40} = 2.8$$

$$E6 = \frac{16 \times 3}{40} = \frac{48}{40} = 1.2$$

$$E7 = \frac{16 \times 13}{40} = \frac{208}{40} = 5.2$$

$$E8 = \frac{16 \times 20}{40} = \frac{320}{40} = 8$$

$$\frac{(4.2 - 1)^2}{1} = 10.24$$

$$\frac{(1.8 - 2)^2}{2} = 0.02$$

$$\frac{(7.8 - 5)^2}{5} = 1.57$$

$$\frac{(12 - 16)^2}{16} = 1.00$$

$$\frac{(2.8 - 5)^2}{5} = 0.97$$

$$\frac{(1.2 - 1)^2}{1} = 0.04$$

$$\frac{(5.2 - 5)^2}{5} = 0.01$$

$$\frac{(8 - 4)^2}{4} = 4$$

$$X_c^2 = 10.24 + 0.02 + 1.57 + 1.00 + 0.97 + 0.04 + 0.01 + 4.00$$

$$= 17.85$$

Degree of Freedom

df = (r – 1) (c – 1)

= (4 – 1) (2 – 1)

= 3 x 1 = 3

df = **3**

Therefore: $X^2{}_c = 17.85$

$X^2{}_t$ = **7.82**

Decision Rule

At 95% confidence level, $X^2{}_t$= **7.82**

While : $X^2{}_c$ = **17.85**

= $X^2{}_c \geq X^2{}_t$

= 17.85 >7.82

Therefore, we reject the null hypothesis, and accept the alternative hypothesis which states that there is significant relationship between Finance Act 2020 and ease of doing business in Nigeria.

Confirmatory Test

Using Crammer's Statistics (VCS)

$$Vcs = \sqrt{\frac{X^2{}_c}{N\,(K-1)}}$$

Where: $X^2{}_c$ = Chi Calculated

N = Number of respondent

K = Number of Row or Column (whichever is smaller)

1 = Constant Value

$$= \sqrt{\frac{17.85}{40(2-1)}}$$

$$= \sqrt{\frac{17.85}{40}}$$

$$= \sqrt{0.4463}$$

= **0.6681**

= **0.67** (Representing **67%**)

This infers that there is significant relationship between Finance Act 2020 and ease of doing business in Nigeria, which could not be neglected since the correlation coefficient is 0.67 representing 67%.

It therefore confirms that there is significant relationship between Finance Act 2020 and the ease of doing business in Nigeria.

4.4 Summary of Findings

The study was carried out to examine the impact of 2020 Finance Act on ease of doing business in Nigeria. Mandarin Supermarket, Dikachi Ventures, Apapa - Lagos was surveyed to gather data for the research work. After the analysis of data, the following findings were made:

Table 1 reviews that the highest number of respondents are male with 58% and variation ratio of 0.42. Table 2 reveals that the highest number of respondents were single with 58% and 0.42 variation ratio. Table 3 reveals that the respondents between the ages of 20-30yrs with 58%. Table 4 reveals that the most of the respondents belongs to manufacturing industry with 88%. Table 5 shows that SSCE holders were the highest respondents with 45%. Table 6 indicates below 5yrs of working experience as the highest respondents with 58%. Table 7 shows that highest respondents of 73% has between 6 -10 number of employees. Table 8 shows that 73% of respondents normally file tax returns. Table 9 reveals that 58% of respondents' annual turnover ranges from 6m-10m which shows that they are small scale enterprises. Table 10 shows that 30% of respondents are owners of their businesses, 12% are managers and 15% are sales men and women.

In section B, the model of analysis was 5 points modified likert scale, where a total number of 74 out of 75 was obtained representing 98.7%, this indicates that there is excellent relationship between Finance Act 2020 and the ease of doing business in Nigeria. And for table 4.3.1 with the question; what is the Impact of Finance Act 2020 on the ease of doing business in Nigeria, a chi distribution model was used and a chi calculated figure of 17.85 was obtained compared to the critical value of chi square table of 7.82, meaning that there was a strong relationship between finance Act 2020 and ease of doing business in Nigeria as decision rule remains to reject null accept alternative hypothesis since calculated value is greater than table value. Confirmatory test computed also reveal a 67% relationship between Finance Act 2020 and ease of doing business in Nigeria.

CHAPTER 5
DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Preamble

This Chapter presents the discussion of findings, implication of the study, conclusion, recommendation; contribution to knowledge and suggestion for furthers studies.

5.2 Discussion of Findings

The study reveal that Finance Act 2020 will to a greater extent put to rest, hitherto problems of ease of doing business in Nigeria which has made many FDIs deserted Nigeria to other countries. The study further revealed that SMEs are exempted from filing of tax returns which will involve the appointment of Auditors, there reducing the cost of running such businesses hence, increased savings that can be used to expand their businesses to enhance rapid growth. Some of the findings of the study are:

a. There is reduction in procedures and paper works as the new Fin Act has eliminated most of the bottlenecks in business registration processes.

b. The Finance Act 2020 which took effect from 1 January 2021, made amendments to categorized companies to small, medium and big companies for mutual benefit.
c. It also amended some tax and fiscal legislations by granting additional tax reliefs to small and medium scale companies.
d. Small companies were exempted from the requirement to appoint auditors which has reduced the cost of doing business especially the SMEs.
e. The Industrial Development (Income Tax Relief) Act now grants an initial tax-free period of 4 years to small companies engaged in primary agricultural production. This development will go a long way in attracting investments to the agricultural industry.
f. Exemption of individuals earning ₦30,000 or less from an employment from Pay As You Earn (PAYE) will take the burden of PAYE Tax compliance off their employers which are largely SMEs and improve their ease of doing business.

5.3 Implication of the Study

The study revealed that the major causes of doing business in Nigeria includes, corruption, issues of double taxations, hash economic environment, administrative bureaucracy etc. However, the Finance Act 2020 based on the findings of the study has eliminated or will in the nearest future eliminate some of these problems. This will make government understand that there are other issues that need to be taken care of if Nigeria must be made investment haven and to have an expected economic growth.

5.4 Conclusion based on Findings

The study investigated the impact of Finance Act 2020 on ease of doing business in Nigeria and from the outcome of the study, it is revealed that Finance Act 2020 will eliminate most of the problems associated with doing business in Nigeria.

5.5 Recommendations based on Findings

The study revealed that major causes of doing business in Nigeria includes, corruption, issues of double taxations, hash economic environment, administrative bureaucracy etc. It also revealed that there is significant relationship between Finance Act 2020 and ease of doing business in Nigeria. Therefore, it is recommended as follows:

a. The institutions like EFCC, ICPC etc. should be strengthen to reduce to the barest minimum the cases of corruption so as not to scare away investors from the country.
b. Although, the Finance Act 2020 has prescribed some tax reliefs for SMEs, it is important that people be educated or enlightened in this regards so as to take advantage of these reliefs.
c. Government need to address as a matter of urgency, the problem of epileptic power supply hence it constitutes major problem to hash economic condition in the country.

d. However, the Act has made provision to cut down the bureaucracy in the documentation of new businesses; there is the need for adequate follow-up so that these provisions will be implemented holistically.

5.6 Contribution to knowledge

The study looked into the impact of Finance Act 2020 on the ease of doing business in Nigeria because over the years, Nigeria has been rated high as one of the countries where ease of doing business is a mirage. At the end of the study, it was discovered that the enactment of Finance Act 2020 has eliminated and will eliminate more of the problems on ease of doing business. The study will be guide to other researchers that may be willing to conduct research in this area. It is also important to state here that this work has added in a great measure to the knowledge of the researcher.

5.7 Suggestions for further studies

It is obvious that no much work has been done in this area and although, the researcher has conducted in-debt investigation on this topic, it is important to know that the topic is not exhaustible. Hence it is recommended that research be conducted on the following topics:

a. The declining investments and quest for economic growth in Nigeria
b. The impact of 2021 Finance Act and ease of doing business in Nigeria
c. The growing cost of doing business in Nigeria; the roles and responsibilities of the Government.

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- ***I, Udogu Emmanuella, Chisom declare that this research work is my original work and that all ideas and information cited were duly credited. Hence, I take responsibility for all short comings.***
- ***July 2022***

Checklist for Considering a New Major Project

This checklist highlights the significant factors to be considered when appraising an investment proposal. Some of the headings may not be relevant in particular cases.

Project definition:

- Proposal description.
- Fit with strategic plan.

Proposed method of financing project:

- Sources unique to this project, including grants.
- Any need for major expansion of company's capital base.

Product/service definition:

- Description of product/service – applications, technical attributes, product range.
- Patents, licences or franchises held.

Market definition:

- Description of relevant markets.
- Market sizes and segmentation.
- Past and projected market growth rates.
- Market competition.
- Planned market share of product/service with reasons.

Marketing approach:

- Methods of selling.
- Structure of selling organization.
- Methods of distribution.
- Promotional activity.
- Pricing strategy.
- Likely reaction of competitors.

Constituents of investment:

- Properties – offices, factories, warehouses, showrooms.
- Plant, vehicles, furniture.
- Working capital.
- Asset redundancies.
- Set up costs.

Production facilities:

- Plant layout.
- Capacities and plant/labour utilization.

- Room for future expansion.

Goods and services:

- Raw materials.
- Components.
- Subcontracting.
- Packing materials.
- Utilities.

Management:

- Skills needed.
- Organization structure and key personnel.
- Recruitment and training programme.
- Remuneration and benefits.

Labour:

- Direct and indirect labour requirements and availability.
- Training and skills needed.
- Trade unions and labour relations.
- Health and safety.

Corporate social responsibility:

There should be a section which states that managers have considered the impact on and of sustainability. Bids to the public sector must have a statement demonstrating the business's green credentials.

Social and environmental considerations:

- Emissions of carbon dioxide and other greenhouse gases.
- Emissions of potential local pollutants into the atmosphere.
- Effluents of potential pollutants into watercourses.
- Wastes generated, both hazardous and general.
- Possible impacts on local communities and other stakeholders.
- Potential effect on the local economy

Information systems:

Effect on and need for:

- Management accounting information;
- Computer system; and
- Procedures manual.

Financial projections:

- Cash flow to end of project.

- Effect over first few years on:
  - ✓ profits; and
  - ✓ balance sheets.
- Key ratios.
- Financial evaluation.
- As appropriate:
  - ✓ net present value;
  - ✓ straight payback;
  - ✓ discounted payback;
  - ✓ accounting rate of return; and
  - ✓ internal rate of return.
- Risk and uncertainty associated with projects.
- Include a reference to whether any element is flexible and could be cancelled later if necessary.

Proposed timetable:

- Recruitment/training of key personnel.
- Availability of premises.
- Completion of production facilities.
- Availability of supplies.
- Recruitment/training of employees.
- Target date for normal operation.
- Product launch.
- Post appraisal audit date(s).

Risks:

- Including risks and any mitigating actions allows for greater challenge and therefore a stronger case.

Key assumptions:

- Be explicit about the base assumptions used to calculate key revenue and cost lines (drivers) and how they relate to the overall market – so no one is in doubt about what has been assumed. The approvers need to be able to assess whether the assumptions are reasonable based on their experience or alternative sources of information.

VALUE FOR MONEY AUDIT AND SUSTAINABILITY OF ORGANIZATIONS IN NIGERIA

By

Tivde, Joel Kanyi, ACA

Department of Accounting, University of Mkar, Nigeria

Objectives

The article:

- Discuss the fundamentals of Value for Money Audit as distinct from financial audit,
- Discuss the importance of performance auditing in ensuring efficiency, effectiveness and economy of an organization's operations,
- Identify appropriate criteria to collect and analyze performance related information for purpose of making recommendations to enhance operational performance of organizational activities.

Introduction

This article is premised on the background that, the advent of covid-19 which has recently been seen as one of the most challenging issue as it represents severe loss of revenue to the organizations both in advanced and growing economies. This has undermined the ability of the organizations to raise the targeted revenue. Consequently, sustainability/going concern will be under threat if this situation is not properly addressed.

Organizational sustainability is the capability an organization acquires, which enables it to exist and deliver on its avowed mandate in perpetuity without any significant trace of going concern challenge (Ayem-Fella & Tivde, 2022). Sustainability thus seeks to achieve set target today without mortgaging future needs of stakeholders (Colbert & Kuruez, 2007; Ford, 2012; Wales, 2013). According to (Colbert and Kuruez (2007), sustainability connotes simultaneous focus on economic, social and environmental performance. The tripod, or three sustainability performance indicators (i.e. economic, social and environmental dimensions), is referred to as triple bottom line (TBL) accounting (Wales, 2013; Slaper & Hall, 2011). Stakeholders in both private and public sector establishments therefore crave for sustainability of the entities. Such stakeholders include shareholders, partners, sole proprietors and government. Others are customers, employees, relevant government agencies, creditors and host communities.

One of the tools managers and administrators employ in securing organizational sustainability is value for money audit (VfMA), otherwise called comprehensive or performance audit. VfMA is a financial analysis tool that is used to measure the extent to which organizational resources and methods are economically, efficiently and effectively applied in a bid to achieve set objectives (Oshishami, 1992; Okezie, 2004; Nwosu, 2015; Nwosu & Mshelia, 2015). Performance audit therefore, not only helps managers/heads of organizations to achieve organizational objectives but also curtails wastes and extravagant spending/ use of resources.

An Overview of Value for Money Audit

The need for VfMA arose from the quest to entrench prudent procurement and utilization of an entity's resources. Therefore, auditing today has a wider coverage, it may be for any stated objective like giving expert advice for improving efficiency, prudent management of resources, productivity of an enterprise or systematising the operations. This is where operational auditing is situated.

In Nigeria, the concept gained prominence as a result of the economic depression the country experienced in the 1980s. Government's emphasis at the time shifted from mere expenditure control towards value for money expenditure. In Nigeria and Kenya, VFMA lies within the jurisdiction of internal control (Nwosu, 2015), which is a management tool for safeguarding assets and ensuring orderly and smooth operations in an organization. This implies that VfMA is one of the functions of internal auditor.
Operational auditing arose due to shortcomings of conventional sources of information for effective management of resources within an entity highlighted below:

a. Top management are too preoccupied with implementation of the set plans/ budgets towards achieving of targets (conflict of interest).
b. To management or their aides are generally relied upon for transmission of information rather than carefully analysing and evaluating situations
c. The information that is transmitted by top management is not necessarily objective – sometimes it may be biased for various reasons
d. Conventional internal audit reports turn to lean towards accounting and financial information without considering other aspects of organizational operations
e. Other performance reports contained in the annual reports and routine reports prepared by operating departments/ units have their limitations.

Conceptual Clarification

Concept of Value for Money Audit: According to Free et al. (2012), is a type of audit through which the internal auditor objectively and constructively examines the extent to which financial, human and physical resources of a firm are applied with due regard to economy, efficiency, effectiveness; as well as how accountability relationships are served. This definition reechoed a similar one by Okezie (2004), which was later reiterated by Nwosu (2015) and Nwosu and Mshelia (2015).VfMA is thus, a concept that describes the holistic commitment to ensuring that the best results possible are obtained from use of organizational resources. VfMA is thus, concerned with obtaining the maximum benefit from the resources at the disposal of an organization.

Summarily, Value for Money Audit is a comprehensive activity designed to evaluate organizational structure, internal control systems, work flow, and managerial performance with an intention of providing a measure of the achievement of an organization toward its goals and objectives, and may address effectiveness of operating procedures and internal controls, performance of individual managers/ units heads, and other nonfinancial aspects of the operation of an organization like personnel.

Kururia (2018) identified three surrogates of VfMA as economy, efficiency and effectiveness of resource application. These surrogates are the elements or focal points of VfMA discussed below:

Economy: refers to the acquisition of appropriate, optimum and qualitative resources at minimal costs for operations that are necessary in the attainment of set goals. Decisions on economy require answers as to whether physical, financial and human resources, in addition to information inputs and processes are at the right cost, place and time (Nwamgbebu, et al, 2019; Internal Auditor General Department of National Treasury and Planning Office of the Republic of Kenya, 2019). In transport industry, relevant resources are fuel, lubricants, terminus tolls, vehicle maintenance, and employee emoluments.

The principle of economy simply means acquisition of resources of the right quality, in the right quantity, at the right time and place at the lowest possible cost for operations that are necessary in the attainment of set goals.

Efficiency: This VfMA element measures productivity, which is the ratio or quotient of output divided by inputs. The lower the ratio, the more efficient an organization is considered to be in resource utilization, and thus rated higher in performance (Ayem-Fella, 2019; Nwamgbebu et al, 2019). Where a group of three energetic young men harvests thirty 100-kilogram bags of rice in a day and another with two young men of equal strength harvests 24 similar bags, also in one day, the latter will be rated more efficient that the former. This is because the productivity of the second group is 12 bags per employee in a day whereas that of the first group is 10 bags. In transport industry, efficiency may be measured in terms of time taken to complete a journey, quantity of fuel and other consumables used and the value left of a vehicle after its life span.

Efficiency connotes achievement of optimal relationship between output of services /results and the resources used. Inefficiencies include:

a. Acquisition of goods and services at excessive cost
b. Raw materials are not available for production when needed
c. Unnecessary duplication of efforts by employees
d. Employees are over employed

Effectiveness: Effectiveness principle compares actual outcomes with budgeted targets of an organization (Nwamgbebu et al, 2019), and establishes variances (Drury, 2018). Such comparison may be in terms of output units, quantity of materials used or time taken to complete production processes. The Internal Auditor General Department of National Treasury and Planning Office of the Republic of Kenya (2019, p. 1) in most simplistic terms refers to economy, efficiency and effectiveness (3Es) as "spending less, spending well and spending wisely" respectively.

Effectiveness principle compares actual outcomes in terms of achievement of policy objectives, operational goals and other intended effects with budgeted targets of an organization and establishes variances.

In most simplistic terms economy, efficiency and effectiveness (3Es) refers to as "spending less, spending well and spending wisely" respectively.

Criteria for Evaluating Economy, Efficiency and Effectiveness:

a. **Historical performance**: Actual results from prior periods or audits
b. **Benchmarking**: Performance data of comparable organizations or units
c. **Engineered standard**: Criteria based on engineering standards like time and motion study

d. **Discussion/agreement**: Simple discussion and agreement with the parties involved in the process; management, operational auditor, persons to whom the findings will be reported

Concept of Organizational Sustainability: Organizational sustainability (OS) is "the reduction of organizational risk that increases the likelihood that an organization will survive and thrive in the future, coupled with the mitigation of any harm to the things and people around it" (Coetzee, n.d., p.1).

Thus, Colbert and Kuruez (2007), in most simplistic terms, refer to OS as the ability to operate a business in perpetuity or 'future proofing'. Organizational sustainability is ability to achieve success today without comprising those of the future. It is acquired through capacity development that entrenches holistic growth and ability to constantly initiate policies that live up to evolving global trends (Chatterji, n. d.).

The various stakes in an organization may have social, economic and environmental dimensions which must be satisfied. From the forgoing, one can therefore posit that organizational sustainability (OS) is the ability of an organization to perpetuate value creation for the benefit of its universal teeming stakeholders.

The triple bottom line to the organization's stakeholders is discussed below:

Economic Dimensions: Economic dimensions of sustainability are concerned with financing, production, and marketing and after sales services capabilities of an organization. These have been categorized into direct and indirect influences (Garza, 2013). Direct influences encompass financing and financial performance measures. Financing is the act of providing required funds for smooth operations of an organization. Sustainability of an organization stands compromised where there is paucity of finance. Conversely, one with optimum financing, all things being equal, will be sustainable. Financial performance dimensions, on the other hand, are tools used to assess the organizational performance with regard to application of funds and non-current assets. These, according to Garza (2013), include net present value, return on investment (ROI) and return on capital employed (ROCE). An organization desiring sustainability not only requires optimum finance but must also ensure maximization thereof to the satisfaction of the owners.

The indirect economic influences include production, marketing and after sales services delivery processes, and business diversification. An organization reaching for practices that are sustainable has to constantly assess these processes and obtain employee loyalty, customers' satisfaction, and appreciable market share through diversified products (Presley, Meade, & Sarkis, 2007).

Social Dimensions: The social dimension to organizational sustainability is anchored on the need to enhance the social system in which an organization operates (Wales, 2013). Empirical evidence shows that insecurity has a negative relationship with foreign direct investment (Owolabi & Ayenakin, 2015). Additionally, Jelilov et al. (2018) posited that insecurity in Nigeria constitutes serious threat to lives and properties, obstructs commercial activities and discourages local and foreign investors, all of which suppresses Nigeria's socio-economic growth. Among the causes of insecurity is youths' unemployment (Osimen et al., 2016). A sustainability conscious organization thus strives to appreciably contribute to reduction in youths' unemployment. It also adopts ethical practices in dealing with governments, consumers, employees and investors (Wales, 2013) in an effort to address social dimensions to sustainability.

Environmental Dimensions: Garza (2013) identified some environmental dimensions to organizational sustainability. These include strategic initiatives such as environmentally proactive best practices.

Provision of waste baskets in all vehicles in the fleet of a transport company, with clear instructions as to when where and how to dispose of waste is one of the proactive measures. Other environmentally friendly practices include waste reduction, improved compliance with environmental standards and reduction in harmful emissions.

Objectives of VfMA or Performance Audit

a. Appraisal of controls: Whether they are adequate and working effectively
b. Appraisal of objectives and plans: Whether they are clearly defined and properly communicated
c. Evaluation of performance: In reference to applicable standard procedures, rules, policies and plans
d. Appraisal of organizational structure: Evaluation of line of relationships & delegation of authority and tasks

Types of VfMA or Performance Audit

a. Functional audit: Production, Payroll, Collection ,etc
b. Organizational audit: Department, unit, branch, subsidiary
c. Special assignments: Variety of forms

Differences between Performance and Financial Audit

Differences	Operational Audit	Financial Audit
Purpose of the audit	• Effectiveness and efficiency • Oriented to the future	• Historical information was correctly recorded • Operating performance for the future
Report distribution	• Management	• Many users of financial statements
Inclusion of non-financial areas	• Any aspect of efficiency and effectiveness • Wide variety of activities	• Limited to matters that directly affect the fairness of financial statements

Phases of Performance Audit

Planning

a. Determine the scope of the engagement and communicate it to the organizational unit.
b. Obtain background information about the organization's unit
c. Understand internal control, and decide on the appropriate evidence to accumulate.

Evidence accumulation and evaluation

a. Extensively use documentation, client inquiry, and observation.
b. Accumulate sufficient competent evidence to afford a reasonable basis for a sound conclusion

Reporting and follow-up

a. Sent only to management
b. Reduced standardized wordings
c. Follow-up to determine whether the recommended changes were made

The place of Performance Auditing in Internal Audit

a. The traditional internal auditing assist the management for the development and assessment of the internal control system.
b. Internal auditing has been seen as an important part of the control mechanism and it has been of great value in financial and compliance audit.
c. Internal auditing has focused on the direct assessment of organizational efficiency and offering suggestions for the identified problems.

Salient Features of the Traditional Form of Internal Audit and Performance Audit

SN	Internal Audit	Operational Audit
1	Compliance objective	Process improvement objective
2	Financial accounts focus	Business focus
3	Financial audit focus	Efficiency and improvements
4	Transaction based	Process based
5	Policies and procedures focus	Risk management focus
6	Cost Centre wise budget monitoring	Accountability for performance
7	Focus on policies, transactions and compliance	Focus on goals, strategies and risk management processes

Benefits of Performance Audit

a. Better management of all aspects of organization whether it is production area or service area.
b. Improves efficiency and effectiveness of operations in order to maximise value to all the stakeholders.
c. Helps in finding alternative solutions, i.e. through recommendations for improvements to policies, procedures and structure which could help in reducing wastage of resources and inefficiencies;

Conclusion

Operational auditing is a necessary business tool for positive change in view of its strategic importance in the realm of economy, efficiency and effectiveness. It is not an easy exercise in terms of cost, knowledge and skills as well as intensive efforts on the part of everyone involved in it. The expected results from performance audit should always be given due attention it deserves.

Based on the forgoing, organizations must endeavour to upgrade their internal audit units to perform optimally especially by carrying out performance audit function.

Appropriate motivation in terms of work tools (appropriate technology), training and retraining and adequate and timely compensation should take precedence to enhance smooth VfMA or performance audit.

Case Study

- During a cash review in an organisation, it was found that the organization collect cash from customers and the bank deposits were not made until several days after the cash and cheques were received.
- The cause was a complicated reconciliation/distribution process requiring five to ten days to complete.
- On receipt of bank account statement for bank reconciliation, it was gathered that a heavy cash withdrawer transaction occurred. This transaction does not pass through proper approval process and was not properly documented in the office.
- The manager/ head awarded a contract to Ti-Ka Tech Resource Ltd that worth N56 million. During the same period, Ayatutu Enterprises awarded a similar contract to another contractor at the sum of N45 million under normal business terms. Meanwhile, the manager/ Head has maximum approval limit of N25 millions.
- A frequent employment of new officers were observed to have been taken place without properly carrying out needs assessment and not duly observing the proper employment process of advertising for vacant positions, interview/ selection process. This lead to over-employment and duplication of duties. In a similar vein, the manager recommended her secretary for promotion. She has been on special pay package for the last two years.
- Further evidence proved that, promotion appraisal committee became moribund for over five years, employees were not evaluated, and promotions were done according to the manager’s discretion. The manager/head of the organisation is indolent about operations of departments/ unit heads
- It was also gathered that management was not bothered considering the sustainability of the organisation and her components sections, departments and units in terms of economic, social and environmental dimensions.

Questions

1. Is the present system of cash handling efficient, effective and economical?
2. Is the future of this organisation free from mortgage?
3. Is the contract awarded to Ti-Ka Tech Resource Ltd on normal grounds?
4. Can this organisation stand test of time in terms of survival?
5. Recommend appropriate measures for a more appropriate and better system

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How to Profit from Inflation

For consumers, inflation means higher prices on goods and services, and a loss of purchasing power if their income fails to keep up.

For investors, it means moving some of their money to assets that benefit from inflation or at least keep up with its pace.

The following investments tend to fare well during periods of inflation:

a. Commodities like gold, oil, and even soybeans should increase in price along with the finished products that are made with them,
b. Inflation-indexed bonds and Treasury Inflation-Protected Securities (TIPS), tend to increase their returns with inflationary pressures,
c. Consumer staples stocks mostly do well because price increases are passed on to consumers.
d. Mortgage-backed securities (MBS) and collateralized debt obligations (CDOs) are risky choices but tend to perform well under inflationary pressure,
e. Investment real estate is traditionally a safe haven but should be approached cautiously in 2023 given the unsettled state of the industry.

The Basics of Inflation

Persistent deflation can increase unemployment and undermine the financial system as well as the broader economy by making it more difficult to service debt.

Sharp deviation from a modest inflation rate in either direction present challenges for investors as well as consumers. That's because they have the potential for significant economic disruption. They also have varying and often unpredictable effects on various asset classes.

In economics, inflation is a quantitative measure, one of quantity over quality, tracking the rate of change in prices of a standardized basket of goods. Inflation is defined as an increase in prices over time, and the rate of that increase is expressed as a percentage.

How to Track Inflation

The most common economic reports used to measure inflation are the Consumer Price Index (CPI), the Producer Price Index (PPI), and the Personal Consumption Expenditures Price Index (PCE). The PCE Price Index is the Federal Reserve's preferred inflation gauge. The PCE is a broader measure than the CPI and is weighted based on consumption measures used to drive the gross domestic product rather than on a household spending survey as the CPI.

a. CPI measures the weighted average urban consumers pay for a standardized market basket of goods and services.
b. PPI is a weighted average of prices realized by domestic producers. It includes prices from the first commercial transaction for many products and some services.
c. The PCE Price Index is a broader measure than the CPI of the change in the price of goods and services purchased by consumers.

All three of these indices provide an alternative “core” reading excluding the more volatile food and energy prices.

How Inflation Affects Asset Values

While inflation’s effects on the economy and asset values can be unpredictable, history and economics offer some rules of thumb,

Inflation is most damaging to the value of fixed-rate debt securities, because it devalues interest rate payments as well repayments of principal. If the inflation rate exceeds the interest rate, lenders are in effect losing money after adjusting for inflation. This is why investors sometimes focus on the real interest rate, derived by subtracting the inflation rate from the nominal interest rate.

Longer-term fixed rate debt is more vulnerable to inflation than short-term debt, because the effect of inflation on the value of future repayments is correspondingly greater, and compounds over time.

The assets that fare best under inflation are those assured of bringing in more cash or rising in value as inflation increases. Examples would include a rental property subject to periodic increases in rent or an energy pipeline charging rates tied to inflation.

Real Estate

Real estate is a popular choice because it becomes a more useful and popular store of value amid inflation while generating increased rental income.

Investors can buy real estate directly or invest in it by buying shares of a real estate investment trust (REIT) or specialized fund.

Real estate fared particularly well during an outbreak of persistent inflation during the 1970s. But real estate is also vulnerable to rising interest rates and financial crises, as seen in 2007-2008. And interest rate increases are the conventional monetary policy response to elevated inflation.

Commodities

When inflation picks up, investors often turn to tangible assets likely to rise in value.

Commodities include raw materials and agricultural products like oil, copper, cotton, soybeans, and orange juice. Commodity prices tend to rise alongside the prices of finished products made from those commodities in inflationary environments.

For example, higher crude prices elevate the price of gasoline and transportation. Sophisticated investors can trade commodities futures or the shares of producers. On the other hand, exchange-traded funds investing in commodity futures will tend to underperform the price of a rising commodity, because their futures positions must be rolled as they expire.

Bonds

Investing in bonds may seem counterintuitive as inflation is typically harmful to fixed-rate debt. That’s not the case for inflation-indexed bonds, which offer a variable interest rate tied to the inflation rate. In United States, Treasury Inflation-Protected Securities (TIPS) are a popular option, pegged to the Consumer Price Index.

When the CPI rises, so does the value of a TIPS investment. Not only does the base value increase but, since the interest paid is based on the base value, the amount of the interest payments rises with the base value increase.

Other varieties of inflation-indexed bonds are also available, including those issued by other countries.

Inflation-indexed bonds can be accessed in a variety of ways. Direct investment in TIPS, for instance, can be made through the U.S. Treasury or via a brokerage account. They are also held in some mutual funds and exchange-traded funds. For a more aggressive play, consider junk bonds. High-yield debts – as it's officially known – tends to gain in value when inflation rises, as investors turn to the higher returns offered by this riskier-than-average fixed-income investment.

Stocks

Stocks have a reasonable chance of keeping pace with inflation – but when it comes to doing so, not all equities are created equal. For example, high-dividend-paying stocks tend to get hammered like fixed-rate bonds in inflationary times. Investors should focus on companies that can pass their rising input costs to customers, such as those in the consumer staples sector.

Loans/Debt Obligations

Leveraged loans are potential inflation hedges as well. They are a floating-rate instrument, meaning the banks or other lenders can raise the interest rate charged so that the return on investment (ROI) keeps pace with inflation.

Mortgage-backed securities (MBS) and collateralized debt obligation (CDOs)-structured pools of mortgages and consumer loans-respectively, are also an option.

Investors do not own the debts themselves but invest in securities whose underlying assets are the loans.

MBS, CDOs and leverage loans are sophisticated, somewhat risky (depending on their rating) instruments, often requiring fairly large minimum investments. For most retail investors, the feasible course is to buy a mutual fund or ETF that specializes in these income generating products.

Pros and Cons of Investing for Inflation

There are pros and cons to every type of investment hedge, just as there are pros and cons with every type of investment. Also, there are positive and negative features to the various assets described above

The primary benefit of investing during inflation, of course, is to preserve your portfolio's value. The second reason is that you want to keep your nest egg growing. It can also lead you to diversify, which is always worth considering. Spreading the risk across a variety of holdings is a time-honored method of portfolio construction that is as applicable to inflation-fighting strategies as it is to asset-growth strategies.

Pros:

a. Preserve portfolio worth,
b. Diversify holdings,
c. Maintain income's

Cons:

a. Increase exposure to risk,
b. Divert from long-term goals,
c. Overweight portfolio in some classes

However, the inflation tail should never wag the investment dog. If you have specific goals or timetables for your investment plan, don't swerve from them. As an example, don't weigh your portfolio too heavily with TIPS if it requires significant capital appreciation. Also, don't buy long-term growth stock if your need for retirement income is imminent. An obsession with inflation should never get you out of your risk-tolerance comfort zones.

There are no guarantees. Traditional inflation hedges don't always work, and unique economic conditions sometimes deliver excellent results to surprising assets while leaving what seemed to be sure winners trailing in the dust.

BLOCKCHAIN TECHNOLOGY; A DIGITAL TOOL FOR THE MODERN DAY ACCOUNTANT

By

Adedzwa, Aluashima Shirley, FCA.

The Institute of Chartered Accountants of Nigeria (ICAN), Makurdi & District Society

Objectives

The article:

- Identify common digital skills and how they work.
- Discuss the relevance of digital skills to the Accountant.
- Identify areas that such skills can be applied.
- Discuss the need to be interested in further research to be better equipped for the future.

Introduction

Accounting used to be manual based in the pre-information technology era when record keeping was done in physical files. It was characterized by errors, delays in periodic reports and such reports could not be reasonably relied on due to many complications from human factors, to the large number of files involved. There has been continuous advancement of technology in different areas of life as we can all see that the process of doing things has changed in all walks of life; in medicine, engineering, entertainment, communication, research and development, travel and many other fields. The term "digital" and "online" has become all too common now. Digital Economy is at the core of these digital transformation and accounting as a major facet in the economy has not been left out in both academia and practice. In the course of teaching accounting and practicing it in the private or public sector, technology is key for successful execution of duties.

The improvement on tools to deliver accounting services optimally in developed climes has made it necessary for the Nigerian accountant to keep abreast with these changes in order to meet world class standards. Several data collection, analysis and management tools such as block chain-based distribution ledgers, cloud-based accounting software, big data applications, kobotoolbox for qualitative analysis, extensible business language reporting, robotics and artificial intelligence have been developed and deployed in many organizations for better efficiency in their operations.

According to the Federal Minister of Communication and Digital Economy, Prof. Isa Ali Ibrahim (Pantami), blockchain, as one of the leading new technology trends, has captured the interest of leaders across industry as a promising technology to leapfrog digital transformation.' Blockchain technology certainly has come to stay. It has the potential to shape and disrupt a number of industries, including banking, real estate, government and digital business overall.

This paper will briefly discuss the Block chain technology as a relevant tool that the accountants of our time can use to accomplish their duties more efficiently. It is a relatively new technology and yet to be widely known, accepted and adopted. The essence of this paper is to prick our interest enough to do more research on it to know how it functions, areas it can be applied, its advantages to be able to propose its adoption especially to the relevant authorities when the opportunity presents itself.

What is Block chain technology?

Blockchain is a distributed database solution that maintains a continuously growing list of data records that are confirmed by the participants in the chain. These participants are called "nodes".

A blockchain is a special type of database used to register transactions through a distributed system. It is also referred to as distributed ledger technology (DLT). All participants, individuals or companies using the shared database, are nodes connected to the blockchain, each keeping an identical copy of the ledger. Each entry into a blockchain is a transaction that represents a value change between participants. One example of block chain technology application is the interface between the Corporate Affairs Commission and the Federal Inland Revenue Service, the interface between commercial banks (see use of Bank Verification Numbers, BVN), National Health Insurance Scheme with the various Health Management Organizations and many other entities that have to deal with large data common between them.

A blockchain is basically a list of records that grows continuously. Moreover, the append-only structure of blockchain only allows data to be added to the database, thereby making it impossible to alter or delete previously entered data on any of the earlier blocks. As such, blockchain technology is well suited for managing records, processing transactions, tracing assets, recording events and voting.(Ali,I. I.2018) Blockchain technology was first recognized with Bitcoin, the first cryptocurrency in the world. Bitcoin is the first application of blockchain technology (Iansiti & Lakhani, 2017).

The first prototype of a blockchain is dated back to the early 1990s when computer scientist Stuart Haber and physicist W. Scott Stornetta applied cryptographic techniques in a chain of blocks as a way to secure digital documents from data tampering. Its first public application was in 2008 with the release of the Bitcoin white paper.

Block chain technology is one of the advanced technologies of the last decade and it is important in many fields including accounting. This Concept is designed to encourage the digitization of all areas of economic activity, stimulate the use of digital technologies in enterprises. This is the main brain behind the operations of digital economy using digital currencies such as bitcoin.

Blockchain as an accounting technology is also concerned with the transfer of ownership of assets, and maintaining a ledger of accurate financial information. The accounting profession is broadly concerned with the measurement and communication of financial information, and the analysis of said information (Killi, 2020). It offers a drastically new way to record, process, and store financial transactions and information.

Basic Features of Blockchain Technology

Some basic features of blockchain technology which make it outstanding include:

a. **Propagation**: There is no single 'master' copy of a blockchain ledger, contrary there are many copies. All participants can access an exact copy of the ledger and all copies are same and equivalent. None of parties can control the ledger. New transactions can be saved rapidly and propagate to copies of all participants.
b. **Permanence**: When each user has own copy of the ledger, reality is designated by unanimity. Older transactions cannot be changed without consensus, meaning that blockchain registers are persistent. The whole ledger is stored by all participant and can be controlled and substantiated.
c. **Programmability**: Some blockchains permit for storage of program code as well as ledger records generating automatic daily entries that automatically run when started. These are called smart contracts. (ICAEW, 2018).

How does Blockchain Technology function?

The information about every transaction ever completed in Blockchain is shared and available to all nodes. This attribute makes the system more transparent than centralized transactions involving a third party. Bitcoin was the first application that introduced Block chain technology, and some studies consider it a proof-of-work consensus as the main innovation from Satoshi Nakamoto's blockchain, which is known as Bitcoin. (Enihe & Lawal, 2021) All blocks of a blockchain include transactions and hash pointer, which serves as a link to the subsequent block. In such a way, it is not possible to delete any block or insert a new one in the middle of a chain, because then hashes will not match.

Blocks are created by network participants, who are processing transactions by running blockchain's client software. Such a participant is called a node. For a block to be included in a chain all network participants must confirm its authenticity. A block is included in a chain after some definite number of confirmations. However, it is being validated by all network nodes, until everyone has an up-to-date blockchain structure. Consensus can be reached in different ways, which depend on the cosensus mechanism used (proof-of-work, proof-of-stake, etc.). One of the main theory of blockchain is immutability of the recorded entries A blockchain is a decentralized ledger that permanently records transactions between two parties without third party authentication (Marr, 2018).

The basic application of the blockchain is to perform transactions in a secure network. That's why people use blockchain and ledger technology in different scenarios.

Types of Blockchains

Blockchain types can be classified from various angles. There are different types of blockchain depending on whether authorization is required for network nodes that perform duty as confirmatory and whether blockchain data are accessible (Peters & Panayi, 2016)

a. **Public (Permissionless) Blockchains**: These are blockchains where everyone with a technical competence can be involved in the registration approval process without needing any preapproval or authorization and generally in return for monetary reward incentives. The most typical example is Bitcoin. The Bitcoin network is open to everyone, because anyone is using the appropriate Bitcoin software can read or write data from the ledger. In such structures, blockchain data can be accessible to everyone, or mixed blockchain structures can be created in which the accessibility of data is restricted in various ways.

b. **Private (Permission) Blockchains**: The blockchains used for special purpose applications that predetermined by an authority or consortium of the participants will be included in the registration approval process. It is used for inter-company or in-company applications which public disclosure of performed transactions is objectionable.
c. **Hybrid Blockchains**: This is a mixture of the public and private blockchain types controlled by the permissionless process. It is a unique type of blockchain technology that amalgamates components of both public and private blockchains.
d. **Consortium**: This is a semi-decentralized network in which members are not granted single entity only groups. It operates under the private permisionless blockchain but controlled by a group and offers network security that public chains do not have.

Advantages of Blockchain Technology

a. Blockchain technology is like a digital ledger and the data or information on it is of a permanent nature which cannot easily altered unilaterally without the consent of all parties. This minimizes the risk of fraudulent activities by any single party using that blockchain. (Killi, 2019).
b. Due to its relatively secure operations, fraud and corruption are minimized to a large extent.
c. If there is any fault at any node or terminal, users will not lose information as the other users still have all the information at their terminal.
d. All transactions on the blockchain are decentralized and appear to the entire participants or users. This increases the controllability and reliability of transactions.
e. It is extremely difficult to make changes in blockchain and in the very scarce situation, such a change occurs, it can be seen by other participants. This enhances transparency, one of the core values of accounting. It is basically tamper proof.

Disadvantages of Blockchain Technology

a. Blockchain technology is still a new technology and has not gotten to its full potentials in application hence Resolving difficulties such as speed of transactions, verification process and data limits are still not at optimal levels.
b. Performance may not be optimal as some systems still use old accounting methods and data required may not be the same making it difficult to operate in some functions such as digital signature verification and reconciliation mechanism.
c. Confidentiality may be compromised since blockchain is used by many nodes or a wide range of users. Information can easily be accessed even if it cannot be altered.

Areas of Relevance of Blockchain Technology

Some areas where blockchain technology can be applied include the following:

a. Budget support and project management based on a private blockchain.
b. Fraud detection mechanism
c. Consensus mechanism
d. Accounting and Finance
e. Banking
f. Taxation

g. All digital Businesses like the telecom industry
h. Government Ministries, Departments and Agencies
i. Real Estate operations

Potential Effects of Blockchain Technology on the Accounting Profession

In recent years, the digital transformation emerging in every field is closely influenced to accounting profession and practices. The digital age has led to the use of various technologies that make faster and more secure of the accounting applications. New technologies are making it easier for accountants to play a more active role in ongoing operations of their clients' (Nixon, 2016).

Blockchain technology which is one of these technologies is still a new technology, but considering the potential impacts on the accounting profession, accountants need to understand what this new technology will bring (Alarcon & Ng, 2018). Technological developments can threaten livelihood of people in any profession. Whether an opportunity or a threat for the accounting profession of blockchain technology should be understood and concerns must be addressed.

The use of blockchain technology especially in accounting and auditing functions has come into prominence as a result of expansion of usage areas in financial markets and becoming an important technologic solution for many business functions. The blockchain is an advanced technology ready to convert invoicing, payment transactions, contracts and documentation with significant implications for accountants, finance specialists and regulators (Kokina, Mancha & Pachamanova, 2017).

As blockchain technology continues to evolve and new areas of use are investigated, the accounting profession is as an area that can benefit greatly from blockchain. The primary benefits discussed include reducing the risk of fraud, large cost savings and increasing accuracy in financial reports (Hambiralovic & Karlsson, 2018). Blockchain facilitates accounting, provides real-time reporting and real-time audit.

Potential Effects of Blockchain Technology on the Auditing Profession

Another area that benefits from the blockchain is the audit profession. A financial statement is only a summary of what is happening during the period in a company's ledger. The responsibility of the auditors in auditing the financial statements is to conduct an examination in accordance with professional standards, to reach an opinion on the integrity of the financial statements and to report their findings (Dursun, 2005). The opinion of an auditor on the financial statements is important because the external parties sometimes rely on the auditor's opinion and the relevant financial statements when making investment decisions. If the financial statements of the company appear promising and the auditor gives an opinion indicating the accuracy of the financial statements, then a person or business may decide to continue to invest in this business. Therefore, it is said that the auditor is responsible for protecting the public when conducting the audit (Lazanis, 2015).

If a company voluntarily records its commercial transactions in a blockchain, each transaction is permanently recorded with a timestamp. This situation, preventing it from being altered ex-records. The firm's ledger is then instantly visible to any partner, customer, lender, vendor or other related party and anyone can aggregate the company's transactions in real time in the form of an income statement and balance sheet (Yermack, 2017). In other words, most of the works that the auditor performs in today's world can accomplish much more efficiently and more timely with the blockchain in the near future.

If a firm holds all its operations and balances in a blockchain, the blockchain itself, largely, can substitute the auditor to verify the accuracy of the company's accounting. As the historical transactions in the blockchain could not be intervened, the issue of insecurity was wisely removed from the firm's financial statements. In addition to trust, the automatic updating of the ledger in real-time, where each transaction is instantly incorporated into the company's blockchain, the accounting information of a company can make potentially timely and dynamic.

The blockchain technology can enhance the quality of accounting information that reaches investors by making information more reliable and more timely (Bystrom, 2016). The security, validity and clarity provided by the blockchain will facilitate the tasks of the auditor. The Structure of blockchain systems makes easier to audit whether any data is tampered. In fact, it is possible to think of a future where the audit takes place in real-time and every relevant party is informed along the process - "a true continuous audit" (Nichols,2018). The most important impact of the blockchain on audit components is to increase the efficiency and effectiveness of the audit activities.

Conclusion

Accounting is not a physically intensive field that requires manual labour, it is rather more intellectual and requires a lot of brain work that can be made easier by technology all help to facilitate machine readable data collection, analysis and management for informed decision making for all users of such data collected or information being used by stakeholders such as the government, employees, business owners, local and foreign investors, researchers and the general public.

Pantami also stated that Nigeria has "started the groundbreaking work to create new value chains around emerging technologies. From forecasts and projections by major technology pundits" With this development, blockchain technology will become significant in financial transactions worldwide, including Nigeria.

Apart from being one of the major underlying technologies enabling virtual currencies, the blockchain technology has the potential of enabling the consummation of financial transactions using smart contracts at a lower cost, improve overall business efficiency and enhance record keeping. Hence, Nigeria cannot ignore this global development, if the nation must fulfill her dream of becoming one of the top twenty (20) economies in the world. Efforts are being made by the Nigerian government to provide frameworks, guidelines, standards and regulations for the adoption of blockchain technologies in the country."

Relevant stakeholder agencies including financial regulators and security agencies are working together with the National Information Technology Development Agency (NITDA), has commenced work on the development of standards and guidelines for adopting the technology generally in Nigeria.

Considering these and more, it is important for the modern day accountant to obtain digital skills that will ensure his/her relevance in the field as most functions can be performed by machines/computers through artificial intelligence and robotics. The human accountant and auditor will only be relevant by the ability to control artificial intelligence.

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Why Breaking the Vicious Circle of Corruption is Difficult but Essential

This may sound odd coming from someone who leads an organization that is committed to transparency and accountability in public financial management, but we will never completely eradicate corruption. That doesn't mean we shouldn't work to limit the opportunities for corruption to happen. We must work to starve it of oxygen.

Corruption hides in the shadows of all local, national and international economies. All markets, organizations and cultures face different levels of exposure to fraud and corruption. Not all of it is intentional – it could come from incompetence, from a lack of understanding regarding internal controls and processes or from promoting family members without proper accountability. But mostly corruption is motivated by two factors: need and greed. These are powerful drivers and can easily influence a person's behaviour. Corruption then becomes a vicious circle that's hard to escape – the deeper you become entangled in it, the harder it is to break free.

So how can we turn this circle, which only benefits a few, into a virtuous circle of integrity that benefits everyone? The first step is acknowledging the difficult reality that corruption is everywhere. The next step is prevention. The more time and effort we put into preventing corruption from happening in the first place, the less attractive the environment we create for those seeking to act illegally or irresponsibly.

A good example of an environment where corruption can thrive is when there's widespread public panic, confusion and desperation. As governments around the world desperately scrambled to procure medicine, PPE and equipment during the COVID-19 pandemic, they often ended up spending millions on questionable contracts. In the name of a national crisis, following agreed-upon procurement procedures often took a back seat to delivering services at a faster pace. Governments were often left with nothing to show for the millions they spent.

Corruption has serious repercussions for the public sector. When public bodies become victims of fraud or neglect, this sets off chains of events such as lengthy investigations and efforts to try and recover lost funds. But these recovery activities use precious resources and taxpayer funding that could otherwise have been diverted into more beneficial areas. A much more cost-effective approach is to prevent corruption from happening in the first place – although this is also no easy task.

In CIPFA's recently published compendium of global anti-corruption case studies, we break effective prevention down into nine areas to provide practitioners with explanations and best practice examples from around the world. These key areas are culture change, training and mentorship, prevention strategies, corruption risk assessments, conflicts of interest, whistleblowing, investigation, technology and civil society.

This compendium underlines and celebrates the fact that there is an immense amount of positive work being done. All these real-world examples demonstrate initiative, proactivity and creativity in their response to various issues linked to corruption. The compendium forms a cohesive picture of successful international strategies that are being used right now to tackle corruption.

The common thread that runs through each of the nine areas in the compendium is, of course, education. Whether that means being trained on new technology platforms or in how to identify risks and mitigate them, education is our strongest weapon in our fight against corruption. The more we can educate, the more we can prevent.

If education is our first line of defence in preventing corruption, then perhaps our second would be the finance professional. Ensuring accountability, transparency and good governance are the hallmarks of good public financial management will help us shine a light into the shadows where corruption thrives.

The accountancy profession, whether public or private sector, has a front row seat in preventing and investigating corruption. Good financial management builds trust across communities, organizations and governments. With robust governance and assurance frameworks in place, people can have faith that the gaps where corruption can breathe are significantly reduced.

IFAC's Action plan for fighting corruption and economic crime lays out a good framework for how to enhance the accountancy professions contribution to tackling corruption in all its forms. It acknowledges that while the accountancy profession is a major part of the solution, it cannot be successful on its own. Success will only be achieved with other key partners, such as government agencies, political leaders and public/private sector collaboration. The training and education of an organization's staff, from the janitor to the CEO, will also play a vital part in delivering success. It's important to remember that the fallout from corruption may not always be just financial; it poses a significant reputational risk too.

Next year, CIPFA will be launching its new international qualification in corruption risk assessment. This flagship qualification aims to equip the practitioner with all the skills they need to identify risks and close the gaps that leave their organizations vulnerable to corruption. Prevention, paired with investigation, form the two sides of a very important coin.

By working together and understanding the power of education, we can move a step closer to stamping out corrupt practices. Let's end the vicious circle that only benefits a few and create a new one that benefits us all.

- ***Rob Whiteman | November 21, 2022***
- ***IFAC***

CONTRIBUTION OF DEPOSIT MONEY BANKS TO THE DEVELOPMENT OF AGRICULTURE IN NIGERIA

By

Mambut Moses

Nigerian Army School of Finance and Administration (NASFA), Apapa – Lagos

Abstract

This study was undertaken to investigate the contribution of deposit money banks to the development of agriculture in Nigeria. The study adopts the ex-post factor research design and secondary source of data was used. The population of the study covers all the deposit money banks in Nigeria registered by the Central Bank of Nigeria. Regression was employed in testing the hypothesis. From the findings of the study, it was obvious that both deposit money bank loans and agricultural credit guarantee scheme fund have positive effect on the development of the agricultural sector in Nigeria. Therefore, the null hypothesis was rejected, concluding that, credit facilities granted by Deposit Money Banks contributes to the development of agriculture in Nigeria. The study also recommended that, effort should be made by the government and private individuals to encourage or increase investment in the agricultural sectors and the lending rate on loans to the agricultural sector should be reviewed and fixed at a rate that would encourage farmers to acquire loans from deposit money banks.

CHAPTER ONE
INTRODUCTION

1.1 Preamble

This chapter consists of the background to the study, statement of the problem, objectives of the study, research questions, hypothesis, signification of the study, scope and limitation of the study.

1.2 Background to the Study

Nigeria is the most populous black nation and the largest country in West Africa, bordered to the north by Niger, to the east by Chad and Cameroon, to the South by the Gulf of Guinea of the Atlantic

Ocean, and to the west by Benin Republic. Its topography consists of the northern savannah, the middle belt tropical rainforests and the southern mangrove swamps. In general, the topography of the country consists of plains in the north and south interrupted by plateau and hills in the center.

Agriculture is the center of Nigeria economy, providing the main source of livelihood for the majority of the population. Agriculture can help reduce poverty, raise incomes and improve food security for over 80% of the world's poor, who live in rural areas and work mainly as farmers. This is in consonance with the fact that Nigeria as a country is highly endowed with abundant natural resources including land and labor with a majority of the populace living in rural areas depending largely on agriculture to make a living.

Recent research argues that, this enormous natural resource, if well managed, could support a vibrant agricultural sector capable of ensuring the supply of raw materials for the industrial sector as well as providing gainful employment for a good number of the populace. This underscores the contribution of agriculture to the overall development of the economy especially in emerging economies, which is apparent in the provision of gainful employment, increased food supplies, provision of capital, increasing foreign exchange and increase in the welfare of the citizens through wealth creation among others.

In view of the above, Iganiga and Unemhilim (2011) posit that the role of deposit money banks' in financial intermediation which facilitates the linkage between mobilization and use of resources should be effectively and efficiently utilized as this will lead to an enhanced agricultural output. Thus, there should be resolute efforts to harness the enormous resource from surplus sector for increased agricultural output.

Iganiga and Unemhilim (2011) further hypothesized that the three main factors that contribute to agricultural growth are increased use of agricultural inputs, technological change and technical efficiency which agricultural credit or funding appears to be an essential input along with modern technology for higher productivity. This is perhaps because finance, also called capital in economics, coordinates all the other factors of production.

The importance of banks in the economic development of any country cannot be overemphasized. Banks, which are also known as financial intermediaries, contribute finance in form of loans and credits to deficit units. The agricultural sector need adequate funding for the acquisition of land, mechanized farming implements, raw materials and so on, which invariably will lead to an increase in productivity.

According to The Central Bank of Nigeria, "Deposit Money Banks" are financial institutions licensed by the regulatory authority to mobilize deposits from the surplus unit and channel the funds through loans to the deficit unit and performs other financial services activities. Currently, there are 22 Deposit Money Banks in Nigeria.

Banks owe some basic responsibilities to their communities. The traditional functions, which they render in form of financial intermediation, must be efficiently delivered to maintain the confidence of their customers.

Financing the agricultural sector is necessary because agriculture plays an important role in the economic growth and development of any nation. As the provider of food, agricultural produce are the cornerstone of human existence. As a furnisher of industrial raw materials, it is an important contributor to economic activity in other sectors of the economy.

For a long time, the relationship between the banking industry and the agricultural sector in Nigeria has been controversial. If one takes a vote of every judgment on the matter by various governments since independence and classify them into two groups; those praising the efforts of the banking industry and those castigating them as regards granting credit to agricultural sector, one will likely notice that the ratio would be around one to four. This could further be reflected in the legislation of governments and the directives of quasi government institutions like the CBN.

Nwanyanwu (2012) posited that the setting up of a wholly government owned bank; the Nigerian Agriculture, Cooperative and Rural Development Bank (NACRDB) with sole aim of lending for agriculture endeavors on short, medium and long-term basis is predicated on the philosophy that the mainstream banking industry does not adequately and effectively cater for the urgent need of credit required to rapidly transform the agricultural sector. Therefore, this research intend to evaluate the contribution of Deposit Money Banks to the development of agriculture in Nigeria

1.3 Statement of the Problem

The Nigeria agricultural sector is characterized by many problems; noticeable among them are lack of agricultural inputs and inadequate funding. The difficulties in accessing loan from deposit money banks has limited the ability of the sector to expand it production, use modern technologies, provide employment opportunities to the teeming population and contribute to the growth of the Nigeria economy.

Other problems associated with accessing credit from deposit money banks by the agricultural sector are; excessive paper work, requirement for collateral securities and the fear of default in the payment of the principal and interest by banks. These make farmers who are willing to take loans from banks at specified interest lacking adequate amount of collateral to support their loan application and therefore reducing the output of the agricultural produce.

1.4 Objectives of the Study

The broad objective of this research is to examine the extent to which credit extended by deposit money banks support agricultural sector in Nigeria. The specific objectives of the study are as follows:

a. To determine the relationship between deposit money banks credit and agricultural development in Nigeria.
b. To assess the commercial banks credit guarantee schemes fund and the development of agricultural sector in Nigeria.
c. To determine the benefits deposit money banks derived from funding the agricultural sector.

1.5 Research Questions

The following research questions were developed:

a. What is the relationship between deposit money banks credit and agricultural development in Nigeria?
b. What is the relationship between agricultural credit guarantee scheme funds and the development of agricultural sectors in Nigeria?

1.6 Research Hypothesis

Ho: Deposit money banks credit have no significant relationship with the development of agricultural in Nigeria.

1.7 Significance of the Study

This research work is significant in the following ways: policy, Research/academic, management, and to the society.

Policy: It will encourage government to embark on policies that will foster agricultural development in Nigeria.

Research/academic: It is important to researchers as it will infuse them with pragmatic knowledge on the role, agriculture can play in an economy if adequately funded by the deposit money banks.

Management of government: It is significant to the government because it will make them aware of the contributions of deposit money banks, done in terms of policy formulation to enhance more access in financing and protection of agricultural productivity.

The societies/beneficiaries: This research work will create awareness of the deposit money Banks (DMB) services that enables them engage in economic activity to be self reliant, increase employment opportunities, wealth creation, growth and development. Finally, the salient finding of the study will also make the farmers to be more oriented in agriculture.

1.8 Scope and Limitation of the Study

The study covers the overall impact and contribution that deposit money banks have had on agricultural development in Nigeria. All money deposit banks form part of the study. The research covers the period from 2006-2021. Data used for this research work was collected from the Central Bank of Nigeria, World Bank Development Indicators as well as the Annual Abstracts of Statistics published by the National Bureau of Statistics.

1.8.1 Limitation of Study

The encountered constraints during the period of the study are enumerated below:

a. The Central Bank of Nigeria was not willing to give the actual information needed by the researcher for the research work.

b. In addition, Deposit Money Banks were unwilling to release vital information to the researcher on loan or credit facility activities of the agricultural sector under study.

c. **Period of Coverage**: The research work is also constrained due to the number of years that the researcher was able to look at, although, the researcher wanted to research into many more years but unavailability of information.

CHAPTER TWO
REVIEW OF RELATED LITERATURE

2.1 Preamble

This chapter encapsulates the conceptual review, empirical evidence and theoretical framework.

2.2 Conceptual Review

The need to increase food security, industrial development and our export base calls for a strong focus on agriculture since agriculture is a reliable source of industrial and food supply. Agriculture is the practice of cultivating plants, and rearing of livestock. Agriculture was the key development in the rise of sedentary human civilization, whereby farming of domesticated species created food surpluses that enabled people to live in cities. No doubt, the industrial sector develops through the help of the agricultural sector.

According to Merriam Webster Dictionary (11^{th} Edition), agriculture is the practice of cultivating the soil, producing crops, and raising livestock and in varying degrees the preparation and marketing of the resulting products. With regards to the above viewpoint, the pivotal role of agriculture in the individual and the country's life at large cannot be overemphasized.

Finance is a key component in every business endeavor required for the establishment and running of the business. It is the lifeblood of any business. Funds are required for the purchase of capital equipment such as land and building, machinery and other fixed assets as well as working capital. It is worthy of note that with growth in activities in any business, comes increased financial needs and increased access to funding would facilitate expansion. Mbutor, O. M., Ochu, R. E. & Okafor, I. I. (2013) postulate that, agribusiness involving primarily food production, distribution, processing, marketing is not an exception.

According to Jerzy W. (2013), agriculture is that kind of activity which joins labor, land or soil, live animals, plants, solar energy and so on; the Minister of Agriculture is the Minister of the beginning of life. Therefore, people who are involved with that kind of activity are involved in something special. In recognition of this prominent role, the Minister of Agriculture and Federal Government of Nigeria has taken a giant stride to treat agriculture as serious political, economic and investment issue in Nigeria.

Hence, agricultural credit enhances expansion and modernization of all types of agricultural enterprises that are considered economically feasible and desirable to the achievement of stated economic goals of self-sufficiency in agricultural production. Thus, the availability of credit facility will enables farmers to switch quickly to new technologies, which enable the achievement of rapid productivity, growth and development.

Since suppliers of credits (deposit money banks) are in business for profit and will only lend to creditworthy sectors and knowing the positive role credit facility play to the development of agriculture by supporting production of food, consumption and purchase of agricultural inputs, the Federal Government of Nigeria decided to establish the Agricultural Credit Guarantee Scheme (ACGS) with a capital base of N50billion, while the current paid up capital is N3billion to guarantee credit extension to Nigerian farmers.

The Nigerian agricultural sector is characterized by many problems; noticeable among them is inadequate finance. The difficulties in accessing loans from deposit money banks has limited the ability of the sector to expand its production, use modern technologies, provide employment opportunities to the teeming population and contribute to the growth of the Nigerian economy. To solve these problems, many policy dimensions have been develop to increase funding to the agricultural sector including the requirement of banks to play pivotal roles in providing cheap credit to the sector's operators.

The truth remains however that deposit money banks have not fully complied with this policy requirement, as there are still clear indications of the unwillingness of the banks to grant credit to agribusiness operators. Furthermore, where credits are granted, the interest charges are often very high. Other problems associated with the access to credit from deposit money banks' by the agricultural sector include: excessive paperwork, requirement for collateral securities and the fear of default in the payment of the principal and interest by credit beneficiaries.

Lack of access to credit by agribusiness operators will definitely lead to low productivity. Jan et al., (2012) pointed out that other associated reasons for low productivity in agriculture included land fragmentation; lack of managerial skills in farmers, which limited their ability to adopt improved farming practices; and insufficient use of modern technology and input. The latter was a function of the inadequate finance available to the farmers, particularly those in the small and medium categories. The matter of enhancing agricultural productivity, therefore, largely depended on inter alia, the availability of finance to farmers.

Agricultural credit therefore enhances productivity and promotes standard of living by breaking the vicious cycle of poverty among farmers. Literature abounds on the relationship between agricultural credit and agricultural productivity. Given the country's economic situation, credit policy would not perform the wonders ascribed to it and would have little or no effect, there are several other factors which have meaningful effect on agricultural development apart from agricultural credit.

The contribution of formal lending organizations of credit availability to farmers (Small farmer) is negligible. Yet these farmers cannot do without credit. To fill the lacuna, many of these farmers patronize informal credit associations. Studies for Nigeria confirm that, most farmers obtain credit facilities from relatives or largely through cooperatives societies. Nigerian agriculture is still very dependent on the manual energy as its primary power and the result is generally low productivity. Credit facilities to these farmers can make immediate impact to reduce over dependence on imports for food and raw material.

For instance, Nosiru (2010) showed that micro credit enabled farmers to acquire needed input to increase their agricultural productivity. Therefore, credit obtained by farmers must be directed to the need for the acquisition to ensure positive contribution to the level of output. This is to avoid non-judicious utilization, or diversion of credits obtained to other uses apart from the intended farm enterprises.

The role of agricultural credit as a factor of production to facilitate economic growth and development as well as the need to appropriately channel credit to rural areas for economic development of the rural farmers cannot be over emphasized. Agriculture contributes immensely to the Nigerian economy in many ways, namely; in the provision of food for the increasing population; supply of adequate raw materials to a growing industrial sector; a major source of employment generation, foreign exchange earnings; and provision of a market for the products of the industrial sector.

The need to match credit with technological knowledge and skills, credit to small farmers in the absence of knowledge can even be harmful since the farmer did not remember the maturity period of the loan. Hence, the government has a role to play in the disbursement of agricultural credit and supervision of its use. It has also been argued that credit alone cannot guarantee the success of innovation; other factors like structural and infrastructural problems must be tackled before any significant progress can be achieved.

It is also advocated that formal institutions target their borrowers properly as this would ensure that credit gets to the neediest borrowers. Inventory finance can also be useful at community level, where input suppliers, service providers and agribusiness operators are link for effective service delivery.

2.2.1 History of Deposit Money Banks in Nigeria

The history of commercial banking in Nigeria dates to, August, 1891 with the opening of a branch of the Africa Banking Corporation (ABC) in that year. It was established essentially as a means of facilitating the shipping business of Elder Dempster and company. This company later acquired the bank branch in 1893 by paying 2000 pounds to ABC. It was thereafter incorporated as the Bank of British West Africa in 1894. The bank later metamorphosed to Standard Bank of Nigeria and thereafter First Bank of Nigeria Plc.

In 1899, a second bank, the Anglo-Africa Bank was established. However, with the conclusion of a merger with the British Bank of West Africa (BBWA) in 1912, the bank closed up in 1917. A colonial bank was later established. This becomes the second bank in the country. The establishment of this bank broke the monopoly of BBWA banking activities in the country. Barclays Bank Dominion colonial and overseas later absorbed the bank. Akin Barclays D.C.O metamorphosed to become Barclays Nigeria Ltd and thereafter become Union Bank of Nigeria Limited.

In 1933 the National Bank of Nigeria was established and with it came the peak of the monopoly of the domestic banking scene by foreign banks. It is noteworthy, however that two earlier attempts at establishing indigenous banks did not prove successful. In 1929, the industrial and commercial banks was established but failed in 1930 and several other commercial banks were established but collapsed in 1936. Several other commercial banks were established but failed. This gave way to panic among customers and government had to encourage savings to save customers from losing money to commercial banks through failure.

In 1986, structural adjustment programmed (SAP) was introduced with emphasis on privatization/commercialization of government owned enterprises, liberalization of the foreign trade sector and very importantly the deregulation of such key aspects of the economic as pricing of agricultural commodities as well as the adoption of completely freely floating exchange rate regime.

This last policy thrust of SAP served as a vital tonic to the boom in banking business within the era (1986-1995). This led to several banks coming on board with the policies that followed SAP. Distress virus at several banks and some collapsed. In 1995, the Central Bank of Nigeria (CBN) reported that the banking sector was under pressure. The operating environment was unstable with continue high inflation, negative inflation rates in real turns, deepening distress and erosion of confidence in the financial system.

The Nigerian Deposit Insurance Corporation Act, 2006 further strengthen the banking sector by ensuring licensed banks insure all their posit, giving assistance to insured institutions in the interest of depositors, guaranteeing payments to depositors, assisting monetary authorities in the formulation and implementation of banking policy and pursuing any other measure necessary to achieve the functions of the Corporation.

The problem experienced in this sector led to the consolidation exercise adopted by the Central Bank of Nigeria. To this, the Central Bank of Nigeria on July 6th, 2004, announced the recapitalization of banking sector from ₦2 billion to ₦25 billion with effect from 31st December, 2005. The initiation of increasing the banks minimum capital base to ₦25 billion led to a remarkable reduction in number of banks from 86 to 22. Today, the banking sector is looking more reliable than before.

2.2.2 Role of agriculture in the economic development in Nigeria

Finance is a key component in every business endeavor required for the establishment and running of any business. It is the lifeblood of any business. Funds are required for the purchase of capital equipment such as land and building, machinery and other fixed assets as well as working capital. It is worthy of note that with growth in activities in any business, comes increased financial needs and increased access to funding would facilitate expansion.

The agribusiness involving primarily food production, distribution, processing, marketing is not an exception. Previous researches suggest that, deepening financial intermediation may promote economic growth by mobilizing more investments, and lifting returns to financial resources, which raises productivity.

Finance is a system which incorporates the circulation of money, granting of credit, investments as well as provision of banking facilities. One aspect of finance therefore is the provision of credit facilities to the deficit economic units by deposit money banks. Agricultural finance is the acquisition and use of capital in agriculture. It deals with the supply of and the demand for funds in the agricultural sector of the economy. USAID (2010) defined rural agricultural finance to include all types of finance available to farmers. It is a field of work in which people aim to improve access to efficient sustainable financial services for the agricultural industry, including farming and all related enterprises. It involves all financial services, including savings, transfers, insurance and loans, input supply, processing, wholesaling and marketing.

IFAD (2010) further adds that agricultural finance refers to all those financial services that focus on farming activities and agricultural businesses without necessarily targeting poor people. The crucial role of financing in agriculture cannot be overemphasized. The escalating world population is associated with greater pressure on food demand and the demand for agro-products that are input for further production, thus the need for use of more sophisticated methods capable of yielding greater output is essential.

Finance in agriculture is as important for improved productivity as technical input can only be purchased and used by farmers if they have required fund at their disposal. Finance has a derived demand and is one major input required for all productive activities in general and agricultural development in particular. It represents the power to purchase all other inputs and expand organizational productivity. It is therefore one of the major determinants of the level of development in agriculture.

2.2.3 The Concept of Bank Credit

Credit is the extension of money from the lender to the borrower. Credit implies a promise by one party to pay another for money borrowed or goods and services received. NDIC prudential guidelines of 1990 define credit as comprising an aggregate of all loans, advances, overdrafts, commercial papers, bankers' acceptances, bills discounted, leases and guarantees.

Agricultural credit facilities are credit granted to agribusiness operators to assist in planting and harvesting of crops to support the feeding and care of livestock. According to Ugwu, (2010), credit to the agricultural sector could take the form of overdrafts, short-term loans, medium term or long-term loans depending on the purpose and gestation period of the project. Such credits granted to farmers to purchase inputs are paid directly to the suppliers who must furnish the bank with evidence of delivery. This is done to avert diversion of funds to non-related activities, which is common with especially small and medium enterprises.

On the importance of credit to the agricultural sector, credit facilities reactivates, expands and modernizes all types of agricultural enterprise that are considered economically feasible and desirable to the achievement of stated economic goals of self-sufficiency in agricultural production. Credit facilities removes financial constraints faced by farmers, as it provides incentives to adopt new technologies that would have otherwise been more slowly accepted. Thus, access to credit enables farmers to switch quickly to new technologies, which enhance the achievement of a rapid productivity and growth.

Deposit money banks' credit extended to different economic agents is aptly regarded as bank loans and advances, which facilitate the financial intermediation process between the deficit and surplus units that enhances productivity leading to large scale output with a positive impact on economic growth.

2.2.4 Trends in Agricultural Finance in Nigeria

In absolute terms, the trend of loans extended to the agricultural sector by commercial banks in Nigeria showed a somewhat trend from 2018 to 2021.

A total of 30,612 loans, amounting to ₦4.38 billion, were guaranteed in 2018, compared with 41,341 loans, valued at ₦ 5.85 billion in 2017. In 2019, a total of 28,903 credits at a value of ₦4,070,032.47 was guarantee, while 30,267 credits were guarantee at a value of ₦4,321,663.85 in 2020.

In 2021, a total of 31,591 loans valued at ₦5,786,729.88 were guaranteed. However, the funds were guarantee to impact positively on agriculture and agribusinesses in the country.

2.2.5 Intervention by the Central Bank of Nigeria

Agricultural Credit Guarantee Scheme Fund (ACGSF)

This scheme was established by the Federal Military Government under the Agricultural Credit Guarantee Scheme Fund Decree 1977 (Decree No.20) and as amended on 13th June, 1988. Thus, the Agricultural Credit Guarantee Scheme Fund formally started operations in 1978. The ACGSF management board and the Central Bank of Nigeria manage the Fund.

The purpose of the Fund is to provide guarantee in respect of loans granted by any bank for agricultural purposes (including establishment or management of plantation for the production of cash crops, cultivation or production of various crops, animal husbandry, processing of agricultural products as well as farm machinery and hire services) with the aim of increasing the level of bank credit to the agricultural sector. Loans under the scheme include advances, overdrafts and any credit facility.

In 2021 only, the fund guarantee 31,501 credits at a value of ₦5,770,949.88 to individuals farmers. Details of the 2021 credits shows; 12 credit facilities were guarantee for the informal sector at a value of

₦700.00. For cooperative societies, 78 loans at a value of ₦15,080.00 and no record was found for companies. By the end of 2021, the total of 1,184,872 loan were guarantee at a value of ₦121,297,594.05 for individuals farmers, 15,597 credits at a value of ₦2,025,281.64 for the informal sector, 17,561 credit guarantee at a value of ₦3,382,960.38 and 2,140 credits at a value of N1,637,998.41 for companies. The grand total credits guarantee since the inception of the fund at the end of 2021 was 1,220,170 at a value of ₦128,343,834.48.

Agricultural Credit Support Scheme (ACSS)

The Agricultural Credit Support Scheme was established through the initiative of the Federal Government and the Central Bank of Nigeria with the support and participation of the Bankers Committee to finance large ticket agricultural projects with an interest rebate of 6% upon timely repayment of the facility. The agricultural processes covered under the ACSS include:

a. Establish mentor management of plantations;
b. The cultivation or production of crops;
c. Livestock (animal husbandry, poultry, fishery.); and
d. Farm machinery and hire services.

The purpose of the ACSS is to develop the agricultural sector of the Nigerian economy by providing credit facilities to farmers at single digit interest rate. This is to enable farmers exploit the untapped potentials of the sector with a view to reducing the cost of agricultural production, and increase output on a sustainable basis. The expected outcome is a fall in prices of agricultural produce, especially food items, thereby leading to reduction in inflation rate, generate surplus for export, diversify the revenue base and thus, increase foreign exchange earnings for the country.

The Commercial Agricultural Credit Scheme

The CACS was established by the CBN in collaboration with the Federal Ministry of Agriculture and Rural Development as part of the developmental role of the CBN. It was funded through the issuance of FGN Bond worth ₦200 billion. The essence of the scheme was to promote commercial agricultural enterprises in Nigeria. The fund was released to the Bank of Industry and made available to DMBs for on-lending to farmers' /state governments at single digit interest rate. State Governments could borrow up to N1.0 billion for on-lending to farmers' cooperative societies and other areas of agricultural development provided such initiatives/interventions were in line with these objectives.

So far as at March 2021, the total amount released since inception by the CBN under the commercial Agriculture credit scheme (CACS) to the participating banks for disbursement, amounted to N635.39 billion.

Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL)

Available statistics revealed that the CBN had approved ₦75 billion for the take-off of Nigerian Incentive-Based Risk Sharing in Agricultural Lending (NIRSAL). It had also guaranteed 75% loans provided by DMBs to farmers across the 36 states of the Federation and the Federal Capital Territory as part of concerted efforts to transform the agricultural sector. The guarantee would be issued by NIRSAL to the farmers in the states and the FCT through commercial banks and other financial institutions.

The initiative (NIRSAL) mobilized financing for Nigerian agribusiness through the use of credit guarantees to address the risks associated with default. It was targeted at encouraging financial institutions to be more receptive to doing business with agribusinesses. It was aimed at creating greater access to finance through integration of end-to-end agriculture value chains such as input producers, farmers, agro dealers, agro processors and industrial manufacturers with agricultural financing value chains– loan product development, credit distribution, loan origination, managing and pricing for risk, and loan disbursement.

2.2.6 The Relationship between Deposit Money Bank Credit and Agricultural Development in Nigeria

Deposit money banks' are monetary institution with the function; this is normally carried out through the acceptance of deposits from the surplus public and consequently lending the deposit as credit especially to agricultural and other sectors which is expected to increase agricultural productivity and increase famers' income. Agricultural credit could also be viewed as funds granted by banks, government to farmers/agro allied practitioners which will be paid back in the future to assist them in carrying out their agricultural practices with improved inputs for increased output.

In addition to the above, that majority of the farming community consists of subsistence farmer who does not have access to high quality seeds, sufficient fertilizers and improved farm implements due to the lack of finances available to them. It is pertinent to state that apart from lack of finance which is one of the main reasons for low productivity per acre in the agricultural sub-sector there is an urgent need to educate the rural populace on the need to inculcate international best practice and the use of improved seedling.

2.2.7 Deposit Money Banks' Credit to the Agricultural Sector in Nigeria

Since its inception, the banking system has been providing credit to the Nigerian economy. In order to examine the role of bank credit to the economy, the aggregate bank credit to the economy is used to estimate its impact growth, of which Gross Domestic Product is a proxy. This credit is classified into credit to the public sector (government) and credit to the private sector.

This section presents and examines credit to these sectors from 2006 to 2021 with a view to assessing its impact on the growth of the Nigerian economy. Data on aggregate domestic credit of deposit money banks reveal that between 2006 to 2021, credit to the economy fluctuated as shown in table 1.

2.2.7.1 Table 1: Data on Aggregate Domestic Credit of Deposit Money Banks in Nigeria

Year	(DMB) Credit
2006	20.5%
2007	40.2%
2008	36.1%
2009	45.7%
2010	24.1%
2011	24.1%
2012	15.3%
2013	20.5%
2014	12.6%

2015	15.5%
2016	28.5%
2017	38.0%
2018	12.2%
2019	25%
2020	25.2%
2021	25.5%

Source: CBN Statistical Bulletin (2021)

The highest growth rate was received in 2009, which could be attributed to the gains on post-consolidation of Nigerian Banks. The analysis of the Deposit Money Banks' loans to the agricultural sector as contained in the CBN bulletin showed that the loan advanced to agricultural sector rose from N590.6 million in 2000 to ₦5.77 billion in 2021. This represents an equivalent of 978% increase in 21 years. The increase is desirable so as to increase capital injection into the sector to facilitate agricultural production to feed the increasing population of Nigerians.

2.3 Theoretical Framework

This study is anchored on the following theories, which are relevant to its discourse. They are listed and discussed under the various subject matter.

2.3.1 Multiple-Lending Theory

This theory reveals that banks should be less inclined to share lending (loans syndication) in the presence of well- developed equity markets and after a precise consolidation, since both, outside equity and mergers and acquisitions increase banks' lending capacities, thereby reducing their need for greater diversification and monitoring through share lending (Ewert, Szczesmy & Schenk, 2000, Ajie, Ezi, Akekere & Ewubare, 2006).

This theory has a greater implication for banks in Nigeria in the light of the 2005 consolidation exercise in the industry. It views the interest rate, exchange rate, deposit rate and financial ratio of banks as strong and uncompromising factors that determine their ability to effectively grant loans and advances to private individuals and corporate organizations. This is called the real theory of interest rate. This is because these factors do not in any way depend on monetary conditions according to Jhingan, (1990).

2.3.2 The Agriculture Based Economic Development Theory

This theory postulates that agricultural–based strategy for economic development requires a technical, institutional and financial incentive change that will raise the productivity of small farmers. Wiggins E, (2006), explains that agricultural financial incentives can play a dual role in the process of economic development.

Firstly, it will produce more food and it will also produce many great jobs needed. The theory focuses on the mechanism by which underdeveloped economies can transform their domestic economic structures from heavy dependence on traditional subsistence agriculture to advanced agricultural practices through heavy financial support in order to attain industrial breakthrough.

The extended version of the theory added that the full benefits of agricultural development cannot be realized unless government support systems are created to provide the necessary incentives, economic opportunities and most importantly access to needed credit and inputs to enable small farmers to expand their output and raise their productivity.

2.3.3 Commercial Loan Theory

The theory upon which this study is built is the commercial loan theory. The commercial loan theory also referred to as the Real Bills Doctrine states that a commercial bank should advance only short term self-liquidating productive loans to business firms, self-liquidating loans are those loans which are meant to finance the production and movement of goods though the successive stages of production; storage, transportation and distributions. When such goods are ultimately sold, the loans are considered to liquidate themselves automatically according to Jhingan, (1990).

Under this theory, the ideal as sets of commercial banks should consist of short-term business loans made to business firms for the management of their working capital. Mbutor, M. O and Uba I. A. (2003), when a bank finances the working capital of a firm, it expects funds for repayment to come from the management of working capital itself.

2.4 Empirical Review

Several empirical studies on the agricultural financing and output have been reviewed. For instance, Agunuwa, E.V., Inaya, L., Proso, T. (2015), Chisasa (2015), Uzomba et al (2014), Ogbanje et al *(2012)*, Tasie and Offor (2013), Iganiga and Unemhilin (2011) and Ikhani and Idoko (2013) studied impact of various financial resources on agricultural output and found that, for efficient and optimum production of agriculture, resources are key and must be given attention. Adequate supply of finance, which is the life wire of business or a coordinator of all other factors of production, must be effective.

Obilor (2010), in his work the impact of commercial banks' credit to agricultural development in Nigeria using an econometric approach, the result revealed that agricultural credit guarantees fund and government fund allocation to agriculture produced a significant positive effect on agricultural productivity, while other variables used in the work produced a significant negative effect. He recommended that farmers should be encouraged to be applying for loans from the participating banks to enhance their agricultural activities and productivity.

The empirical analysis carried out by Obilor (2010) using econometric tests such as unit root, co integration, Error correction model and Grange causality test, in which changes in AGDP was regressed on commercial bank credit to agriculture, agricultural credit guarantee scheme, and government expenditure on agriculture, using data mainly from CBN statistical bulletin.

The result of the analysis showed that the total money stated as Government Expenditure on agriculture in Nigeria was not statistically significant and not theoretical in line. The study also found that commercial bank credit to agriculture (CBCA) granger caused Agricultural sector contribution to Gross Domestic product since the commercial bank credit to agriculture (CBCA) estimated f-coefficient showed (51.1429) greater than the f-critical value (3.034) at 5% level.

Based on the findings above, the study recommended that one or other rural saving institutions (post office savings banks, cooperative banks etc.) should be established in every autonomous community in

Nigeria. Short- term, discriminating policies cause confusion and prevent famers from investing in agriculture.

2.5 Appraisal of the Review

This chapter deals with literature review which encompassed both the conceptual frameworks, theoretical frameworks, empirical frameworks and research gap. The conceptual frameworks deal with concept related to the topic such as Agricultural credit, financed, history of deposit money banks in Nigerian, Banks credit, The role of agricultural to economic development, Etc. The theoretical frameworks deal with theories related to the research work such as multiple – lending theories, the loan theory, the Agriculture based economic development theory and commercial loan theory.

The empirical frameworks deal with recent experiment carries out by other researcher on related topic such as Agunuwa, E.V., Inaya, L., Proso, T. (2015), studied impact of various financial resources available to the agriculture on agricultural output and round that, for efficient and optimum production of agricultural productivity. Melits and Pardine in go (1987) investigated the factors that affect the demand and supply of deposit money banks loans and advance.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Preamble

This chapter consists of the local of the study, design of the study, population of the study, sample size and sampling technique, sources of data, instrument for data collection, validity and reliability of the instrument for data collection, method of data collection and method of data analysis.

3.2 Local of the Study

The locale of the study is the deposit money banks in Nigeria. All deposit money banks in Nigeria form part of the study. The CBN Annual Statistical Data was the main source of data for this study. This information was collected from CBN Websites and others from Nigeria Bureau of Statistic (NBC).

3.3 Design of the Study

The design that is used for this study is the ex-post factor research design. This design has been adjudged appropriate as the events under study simply because they have already been manipulated before they were applied in this study. Unlike the experimental design, statistical techniques were applied in the treatment of the events under study.

3.4 Sources of Data

The source of data for this study is secondary source. Secondary source of data collection refers to the data that have been already collected, presented, tabulated, and treated with necessary statistical techniques and conclusions have been drawn. These include already documented finding about the subject matter by other researchers and other writers such as textbooks, journals, newspaper, and government publications like the central bank of Nigeria (CBN) statistical bulletin.

3.5 Population of the Study

This is the total number of persons, objects, organization or institution upon which the research study drawn data. The population of this research work covers all the 22 deposit money banks in Nigeria registered by the Central Bank of Nigeria.

3.6 Sample Size and Sampling Technique

The focus of this research is on the contribution of deposit money banks on the development of agriculture in Nigeria. Using the cluster sampling technique, all deposit money banks in Nigeria registered with CBN form the sample size.

Current, there are 22 deposit money banks in Nigeria.

3.7 Instruments of Data Collection

This research work is basically quantitative in nature and as such data were collected using the secondary sources. These data were extracted from the Statistical Bulletin of the Central Bank of Nigeria. The period covered were from 2006 to 2021.

The Statistical Bulletin of the Central Bank of Nigeria would then be used to check the influence of deposit money banks loans on agricultural sector performance in Nigeria on the study regression analysis.

3.8 Validity and Reliability of Instrument for Data Collection

The validity and reliability of the data collected was adjudging valid and reliable coming from a government and the financial regulatory body of the country, the Central Bank of Nigeria (CBN).

3.9 Method of Data Collection

The study utilized data from secondary source. The data were obtained from the Statistical Bulletin of the Central Bank of Nigeria. It also includes information obtained through the review of literature that is journals, monographs, textbooks and other periodicals. In order to make good presentation and analysis of the data obtained from the Statistical Bulletin of the Central Bank of Nigeria, the regression method analysis was used to analyze the data collected.

3.10 Method of Data Analysis

Regression analysis is a model for statistical analysis, it is concerned with describing and evaluating the relationship that exist between variables (which could be called the dependent variable and one or more other variables usually called the independent variables).

This study use both qualitative and quantitative methods of data analysis. Data retrieved was analyzed using regression analysis. Regression was employed in testing the hypothesis because it is a statistical forecasting model that is concerned with describing and evaluating the relationship between a given variable (usually called the dependent variable) and one or more other variables (usually known as the independent variables).

Decision Rule

If the present value is less than level of significant that is (0.05), we feel to accept the null hypothesis otherwise fells to reject null hypothesis.

CHAPTER FOUR
DATA PRESENTATION AND ANALYSIS

4.1 Preamble

In this chapter, the data collected was be analyzed. It consists of Data Presentation, Analysis, Test of Hypothesis, and Summary of Findings.

4.2 Data Analysis

The period of analysis is from 2006-2021, data collected and presented in table 2 are the empirical data on the contribution of deposit money banks on the development of agricultural sector in Nigeria.

4.2.1 Table 2: The data on GDP for Agriculture Sector, Deposit Money Bank Loan and Agricultural Credit Guarantee Scheme Fund in Nigeria

Year	Gross Domestic Product for Agriculture Sector	Deposit money Banks loan (DMBL) ₦ Thousand	Agricultural Credit Guarantee Scheme fun (ACGSF) ₦ Thousand
2006	7,513.29780087508	500,220.20	4,263,060.3
2007	8,551.98139892276	579,190.81	4,425,861.84
2008	10,100.3251904936	1,014,958.47	6,721,074.561
2009	11,625.4423328893	1,300,491.49	8,349,509.28
2010	13,048.8927999876	1,445,819.29	7,740,507.62771
2011	14,037.8258376852	1,216,282.27	10,189,604.26
2012	15,815.9975119761	1,308,165.15	9,706,761.23
2013	16,816.5530121324	1,533,171.93	9,424,449.95
2014	18,018.6128726457	1,912,975.23	12,997,004.15
2015	19,636.9690431601	1,870,560.81	11,441,978.83
2016	21,523.5124986573	1,983,499.33	8,104,810.634
2017	23,952.5542033556	2,035,365.02	5,849,388.73
2018	27,371.2957575184	2,226,683.62	4,377,626.29
2019	31,904.1408626714	2,524,081.69	4,070,032.47
2020	37,241.6091593852	3,739,410.19	4,321,663.85
2021	41,126.0584371173	4,532,310.39	5,786,729.88

Source: Central bank of Nigeria (CBN) statistical bulletin (2021)

4.2.2 Table 3: Regression Statistics

Regression Statistics	
Multiple R	0.97342283
R Square	0.947552006
Adjusted R Square	0.939483083
Standard Error	2482.923761
Observations	16

a. Predator (constant): Annual GDP of Agricultural Sector
b. Independent variable: Deposit money Banks loan (DMBL)
c. Independent variable: Agricultural Credit Guarantee Scheme fun (ACGSF)

Table 2 above show the data on deposit money banks credit and agricultural credit guarantee schemes to the GDP of the Agricultural Sector, and table 3 shows the regression statistics of the data.

The result of the regression analysis for the hypotheses reveal that, the regression coefficient R is 0.97342283 (97.3%) which indicates a strong effect between the independent variables (Agricultural Credit Guarantee Scheme Fund (ACGSF) and Deposit Money Banks Loan (DMBL), and the dependent variable GDP of the Agricultural Sector (GDPAS)). The coefficient of the determination R square value of 0.947552006 (94.8%) tells us the extent to which the changes in the independent variables affect the dependent variable while the differences of 0.052 (5.2%) unaccounted variation is captured by the error term or the unexplained variation in the dependent variable which is caused by other variables not considered in the study.

The Adjusted R Square of 0.939483083 (93.9%) indicates that we are 93.9% confident that our sample is adequate and as thus estimates are unbiased and can further be rely upon for sound policy decisions. Furthermore, the F-statistic value of 117.432289 is significantly greater than the expected alpha level of significance 0.05 (4.76692).

4.2.3 Table 4: Relationship between deposit money banks credit and agricultural output in Nigeria

ANOVA

	Df	***SS***	***MS***	***F***	***Significance F***
Regression	2	1447919079	723959539.7	117.432289	4.76692
Residual	13	80143835.26	6164910.405		
Total	15	1528062915			

a. Predator (constant): Annual GDP of Agricultural Sector
b. Independent variable: DMBL
c. Independent variable: ACGSF

4.3 Test of Hypothesis

H_0: Deposit money banks credit have no significant relationship with the development of agricultural in Nigeria.

From the regression analysis run, there is a significant relationship between deposit money banks credit and agricultural development in Nigeria given (F-statistics value of 117.432289 and F-significant value of 4.76692).

From the calculation in table 4 above, the F-statistics is greater than the F-significant. Therefore, the null hypothesis is rejected, meaning, credits facilities granted by Deposit Money Banks contribution to the development of agriculture in Nigeria.

4.5 Summary of Findings

Table 2, shows the relationship between deposit money banks credit on agricultural development in Nigeria. As can be seen in the table, findings reveal that deposit money banks credit have statistical positive significant relationship between agricultural developments in Nigeria. This implies that deposit money banks credit does play significant role in the development of agricultural in Nigeria base on the findings. Never the less, there are difficulties farmers experiences before obtaining the credit facility and the period of time it takes from applying for loan and receiving the loan.

CHAPTER FIVE
DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Preamble

This chapter presents the discussion of findings, implications of the study, conclusion, recommendations and contribution to knowledge.

5.2 Discussion of Findings

The research has been on the contribution of Deposit Money Bank to the development of agriculture in Nigeria. The research, which is made up of five chapters, began with an introductory chapter. The second chapter reviews related literature, chapter three presents the research methodology, chapter four presented and analyzed the data while the fifth chapter concludes the research. The study makes use of secondary data and analyzes the data with regression analysis. The study made the following findings:

a. Agricultural development has a significant and positive impact on the level of economic growth and development in Nigeria.
b. An increase in the GDP of the agricultural sector increases the level of economic growth and development in Nigeria.
c. Credit guaranty schemes on agriculture have influenced positively to the development of the agricultural sector in Nigeria.
d. Agriculture is the key driver to the economic growth and development recovery plan of Nigeria and could create value chain on the domestic economy.
e. Overall, the finding from the analysis shows that there is positive and significant relationship existing between deposit money banks' credit and the development of agricultural in Nigeria.

5.3 Implications of the Study

The result is important on the effect of agricultural development on the level of economic growth and development in Nigeria as a whole. The results show that the development of the agricultural sector has a beneficial impact on the level of economic growth in Nigeria especially as input of the industrialized sector. The results show further that credit facilities to the agricultural sector has incremental impact on the level of economic growth. However, the high interest rate and other factors hindering the disbursement of loans to the agricultural sector are challenges to the level of economic growth in Nigeria.

5.4 Conclusion based on Finding

From the findings of this study, it is obvious that both deposit money bank loans and agricultural credit guarantee scheme fund have positive effect on the development of the agricultural sector in Nigeria.

In conclusion, the deposit money banks in Nigeria play a veritable role in promoting agricultural productivity and growth through the provision of funds (in form of loan and grants) to the sector.

5.5 Recommendations based on Findings

Based on this study, the following recommendations were made:

a. Effort should be made by the government and private individuals to encourage or increase investment in the agricultural sectors,
b. The lending rate on loans to the agricultural sector should be reviewed and fixed at a rate that would encourage farmers to acquire loans from deposit money banks,
c. The stringent conditions and pre-requisite required to be met by farmers to participate on the agricultural credit guarantee scheme fund should be reviewed and made accessible to farmers.

5.6 Contribution to Knowledge

The aim of this study was to consider statistically significant effect between deposit money banks to agricultural development in Nigeria, the relationship between deposit money banks (DMB) and agricultural credit guarantee scheme fund (ACGSF) to the GDP of the agricultural sector from 2006-2021 period.

The finding reveals that deposit money banks credit have positive significant influence on agricultural development in Nigeria as studied in this research work, which will add knowledge to students in tertiary institutions and the agricultural companies.

5.6 Suggested Topics for Further Studies

a. The need to enhance deposit money bank credit to the development of the agricultural sector in Nigeria
b. The impact of agricultural credit guarantees scheme fund to the development of the agricultural sector in Nigeria.

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- ***I Mambut Moses declare that this research report is my original work and that all ideas and information cited were duly credited. Hence, I take responsibility for all short comings in this research report.***
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Email - goddmmastecicltd@gmail.com
goddmmastecic@yahoo.com

Phone: - +234 806 3569 341
+234 809 4860 494

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