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Influence of Corporate Firm Characteristics on Tax Avoidance in Nigeria: A Study of Consumer Sector of the Economy

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Abstract

This study investigated corporate firm characteristics and tax avoidance of consumer goods companies that are quoted in Nigeria. The variables of corporate firm characteristics (firm size (FSIZE), firm profitability (FPROF) and firm leverage (FLEVE)) were analysed to determine their influence on tax avoidance (TAXA). For the objective of the study to be achieved, twenty- six (26) quoted companies on the Nigeria Stock Exchange (NSE) from the consumer sector of the economy were cautiously selected and analyzed for the period (2016-2020). The study employed the panel least squares (PLS) regression by using E-view 9.0 packages for the data to be analyzed. The findings of the result showed that firm size (FSIZE), firm profitability (FPROF) and firm leverage (FLEVE) were found to be significant and having positive influence on tax avoidance (TAXA). In view of the findings, it was therefore recommended that the independent variables of firm size (FSIZE), firm profitability (FPROF) and firm leverage (FLEVE) should be *given considerable attention when considering corporate firm characteristics as it relates to tax avoidance of consumer goods companies that are quoted in Nigeria.*

Keywords: Firm Size, Firm Profitability, Firm Leverage, Nigeria, Tax Avoidance.

1. INTRODUCTION

Literature on tax avoidance is gradually increasing as the time goes by and the reason behind this is as a result of the importance attached to it. Due to the importance of corporate tax to government, the management of corporate organisations are therefore expected to prepare income statement and financial position of how taxable income of preceding year was attained. Computation and payment of appropriate tax liability is highly essential to government source of revenue for expenditure towards national development (Oyeleke et al., 2016).

In the course of preparing annual accounts and financial reports, management of corporate organisations explores diverse means to reduce payment of correct tax by way of tax avoidance. The concept of tax avoidance explains the legal means of reducing a taxpayer's income tax liability (Israel & Ebimobowei, 2021). Tax avoidance is one of the efforts to minimize the tax liability that is often done by the company, because it is still within the frame of prevailing tax regulations (Yuniarsih, 2018). Appah (2019, cited in Omesi & Appah, 2021) stated that where a taxpayer organisises his financial affairs in such a manner that would make him pay the least possible amount of tax, then tax avoidance arises.

Tax avoidance are achieved by considering different corporate firm characteristics but the manner each specific corporate firm characteristics relate to tax planning remains a crucial issue. Company characteristics are specific financial and operational attributes or indicators that affect both internal and external decisions of firms (Yahaya & Yusuf, 2020). They are the specific financial and operational qualities that are possessed by the corporate organisation. Some of the characteristics of corporate firms found to be investigated in prevailing literature include firm leverage, firm profitability, firm size, firm age, audit firm size, industry type, liquidity and among others.

These varying characteristics of firm interact to influence expense reduction, including firm's tax liability (Ogbeide, 2017). The corporate firm characteristics are very essential to the optimal operation and the performance of the company.

Different studies, both local and international has made significant efforts in extant literature on studies that focused on firm characteristics and tax avoidance using different and some similar firm characteristics proxies, however, there are inconsistencies in their results (Yahaya & Yusuf, 2020). Hence, the broad objective of this study seeks to contribute to knowledge by investigating the influence of corporate firm characteristics on tax avoidance in Nigeria by focusing on the consumer sector of the economy while the specific objectives are to:

i. Examine the influence of firm size on tax avoidance of consumer goods companies quoted in Nigeria;
ii. Ascertain the influence of firm profitability on tax avoidance of consumer goods companies quoted in Nigeria;
iii. Investigate the influence of firm leverage on tax avoidance of consumer goods companies quoted in Nigeria.

The following research questions are relevant to this study, namely:

i. What is the influence of firm size on tax avoidance of consumer goods companies quoted in Nigeria?
ii. What is the influence of firm profitability on tax avoidance of consumer goods companies quoted in Nigeria?
iii. What is the influence of firm leverage on tax avoidance of consumer goods companies quoted in Nigeria?

The following hypotheses have been stated in null form, as thus:

$H0_1$: Firm size has no significant influence on tax avoidance of consumer goods companies quoted in Nigeria.

$H0_2$: Firm profitability has no significant influence on tax avoidance of consumer goods companies quoted in Nigeria.

$H0_3$: Firm leverage has no significant influence on tax avoidance of consumer goods companies quoted in Nigeria.

\2 CONCEPT OF TAX AVOIDANCE

The concept of tax avoidance was explained by Israel and Ebimobowei (2021) as the legal means of reducing the tax liability of a taxpayer's income. This concept has multiple conceptualizations, references and even different ways to measure, but most of them have the same meaning and purpose but differs in their effect on the companies' health (Boussaidi & Hamed, 2015). Tax avoidance has the same meaning as tax aggressiveness, tax minimization tax shelters and tax planning in terms that they meet the legal and ethical provisions that is established by the government (Ogbeide & Iyafekhe, 2018; Lanis et al. 2015).

Tax avoidance takes place where the financial affairs are organized by a taxpayer in such a manner that possibly would make them to pay the least amount of tax (Appah, 2019). It is the legal utilization of the tax regime to one's own advantage, to minimise the amount of tax that is payable by means that are within the law (Kasipillai et al., 2003, as cited by Ibadin & Eiya, 2013). Simon and Nobe (2010) in their view elucidated that tax avoidance is the manipulation of one's affairs within the law in order to reduce tax. Tax avoidance can also be seen as company entities actions to gain the benefit of tax or increase the efficiency of corporate tax (Abdul-Wahab & Holland, 2012).

3. FIRM CHARACTERISTICS

Tax avoidance can be realized by considering different characteristics of the corporate firms, but the manner each specific firm characteristic relates to tax avoidance remains a essential issue to be examined. Corporate firm characteristics are very essential to the performance of companies. The varying characteristics of the corporate firms interact to influence the reduction of expense which includes corporate firm's tax liability. Those specific financial and operational attributes or indicators which affect both the internal as well as external decisions of firms are referred to as company characteristics (Yahaya & Yusuf, 2020). According to Ogbeide (2017), firm characteristics are often analyzed in relation to varying aspects of a company such as financial performance, firm value, corporate social responsibility disclosure, assets disclosure including intangible assets with a view to determining their contribution to shareholders wealth. Shehu (2012) sees firm attributes as indicators that affect the decision of the firm, both internally and externally. These indicators which are also consequences of managers' decisions are firm size, firm profitability and firm leverage and they are discussed below as thus:

3.1. Firm Size and Tax Avoidance

Firm size is among the corporate firm characteristics that are expected to have influence on tax avoidance of companies. Firm size according to (Mohammed, 2003) is the total assets, scale of operations as well as the number of employees and among others. The size of a firm despite the industry or age as the case may be can still take the advantage of tax laws to avoid the payment of excess tax for a period with the aim to increase net earnings. Large firms generally engage in more business activities and more financial transactions than small firms do, thereby providing more opportunities

to avoid income taxes (Rego, 2003). Dyreng et al. (2008) in their view suggest that the size of a firm may have a role to play in tax management, and they find that smaller firms have higher tax rates. Different studies empirically disclosed conclusion which leads to the nexus between company size and effective tax rate. The outcome of the research that was conducted by (Irianto et al., 2017) indicates that company size is affected by tax avoidance. Ogbeide (2017) investigated firm characteristics and tax aggressiveness of Nigerian listed firms and found that an effective tax rate is positively impacted by firms' size, while Taylor and Richardson (2013) conducted research on the determinants of thinly capitalized tax avoidance structures of firms in Australian and find that size does not significantly influence tax avoidance.

3.2 Firm Profitability and Tax Avoidance

The proficiency of a corporation to use its resources to generate revenues in excess of its expenses is referred to as Profitability. Profitability is seen as a company's intuitive indicator with the proficiency to influence effective tax rate. According to Dewi (2016), profitability refers to the indicator of the performance of management in managing company's wealth which is indicated by profit. In the same vein, Peavier (2012) looked at profitability as the indicator of the performance of organization which shows the return on investment as well as the return on sales. Profitability is depended on the proficiency of a company to generate revenue that is capable to absorb various expenses, which include tax and then leave a balance that may possibly be pooled back into the expansion of the company. Profitable companies are seen as having higher incentives to minimise their tax burdens when compared with less profitable companies (Dunbar et al., 2010). Wahab and Holland

(2012) argued that profitability has the capacity to influence tax avoidance. Ana et al. (2015) investigated determinants of effective tax rates: Firms 'attributes and corporate governance. The study finds that high profitable firms are most likely to be engaged in the practice of tax avoidance in order for their tax liabilities to reduce. Frank et al. (2009) indicates that firm profitability is related positively with tax avoidance after conducting a research on tax reporting aggressiveness to aggressive and its relation to financial reporting.

3.3 Firm Leverage and Tax Avoidance

The level at which a corporation is financed by external or outside funds that are obligations of debt only is referred to as leverage. "Leverage is a concept of borrowing money to buy an asset that will appreciate in value, so that the ultimate sale will value profits on equity invested and on the borrowed funds" (Mohammed et al., 2003, p. 19). Leverage, according to (Salehi, 2009), refers to the debt to equity proportion in the firm capital structure. The decision of leverage is an important managerial decision because it may influence the shareholder's value, risk as well as the firm market value.

Leverage could either be financing leverage or operating leverage. Financial leverage as one of the company's characteristics reflects the ability of the company to repay debts, particularly long-term ones. According to (Pachori & Tatala, 2012), leverage financing is normally employed by a company to achieve a specific or temporary objective, such as acquisition of another business, to affect a buy-out, to purchase shares or fund a one-time dividend, or to make investment in self-sustaining cash-generating assets. Financial leverage is the use of borrowed money to increase the volume of production and sales as well as earnings of a company for better performance.

It can be measure as the ratio of total debt to equity of a company (Yoon & Jang, 2005). Operating leverage is the level to which a company commits itself to high level of fixed operating costs which vary with time, such as insurance, rent, salary, with no interest attached to it as compared to the level of variable costs which vary with volume of energy, labour and raw materials (Tudose, 2012). Badertscher et al. (2011) cited in Ugbogbo et al. (2019, p. 3) in their view "stated that companies that are leveraged can avoid tax either by having a relatively strong incentive so as to reserve cash to service the debt liability, or a relatively weak motivation to be involved in tax avoidance because of the beneficial debt tax shield". A positive influence on leverage was found by Harrington and Smith (2012) in the overall cross section of companies.

4. THEORETICAL FRAMEWORK

The legitimacy theory is used in this study to explain the nexus between corporate firm characteristics and tax avoidance of companies.

4.1 Legitimacy Theory

In the year 1975, Dowling and Pfeffer developed the legitimacy theory (Guthrie & Ward, 2006). The theory is derived from the concept of organisational legitimacy, and it has been defined by Dowling and Pfeffer (1975, p. 122) as a "condition or status which exists when an entity's value system is congruent with the value system of the larger social system of which the entity is a part". This theory gives explanation concerning the company's entities behaviour in the development and implementation of polices as well as the communication of the results. The legitimacy theory can be employed to give explanation to the practice of tax avoidance by corporate entities. It gives a better understanding into comprehending the significance of consumer satisfaction when decisions that affect companies are made by taxpayers. Omesi and Appah (2021), therefore stated that by taking a positive attitude towards tax payment, corporate entities will gain legitimacy in the society and can choose the sustainability of its business activities in the society. Corporate entities deliberately avoid payment of company income tax to reduce their tax liability which is seen as illegitimate social contracts" (Avi-Yonah, 2008, cited in Omesi & Appah, 2021).

Table1: Summary of Review of Empirical Studies

S/N	Names of authors and years	Title	Place	Methodology	Finding
1	Irianto et al. (2017)	The influence of profitability, leverage, firm size and capital intensity towards tax avoidance.	Indonesian	Regression	The findings indicate that firm size positively influence effective tax rate while leverage, profitability as well as capital intensity ratio have no significant influence tax avoidance.
2	Waluyo (2017)	The effect of good corporate governance on tax avoidance: Empirical study of the Indonesian banking sector.	Indonesian	Regression	The result shows that audit committee, audit quality as well as size had a positive influence on tax avoidance while independent directors and corporate performance

					negatively affects tax avoidance.
3	Ugbogbo et al. (2019)	Corporate determinants of aggressive tax avoidance: Evidence from Nigeria.	Nigeria	Regression	The result shows that firm size had a relationship that is positive with corporate tax aggressive avoidance while profitability and leverage had a relationship that is negative with corporate tax aggressive avoidance.
4	Yahaya & Yusuf (2020)	Impact of company characteristics on aggressive tax avoidance in Nigerian listed insurance companies.	Nigeria	Regression	The study concluded that company characteristics influences aggressive tax avoidance of insurance companies in Nigeria.

Source: *Researchers' Formulation, (2021)*

5 METHODOLOGY

To attain the aim of this work, the study predominantly employed the panel survey in other to investigate the concept of corporate firm characteristics and tax avoidance of companies in Nigeria for the period of 5 years (2016-2020), as it relates to consumer companies that are quoted on the Nigeria Stock Exchange (NSE) as at 31st December, 2020. The population of the study is made up of twenty - eight (28) consumer goods companies that are quoted in Nigeria. The secondary data were gotten from the corporate annual report of the sampled companies for the period (2016-2020) financial year. The researcher utilizes only corporate annual reports because they are readily available and accessible. The sample of this study is basically made up of twenty - six (26) companies from the consumer sectors of the economy.

Analytical Framework and Model Specification

The analytical framework in figure 1 below shows the schematic diagrammatic representation of the causal relationship with tax avoidance (dependent variable) and corporate firm characteristics (independent variables) which consists of firm size, firm profitability and firm leverage for this study.

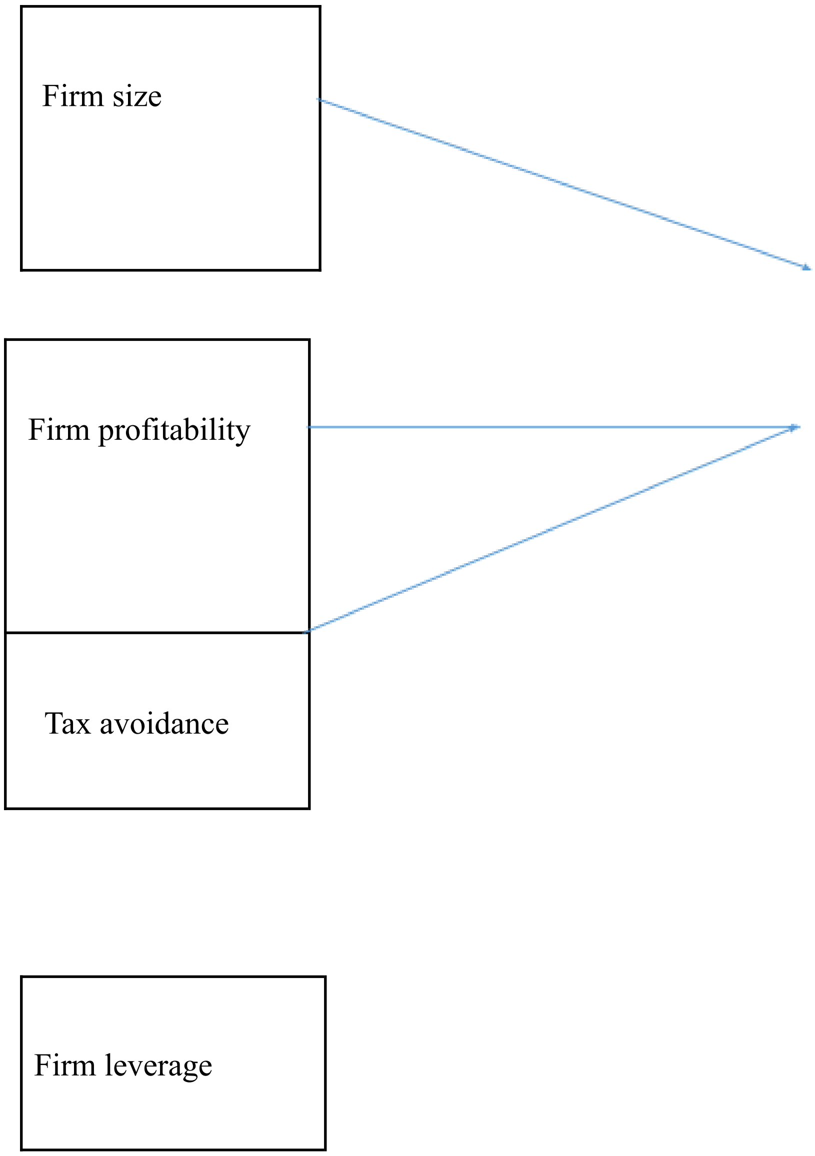

Figure 1: ***Source:*** *Authors' Formulation, (2021).*

The schematic framework also culminates into the required model specifications. The study adapts the model specified by Annuar et al. (2014) with five variables used in the model specification as below:

CTA=â0+Y âit-1+â1govtit+ â2Fsizeit+ â3profit+ â4lev+ â5capint+e……………….…………...1

For the aim of this study, our model is specified as:

TAXA = f(FSIZE, FPROF, FLEVE)…………………………………………….…………2

While the explicit model is given as;

$TAXA_{it} = \beta 0 + \beta_1 \; FSIZE_{it} + \beta_2 \; FPROF_{it} + \beta 0_3 \; FLEVE_{it} + e$ ……………………………...........3

$\beta 0$ = Intercept

β_1, β_2, β_3 and β_4 = Parameters of the planned estimates

i = firm

t = year

TAXA = Tax avoidance

FSIZE= Firm size

FPROF = Firm profitability

FLEVE = Firm leverage

e = Error term

Our apriori expectations are as follows: $\beta_1 > 0$, $\beta_2 > 0$ and $\beta_3 > 0$.

Table 2: Operationalisation of Variables

S/N	Variables	Definition	Type	Measurement	Source	Apriori Sign
1	TAXA	Tax avoidance	Dependent	Income tax expense divided by income before tax.	Kurniasih and Sari (2013)	
2	FSIZE	Firm size	Independent	Log of total assets.	Zhu et al. (2019)	+

3	FPROF	Firm profitability	Independent	Pre-tax result.	Rego (2003)	-
4	FLEVE	Firm leverage	Independent	Ratio of firm's total long term debt to total asset.	Ogbeide and Obaretin (2018)	+

Source: *Researchers work based on* operationalisation of variables, *2021.*

RESULT AND DISCUSSION OF THE STUDY

Table 3 Descriptive Statistics

	TAXA	FSIZE	FPROF	FLEVE
Mean	586513.0	507628.0	982421.6	816417.4
Median	246596.5	233711.0	304632.0	497435.0
Maximum	4115142.	2896405.	5580220.	6311246.
Minimum	-155396.0	-155396.0	-597778.0	5967.000
Std. Dev.	744460.1	597257.6	1453989.	966014.9
Skewness	2.230483	1.686232	1.939653	2.496880
Kurtosis	8.944423	5.574350	5.653224	11.90086
Jarque-Bera	289.9910	94.50416	115.9652	546.8557

Probability	0.000000	0.000000	0.000000	0.000000
Sum	73900634	63961126	1.24E+08	1.03E+08
Sum Sq. Dev.	6.93E+13	4.46E+13	2.64E+14	1.17E+14
Observations	126	126	126	126

Source: Researchers' Computation (E-view 9.0), *2021.*

Table 3 above report the descriptive statistics of the examined variables and emphasis are laid on the results of the mean, maximum, minimum, standard deviation as well as the test of Jarque-Bera statistics. The outcome of the value of tax avoidance (TAXA) showed 586513.0, firm size (FSIZE) indicated 507628.0, firm profitability (FPROF) came out to be 982421.6 while firm leverage (FLEVE) stood at 816417.4. Based on the result of the test of Jarque-Bera statistics, the test of normality equally indicates that the employed variables are normally distributed (p-value of the whole variables are found to be less than the critical p-value of 0.05(5%).

Table 4 Correlation Matrix

Variables	TAXAG	FSIZE	LEV	FLEVE
TAXA	1.000000			
FSIZE	0.565968	1.000000		
FPROF	0.610122	0.404722	1.000000	
FLEVE	0.316798	0.190095	0.204889	1.000000

Source: Researchers' Computation (E-view 9.0), *2021.*

The above table 4 indicates the correlation among the various variables that are investigated. When tax avoidance (TAXA) is at the value of 1 unit, firm size (FSIZE = 0.565968), firm profitability (FPROF = 0.610122) and firm leverage (FLEVE = 0.316798) were all found to be positively related at different low values. From observation, none of the values is higher than 90%, it means that there is an absence of multi-colinearity.

Table 5 Panel Least Squares Regression Results

Dependent Variable: TAXA

Method: Panel Least Squares

Date: 08/12/21 Time: 09:05

Sample: 2016 2020

Periods included: 5

Cross-sections included: 26

Total panel (unbalanced) observations: 126

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	40590.67	70496.64	0.575782	0.5658
FSIZE	0.450038	0.086291	5.215359	0.0000
FPROF	0.220807	0.035554	6.210511	0.0000
FLEVE	0.123153	0.049844	2.470791	0.0149

R-squared	0.518087	Mean dependent var	586513.0
Adjusted R-squared	0.506237	S.D. dependent var	744460.1
S.E. of regression	523119.5	Akaike info criterion	29.20424
Sum squared resid	3.34E+13	Schwarz criterion	29.29428
Log likelihood	-1835.867	Hannan-Quinn criter.	29.24082
F-statistic	43.71922	Durbin-Watson stat	1.612234
Prob(F-statistic)	0.000000		

Source: Researchers' Computation (E-view 9.0), (*2021)*.

The above table 5 indicates the result of the panel least square (PLS) regression. The outcome revealed that firm size (FSIZE), firm profitability (FPROF) and firm leverage (FLEVE) could explain 51% of the overall changes in tax avoidance (TAXA) while after adjustment the different variables could explain 50% of the systematic changes in tax avoidance (TAXA) while 50% are left unexplained in the model. This implies that the different variables (independent) accounted for a reasonable variation in tax avoidance (TAXA) in the various sampled companies. It is shown from the estimate that other variables are there that can also give explanation of the behaviour of tax avoidance.

The F-statistic (overall statistics) is noticed to be significant, because the calculated F-value of 43.7 is found to be greater than the critical F-value at 0.05(5%) significant level. The value of Durbin Watson statistic that came out to be 1.612234 indicates the absent of autocorrelation. The outcome of the result shows that firm size (FSIZE), firm profitability (FPROF) and firm leverage (FLEVE) were found to be significant and positively related with tax avoidance (TAXA) since their probability value of 0.0000, 0.0000 and 0.0149 are lower than the absolute critical t-value at 0.05(5%) significant level. By indication, the output of the result indicates that FSIZE, FPROF and FLEVE agreed with our model a priori expectation.

6 DISCUSSION OF FINDINGS

The independent variable of firm size (FSIZE), firm profitability (FPROF) and firm leverage (FLEVE) were statistically noticed to be significant at 5% level and positively related with tax avoidance (TAXA) of consumer goods companies that are quoted in Nigeria. The results is agreed with that of Irianto et al. (2017) who found that the size of a firm has a positive influence on the effective tax rate that is synonymous to tax avoidance. The implication is that the management policy of the company can be influenced by firm size to enable tax avoidance to be strengthened. The result is also consistent with that of Rodriguez and Arias (2013) who found that profitability is positively influenced by effective tax rate. By implication profitability is a critical influencing factor of tax avoidance when considering consumer goods companies that are quoted in Nigeria. Likewise, the finding is in line with that of Richardson and Lanis (2016) who find a significant influence on leverage and tax avoidance. The outcome likewise did not accept the hypotheses stated earlier which shows that (firm size, firm profitability and firm leverage do not have significant influence on tax avoidance of consumer goods companies quoted in Nigeria.

7 CONCLUSION

This paper investigated corporate firm characteristics and tax avoidance of consumer goods companies that are quoted in Nigeria. Issues of corporate firm characteristics and tax avoidance has continued to attract considerable attention to several academic researchers globally. Tax avoidance gives explanation to the legal means to reduce the taxpayer's income tax liability. Tax avoidance are achieved by considering different corporate firm characteristics and these varying corporate firm characteristics are very essential to the optimal operation and the performance of the company. Different studies, both local and international made significant efforts in extant literature on studies that focused on firm characteristics and tax avoidance using different and some similar firm characteristics proxies, but inconsistencies were found in their results. For the objective of the study to be achieved, twenty - six (26) quoted companies on the Nigeria Stock Exchange (NSE) from the consumer sector of the economy were cautiously selected and analyzed for the period (2016-2020).

The study employed the panel least squares (PLS) regression by using E-view 9.0 packages for the data to be analyzed. Tax avoidance (TAXA) has been chosen as the dependent variable while firm sizes (FSIZE), firm profitability (FPROF) as well as firm leverage (FLEVE) were chosen as the independent variables and they are the corporate firm characteristics that relate with tax avoidance of consumer goods companies that are quoted in Nigeria. The result revealed that firm size (FSIZE), firm profitability (FPROF) and firm leverage (FLEVE) were found to be the main characteristics of the firm that influences tax avoidance of the various consumer companies under consideration. Firm size (FSIZE), firm profitability (FPROF) and firm leverage (FLEVE) were found to be positive and significantly related with tax avoidance (TAXA) of consumer quoted companies in Nigeria.

8 RECOMMENDATIONS AND SUGGESTIONS FOR FURTHER STUDIES

In view of the findings, it is therefore recommended by the study that the independent variables of firm size (FSIZE), firm profitability (FPROF) and firm leverage (FLEVE) should be given considerable attention when considering corporate firm characteristics as it relates to tax avoidance of consumer goods companies that are quoted in Nigeria.

Though this study indicates some results that are significantly reviewed, it also has some limitations that can be overcome in future research. The study therefore suggests that future researchers should critically examine other variables that are not included in this study. Corporate firm characteristics and tax avoidance of financial institutions in Nigeria should also be considered in future research than consumer goods alone.

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Conflict Management Styles by Multinational Oil Firms in the Niger Delta Region of Nigeria

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Abstract

Conflicts between oil multinationals and host communities have become a recurring decimal resulting in hostility between the parties and in some cases the shutdown of oil exploration of oil multinationals by host communities in the past decades in Nigeria. This study ascertains the relationship between the use of integrating, dominating, obliging, avoiding, and compromising styles of managing conflicts and the quality of relationship multinational oil firms have with host communities. The questionnaire was used to gather data from 200 top managers and personnel in the public relations department sampled from thirteen (13) multinational oil firms. Data analysis was carried out using multiple regression. It was revealed that the quality of relationship multinational oil firms have with host communities is negative and significantly related to the use of dominating and compromising styles of handling conflict, but positive and significantly related to the use of integrating, obliging, and avoiding styles of handling conflict. The study recommends that multinational oil firms should change from the deployment of dominating style to integrating and obliging styles in handling conflict with host communities.

Keywords: Conflict, Conflict management styles, Host communities, Niger Delta, Multinational oil firms

Introduction

The operation of foreign-owned oil and gas multinational firms in host communities with different beliefs, values, and approaches has probably provoked unprecedented conflicts and long-drawn-out history of violence. In most cases, the nature of conflicts or disagreements between oil multinationals and host communities have hinged on how the oil should be explored, extracted, distributed, or managed. Yuan (2010) argued that it is not these sources of conflict that usually destabilize oil multinational firms operating in the host communities, but rather the different approaches and assumptions emerging from the different cultures to conflict management and resolution.

Conflict is inevitable in organizational life. This is even more so when the organization is operating in a different cultural environment (Kim et al. 2007). A major challenge oftentimes faced by multinational oil firms in the wake of the discovery of oil and subsequent oil exploration in the Niger Delta is the incessant conflicts with host communities (Ako, Obokoh & Okonmah, 2009; Nwagbara & Brown, 2014). These conflicts have in many cases disrupted oil exploration of many multinational firms within the region. Despite these disruptions, not much attention has been paid to investigating the extent to which the conflict management styles deploy by multinational oil firms have helped them to develop a quality relationship with their host communities.

Several studies revealed that cultural dimensions of individualism-collectivism and small-larger power distance cultures exert substantial influence on conflict management styles of firms operating in different cultures around the globe (Kim, *et al.,* 2007; Schalk, *et al.,* 2010). However, little research effort has been made to validate the findings of these extant studies in the context of Nigeria to the best of the researchers' knowledge. Specifically, little research efforts have been devoted to exploring how the different conflicts management styles deploy for managing conflict differ among the multinationals oil firms, which appear to have originated from different cultures. The objective of the study is to ascertain the relationship between the conflict management styles of integrating, dominating, obliging, avoiding and compromising and the quality of relationship multinationals have with host communities.

Literature Review

Conflict

The term 'conflict' has been conceptualized as tension, crises, or discord among individuals or groups of individuals induced by the pursuing of different and incompatible goals, values, ideas, and needs (DeChurch, Hamilton & Haas, 2007). Similarly, it is explained as any form of disagreement between individuals or groups of individuals. Also, conflict is seen as the fallout of the inability of individuals or group members to agree on the actualization of the same goal, and differences in beliefs, values, and needs (Schalk, *et al.,* 2010). During the interaction of interdependent people, conflict arises when the goals or aspiration of one party is inconsistent with another group (Schalk, *et al.,* 2010)

Dimensions of Conflict Management Styles

Integrating Style of Conflict Management

Integrating conflict management style also termed 'collaboration conflict management style' is deployed when the goals and interests of oneself and others are considered on an equal basis when dealing with conflicts (Cingöz-Ulu & Lalonde, 2007). It is the type of conflict management style where conflicting parties cooperate and work together in finding a solution that is mutually acceptable, beneficial, and satisfying (Darling & Fogliasso, 1999).

Dominating Style of Conflict Management

Dominating conflict management style is characterized by a high concern for self and low concern for others such that the dominant party places a premium on its objectives and goals while ignoring the needs of others through forceful behaviour (Masood & Javed, 2016). Dominating style of conflict management tends toward self-concern given that the needs, goals, and expectations of one party are often ignored for the other party's interest (Kim, *et al.,* 2007).

Obliging Style of Conflict Management

Obliging style of conflict management involves a low concern for one's goals and a high concern for others' goals when addressing conflict (Rahim & Bonoma, 1979). It tends toward self-sacrifice by denying or neglecting one own needs or goals concerns and satisfying the needs, goals, and values of other parties. Most studies often use terms like submitting, yielding, and accommodating and satisfying the concerns of the other party when defining or explaining the obliging style of conflict management (Darling & Walker, 2001; Jehn & Mannix, 2011).

Compromising Style of Conflict Management

The compromising style of conflict management focuses on showing moderate concern for the interests, goals, values, and needs of self and that of other parties when dealing with conflict (Yeung, Fung & Chan, 2015). Similarly, it is described as showing a modest interest in both parties in achieving a mutually acceptable solution (Özkalp, Sungur & Özdemir, 2009). In pursuing this style of conflict management, conflicting parties often involve a third-party or resolve to an external mediator in seeking a solution for the conflict (Thomas, 1992).

Avoiding Style of Conflict Management

Avoiding conflict management style is an unwillingness to cooperate or engage in action, but rather remaining passive in dealing with disagreements (Ma, 2007). Avoiding conflict management style is withdrawing from the scene of conflict with the expectation that the conflict will phase out on its own (Posthuma, Montes, Rodríguez & Serrano, 2012). The theorist of this conflict management style believes that conflict with other parties will be reduced, minimized, and overcome through avoidance behaviour (Thomas, 1976). Organizations usually adopt this form of conflict management style by relocating or withdrawing operations assets from highly violent and conflict-prone zones (Darling & Fogliasso, 1999). Organizations using avoiding conflict management style usually keep disagreement with other parties to themselves and avoiding the exchange of ideas with the parties (Thomas, 1976; Eng & Kuiken, 2006).

Conflict in the Niger Delta: The Multinational Oil Firms Dimension

Conflicts between oil multinationals and host communities have been linked with the issue of resource control, deprivation, beliefs, traditions, and societal values (Nwagbara & Brown, 2014). Also, perceived goal incompatibility has been identified as a major source of disagreements and conflict between multinational oil firms and the host communities, and which in most instances trigger incessant protests, fights, vandalism and other forms of destructive behaviour with the result of halting operations of multinational oil firms operating in the Niger Delta (Mba, 2015; Osuoka, 2007). In most cases, the nature of conflict appears to have been heightened with the prevalence of high-level poverty within the region, the insensitivity of the government to the yearning of the people and the lax in laws, rules, and regulations governing the behaviour of individuals and organizations in the larger society (Osuoka, 2007).

Clarifying the source of conflicts in the Niger Delta, studies concurred that multinationals laxity and institutional weakness have resulted in host communities' perception that realization of societal needs, developmental goals and aspirations may never be actualized if they fail to act by engaging in destructive behaviour in other to attract the attention of the oil multinationals operating in their communities (Aaron, 2008a; Obi, 2009). Ako, *et al.* (2009) opined that the behaviours of oil multinationals as determined by their organizational structures and culture have masterminded conflict generation through negative evaluations by host communities.

Agagu and Adu (2008) opined that most of the agenda, goals, and value implemented by multinational oil firms have often triggered more harm than good in the Niger Delta. Agagu and Adu (2008) further noted that in most instances only a handful of communities and individuals benefits from crude oil exploration while several others are left impoverished. The consequences of such injustice, lack of equity, and insensitivity of oil multinationals to the plight of the host communities is the incessant conflict in the Niger Delta. Hence, stakeholders are quick to point to the several years of injustices, inequity, and neglects as the major source of incessant conflicts between oil multinational firms and host communities (Aaron & Patrick, 2008b; Ojakorotu, 2008; Saiyou, 2016).

Review/Framework

This study builds on face negotiation theory proposed by Brown and Levinson (1978) to understand how people from different cultures manage rapport and disagreements. Applying the theory in an organization, Ting-Toomey and Kurogi (1998) postulate that organizations can concerned with the protection of their face needs, social self-worth or other face needs during conflict management episode. They opined that during conflict management, organizations or individuals are usually faced with three face concerns: *Self-face,* which is the concern for one's own image, *other-face*, is the concern for another's image, and *mutual-face* is concern for both parties' images and/or the "image" of the relationship. Oetzel, Gracia & Ting-Toomey (2008) suggested that these three face concern are culturally determined as people from individualistic and collectivistic cultures have different types of face needs, which leads to preferences for different facework. In the theory, facework and conflict management styles are closely related as facework reflects self-face (concern for one's image, interest, needs), other-face (concern for other's image, needs, interest), and mutual-face (concern for both parties' image, interests and needs) which are dominating style, obliging style and compromising -integrating styles of conflict management respectively.

In addition, the theory of face negotiation suggests that multinational oil firms from different cultures operating in host culture like in the Niger Delta can either be concerned with other-face, self-face and mutual-face by using obliging, dominating and compromising styles respectively in the management of conflict with host communities. However, little is known how the conflict management styles adopted by organizations from different cultures operating in the Niger Delta have affected the quality of relationship developed with the oil host communities in the Niger Delta region.

Besides, the degree to which there is congruence or incongruence in the styles used in managing conflicts with host communities among multinational oil firms operating in Nigeria generally and in the Niger Delta in particular which appear to have originated from different cultures such as Chinese (collectivism and high power distance), American (individualism and low power distance), British (individualism and low power distance), Brazilian (high power distance and collectivism), Canadian (individualism and low power distance) and Norway (low power distance) (Saiyou, 2016) has received little or no empirical studies. This study thus fills this gap by examining how multinationals operating in Nigeria differ one from another in solving conflicts with host communities and the effectiveness of the conflict management styles adopted.

Methodology

The survey method was employed to gather data for the study through the use of the questionnaire. The study's population consists of multinational oil firms operating in the Niger Delta. A sample size of 23 multinational oil firms was determined from a possible twenty-four (24) oil multinationals operating in Nigeria using Yamane (1967) statistical formula. The formula is given as:

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

Where: n = Sample size, 1 = Constant value, N = Population size, e = Level of precision or acceptable sample error (0.05).

Among these firms, a simple random sampling (by lottery form) was undertaken to selected thirteen (13) multinational oil firms in the Niger Delta. These firms include four Europeans oil giants (Italian Agip oil firm, Netherland's Royal Dutch Shell, French's Total oil firm, and Norwegian Statoil multinationals), five American oil giants (Chevron, Star deep water, Exxon Mobil, Syntroleum and Conoco Phillips), Chinese' Addax-Sinopec oil firm, British Hardy oil firm, Canadian Nexen oil company, Brazilian Petróleo Brasileiro (Petrobras). The justification for using random sampling (by lottery form) was to ensure the fair selection of the multinational oil firms.

Two hundred (200) copies of the questionnaire were sent to managers and personnel in the public relations department of the thirteen (13) multinational oil firms. Some of the questionnaires were given to general managers of each oil firm after establishing a rapport with them to help distribute to the managers and other personnel in public relationship departments who normally go out to negotiate with host communities. The researchers collected the contacts of these managers and personnel and followed them up with calls and text messages. This study adapts Rahim's (1983) organizational conflict inventory scale to measure the dimensional constructs of conflict management styles. The Cronbach Alpha coefficients for the constructs are 0.890, 0.918, 0.844, 0.869, and 0.813 for integrating, obliging, dominating, avoiding, and compromising respectively. The quality of relationship with host communities is measured with four items, with reliability coefficients of 0.831.

The following model was formulated to estimate the relationship between oil multinationals' styles of conflict management (integrating, obliging, dominating, avoiding, and compromising) and the quality of relationship with host communities.

$$QLHC = \beta_0 + \beta_0 ITG + \beta_2 OBL + \beta_3 DMT + \beta_4 AVD + \beta_5 CPM + U$$

------------------------------- (1)

Where:

QLHC = Quality of relationship with host communities

ITG = Integrating

OBL = Obliging

DMT	=	Dominating
AVD	=	Avoiding
CPM	=	Compromising
β_0	=	constant
β_1- β_5	=	coefficients of the independent variables
U	=	Error term

The relationship between the independent variables and the quality of relationships oil multinational has with host communities was estimated using the ordinary least square (OLS) technique.

The research hypothesis for the study is as follows:

H_{01}: There is no significant relationship between the dimensions of conflict management styles (integrating, dominating, obliging, avoiding, and compromising) and the quality of relationship multinational oil firms have with the host communities.

In analysing the data collected, descriptive and inferential statistical methods were employed. Data generated were analysed using mean and multiple regression. All hypotheses were tested at 5% level of significance using the Statistical Package for Social Sciences (SPSS) version 22.0.

Results and Discussions

Descriptive Analysis of Variables

A descriptive analysis was carried out on the variables as illustrated in Table 1.

Table 1: Description of Variables

S/n	Scale	Mean

Dependent Variable		
1	Quality of Relationship	2.36
Independent Variables		
2	Integrating	3.31
3	Obliging	2.56
4	Dominating	4.12
5	Avoiding	2.05
6	Compromising	3.84

Table 1 revealed that the quality of relationship multinational oil firms have with host communities is low with a mean score of 2.36 on a scale of 5.00. The mean scores for the independent variables of obliging (Mean = 2.56) and avoiding (Mean =2.05) are below the mid-point of 3.00, while the mean scores for integrating (Mean = 3.31), dominating (Mean = 4.12, SD =0.81) and compromising (Mean = 3.84, SD = 0.92) are greater than the mean criterion of 3.00. Dominating style appears to be the most frequently used conflict management styles; followed by compromising styles (see Table 1).

Table 2: Regression Analysis Results

Model		**Unstandardized Coefficients**		**T**	**Sig.**
		B	**Std. Error**		
1	(Constant)	0.796	0.485	1.644	0.104
	ITG	0.560	0.084	6.662	0.000
	OBL	0.329	0.057	5.769	0.000
	DMT	-0.169	0.073	-2.313	0.023
	AVD	0.296	0.090	3.297	0.001
	CPM	-0.271	0.086	-3.163	0.002
Dubin-Watson	**R Square**	**Adjusted R Square**	**Overall Std. Error**	**F**	**Sig.**
1.881	0.545	0.522	0.445	23.024	0.0000[b]

a. Predictors: (Constant), *ITG, OBL, DMT, AVD, and CPM*

The Durbin-Watson statistic of 1.881 signifies the absence of first-order serial correlation. This suggests that the model is fit to be use without re-specification in developing formulating policy addressing the current challenges faced by foreign oil firms operating in the Niger Delta. The coefficient of determination (R^2) value of 0.545 displayed by the regressing model indicates that the independent variables, which include integrating (ITG), obliging (OBL), dominating (DMT), avoiding (AVD) and compromising (CPM) jointly explain 54.5% of the variation in the dependent variable (quality of relationship the foreign oil firms have with the host communities in the Niger Delta). Other factors or elements not included in this regression model, but taken care of by the error terms accounted for 44.5%. The R-squared value after adjustment for the degree of freedom was 0.522 in the regression model.

This value further confirms that the combination of the integrating (ITG), obliging (OBL), dominating (DMT), avoiding (AVD) and compromising (CPM) styles of managing conflicts explain approximately 52% systematic variations in quality of relationship the foreign oil firms have with the host communities in the Niger Delta after the elements in the model have been adjusted to a degree of freedom. These constructs: integrating (ITG), obliging (OBL) and dominating (DMT), avoiding (AVD) and compromising (CPM) styles of managing conflicts when grouped together also have F-statistic of 23.024 at Prob (F-statistic) value of 0.0000 which is less than 5%. This results suggest that, overall there exist significant linear relationships between the use of integrating (ITG), obliging (OBL) and dominating (DMT) avoiding (AVD) and compromising (CPM) styles in managing conflicts with the host communities in the Niger Delta and quality of relationship the foreign oil firms have/develop with the host communities in the Niger Delta.

Moreover, the regression results also confirm that there exist significant relationship between individual independent variables (ITG, OBL, DMT, AVD, and CPM) and quality of relationship the foreign oil firms have with the host communities in the Niger Delta. The regression results showed that each of the styles of managing conflict: integrating (ITG) ($t=6.662$; $p=0.0000<0.05$), obliging (OBL) ($t=5.769$; $p=0.0000<0.05$), dominating (DMT) ($t=-2.313$; $p=0.023<0.05$), avoiding (AVD) ($t=3.297$; $p=0.001<0.05$) and compromising (CPM) ($t= -3.163$; $p=0.002<0.05$) passed the significant test at 5% level. This means that there is a significant relationship between the quality of relationship the foreign oil firms have/develop with the host communities in the Niger Delta and the use of integrating, obliging, dominating, avoiding and comprising styles in managing conflict with the host communities in the Niger Delta.

The direction of this relationship as indicated by the regression coefficients sign revealed that quality of relationship foreign oil firms have with the host communities is positively related to the use integrating, obliging and avoiding styles in managing conflict with the host communities in the Niger Delta. However, the use of dominating and comprising styles in managing conflict with the host communities in the Niger Delta have a negative impact on the relationship they have with the host communities. This suggests that dominating and compromising, which are the most used styles in managing conflicts with the host oil communities over the years might have accounted for the low-quality relationship between foreign oil firms and host communities in the Niger Delta. The use of integrating, obliging and avoiding styles might have produced a cordial/quality relationship between foreign oil companies and host communities in the Niger Delta.

Discussion of Findings

The study revealed that dominating management style is the most common style multinational oil firms deploy in managing conflict with host communities. This finding confirms the assertion of Mba (2015) and Osuoka (2007) that members of host communities have over the years evaluated and raised their voices that the multinational oil firms operating in the region are mainly concerned with self-face or interest with little effort to work with the host communities' interests. The finding is also in corroboration with the work of Agagu and Adu (2008) that multinational oil firms protect their interest with little attempt to compensate many host communities and villagers whose lands, farms and other sources of livelihood including fish have been affected negatively by the oil spillage and other activities of the multinational oil firms operating in the region.

The results of the study showed that integrating (ITG), obliging (OBL) and avoiding (AVD) has a positive and significant relationship with the quality relationship multinational oil firms have with host communities, while dominating (DMT) and compromising (CPM) styles of managing conflict has a negative and significant relationship with the quality relationship multinational oil firms have with host communities. Empirically, the findings of this study that deployment of integrating (ITG) and obliging styles in managing conflict have the greatest positive and significant relationship with the quality relationship the multinational oil firms have with the host communities support the empirical position of Masood and Javed (2016) that deployment of integrating style has a significant impact on affective and cognitive trust in Pakistan. It also supports Oetzel (1999) study that states that cooperation including satisfying the relational and situational expectations is a key element in reducing conflict and building a strong relationship especially in a work environment that is characterized by high power distance and collectivism. Oetzel (1999) observed that integrating (problem-solving), and obliging styles are the most helpful tools in dealing with the conflict-related crisis in a collectivist culture.

The findings of this study also support the study of Friedman, Chi and Liu (2006) that concur different conflict styles should be used for addressing different conflict situations but in high power distance culture and collectivism, integrating and obliging styles seem to be more effective styles of conflict management. Our findings further confirm with the position of Ohbuchi and Takahashi (1994) that integrating and obliging are the most effective styles of managing conflict especially in high power distance and collectivistic cultures, suggesting that efforts to protect and value interest, goals, and needs of stakeholders such as host communities as well as cooperate with them and work together with stakeholders enhance trust and relationship among the conflicting parties. Knutson, Hwang, and Deng (2000) and Chin and Liu (2015) affirm that the ability of firms to adjust and adapt the styles that are closely linked with host cultures to be most effective ways to handle and resolve conflicts.

Conclusion and Recommendations

The conclusion reached in this study is that multinational oil firms tend to be preoccupied with the use of dominating styles in handling conflict with host communities. It is however likely that dominating style as conflict management strategy is ineffective in minimizing the conflict with host communities but rather aggravates conflicts between host communities and multinational oil companies. The study further concludes that the use of integrating styles followed by obliging tend to be the most effective style to resolve conflict with host communities that have over the years increased the transactional costs including the cost of safeguard production operations, contracting of oil operations, monitoring of oil operations and enforcement of contract in upstream sectors. The study also concluded that failure to deploy integrating and obliging styles in resolving conflict with host communities will continually induce repeated vandalism of oil pipelines, vandalism of assets of oil firms, and stealing of crude oil of multinationals; and thus, create uncertainties and ambiguities on oil investment returns.

It is recommended that multinational oil firms should jettison the use of dominating style in resolving conflicts with host communities. This can be done by ending the frequent use of money, power, influence, and government security agencies to force their ideas, interest, and goals to be accepted by the host communities. It can also be done by abolishing the use of court, expertise, and high-profile individuals to influence and force its ideas and goals to the host communities to win a competitive situation with the host communities. Multinational oil firms should instead deploy integrating styles in managing conflict with host communities. This can be done by collaborating with host communities in investigating the peculiar problems the region faced to proffer a lasting solution that is acceptable to both parties. In doing this, the multinational oil firms should exchange accurate information and bring all concerns of the host communities out in open discussion. Multinational oil firms could also deploy obliging style in managing conflict with host communities. This can be done by being firm in working with the suggestions of host communities or pursuing, addressing, accommodating, and satisfying the expectations, wishes, and needs of host communities.

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Digital Marketing Strategies and Customer Purchase Decision Among SME's in Oyo State, Nigeria

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Abstract
This research examined the effect of digital marketing on consumer's purchase behavior in selected SMEs in Oyo State, Nigeria. Descriptive survey research design was adopted for the study. Five hundred and Eighty-one copies of a validated and reliable research instrument were administered to owner/managers of SMEs in Oyo State, Nigeria. Findings from the multiple regression analysis revealed that digital marketing has a positive and significant effect on consumer purchase decision with *P*-value less than 0.005. The study concluded that digital marketing has significant effect on consumer purchase behavior. The study recommends that SMEs should adopt digital marketing strategies in order to reach their current and potential thereby increasing sales and performance.

Key Words: Digital marketing, Consumer purchase behavior, social media marketing, content marketing, online advertising.

Introduction
Technological advancement takes a major part in this ever-changing world as people, businesses are interconnected to digital technologies. The global digital marketing industry is accessible through platforms and the latest cutting-edge technology to reach target customers. This sporadic progress of information technology gives a major impact on business activities (Zuliyati & Mirah, 2018). Digital marketing has experienced drastic changes as the internet technology has improved and stepped in the field. The traditional marketing strategies have therefore become obsolete and are being modified by changes in technologies. As such, marketers are unwilling to utilize conventional strategies as those are no longer sustainable overtime (Vries, Gensler, & Leeflang, 2017). In view of this, businesses globally are now more attentive towards digital marketing as consumers' projection of a brand have been elevated by the usage of internet. Various business activities either small or large scale have taken advantage of this development to run their business successfully.

Digital marketing has emerged at the forefront of every marketing campaign for any business irrespective of the scale. In light of this, businesses have found the need to establish a comprehensive digital marketing plan before launching out. Digital marketing for small and medium scale helps emerging businesses to adapt to the marketing plans and strategies for their targeted consumers (Dwivedi et al, 2020). Over the years, marketers have experience difficulty coping with changes in the needs of customers. These changes in the expectations of the customers are due to many reasons, chief among them is the changing buying behavior. Inability of a marketer to understand the changing needs of the customers and produce the goods and services accordingly has remain an hindrance that limits an organization's ability to achieve its organizational aim and objectives. Bizhanova et al., (2019) stated that the high rate of digitalization has resulted in several problems for marketing executives as they are posed with growing, complex and rapidly changing markets that are beyond their control. Consumers leave behind a huge trail of data in digital channels and this often times discourages them from engaging with digital marketing platforms.

According to Ekwueme and Nehemiah (2017), despite the significant growth rate of digital marketing, inferences based on the strength of empirical substantiations show that the intensity of internet shopping acceptance among customers in Nigeria is still very low irrespective of the number of internet users. It is equally doubted that the percentage of Internet users in Nigeria who purchase products online is in anywhere near the records documented in this respect in other countries. Folorunso et al., (2006) stated that several negative factors are affecting e-commerce in Nigeria chiefly among which are establishing cost, accessibility, privacy and confidentiality, data security, network reliability, credit card threat, authenticity, citizen's income and education. All these negative vices therefore devalue the digital marketing strategies of several organizations as consumers becomes averse to make purchases online due to these various vices. Pelsmacker et al., (2018) and Ayo (2011) states that internet penetration is still abysmally low and pose major threats to success of digital marketing in Nigeria. It is based on this aforementioned that this study examined the effect of digital marketing on consumer buying behaviour in selected SMEs in Oyo State.

2.0 Literature Review

Digital Marketing

Sivasankaran (2017) defined digital marketing as buying and selling of information, products, and services via computer networks or internet. Wymbs (2011) defines digital marketing as the utilization of digital technology to create integrated, targeted and measurable communication that helps in the acquisition and retainership customers. Digital marketing channels on the other hand, refers to internet systems that has the ability to simultaneously create, promote, and deliver value from producers to consumers through digital networks (Keerthi, 2018). Digital marketing allows small businesses reach, grow, and retain consumer through the internet channel. Unlike the traditional marketing, digital marketing communicates and draws the attentions of customers to a product (Jackson & Ahuja, 2016). Digital marketing is also known as data-driven marketing which is an umbrella term for the marketing of products or services using digital technologies, mainly on the Internet. This type of marketing can be done using mobile phones, display advertising, and any other digital medium (Pinaki, Nitin & Sheela, 2016). As digital platforms are increasingly incorporated into marketing plans and everyday life, customers have given preference to usage of digital devices rather than visiting physical shops or spaces (Nielsen, 2016). Digital marketing also makes use of platforms to meet the target audience through social networking, blogs, multimedia advertisement, online search engine commercials, e-digital marketing (Uma & Thakur, 2020). Internet and electronic commerce technologies are transforming the entire economy and changing business models, revenue streams, customer bases, and supply chains. Digital marketing will be measured using the social media marketing, content marketing and online marketing.

Social Media Marketing

Manzoor et al., (2020) defined social media marketing as a mechanism that allows businesses to advertise their goods or services online to reach a wider audience that is not accessible via traditional channels. Kyriakopoulou and Kitsios (2017) states that social media marketing enables businesses use social media platforms remind potential clients of activities in the company, to introduce a new concept or product, and to relate news about the company. He et al., (2020) linked social media marketing to marketing relationships, suggesting that businesses will switch from the seek to sell model to the make ties with customer's model. The social media marketing theory have emphasized the need for relationship building with potential customers in order to increase brand loyalty.

Social signals also boosts an organizations search engine optimization efforts such that, current and potential customers in the social media community can share, like, recommend and talk about an organizations (Ištvanić et al., 2017). Social media marketing also promotes and organizations branding and awareness which is achieved when social media users recommend to their social media circles details about the organizations brand. This marketing campaign boosts the organizations brand image and brand reputation. Furthermore, social media marketing helps to increase word of mouth advertising for an organization. Word of mouth advertising tends to have a higher trust rating from the consumers than the product descriptions on an organization's website. Increasing audience reach due to social media marketing helps the organization reach and influence its target consumers. Integrating social media into an organizations digital marketing campaign is thus crucial to attaining the organizations marketing goals (Schaupp & Belanger, 2014).

Content Marketing

Content can be said to be rooted in the publishing, where words, images and motion graphics are used to appeal to the target audience via publishing platform either in newspaper publication, magazine, TV or radio channels (Holliman & Rowley, 2014). According to Mandloys Digital Marketing (2013), content marketing is the creation of relevant, compelling, entertaining and valuable content which has to appeal, maintain or change the behavior of customers. Content marketing is an essential marketing activity that helps retain customers, acquire new ones and helps companies to build a strong brand. CopyBlogger (2013) averred that content helps in generating and sharing valuable free content to attract and convert prospects into customers, and customers into repeat buyers. Ramos (2014) posits that content marketing is a unique marketing technique with high-quality and relevant content to educate the target customer about a brand. Content marketing is not dependent on just creating content but in its ability to provide a convince target audience to follow on the company schedule convenience. The position of Slater (2014) revealed that content marketing is a dynamic way to get customer into the process of sharing expertise and knowledge to attract potential customers.

Online Advertising

Online advertising is a form of advertising which utilizes the internet to generate and deliver promotional marketing messages that are appealing to customers (Nwokah & Ngirika, 2018). Online advertising is a shift from traditional advertising because of its versatility. Online advertisng has high rate of flexibility and adjustability as it allows late minute changes even when an ad campaign is underway (Anusha, 2016). It allows the user to make as many changes as possible to suit the latest trends in the consumer market. Online advertising has the capacity to reach many targeted customer groups on the internet (Anusha, 2016). Effective online advertising intends to persuade, inform, convince, remind and retain customer. A salient advantage of online advertising over the traditional advertising is that while it targets a specific group online, the traditional advertisements are mass marketing oriented. Bakshi and Gupta, (2013) posits that online advertising builds loyalty, increase website traffic, generate sales and improve customer convenience.

Consumer Buying Behaviour

Consumer buying behavior refers to all the thought, feelings, decisions and actions that an individual embarks upon before or while buying any product, service or idea (Singh, 2020). Buyers behavior is answers what, why, how, when, and where an individual makes a decision to purchase an item. The outcome of such buyer behavior is the buyer's decision. The entire consumer purchasing process involves thinking about what should be bought, suitability of the brand, from where or whom should the purchase be made, timing of purchase, amount to be expanded, and number of times of purchase and intervals. There are four different types of consumer purchase behavior which are complex purchase behavior, dissonance producing purchase behavior, habitual purchase behavior and variety seeking purchase behavior. According to Kotler (2001), consumer purchase behavior is how individuals, groups and organizations to select, purchase, use and disposal of products, services, ideas or experience to meet the consumers' demand. He went further to say that buying behavior is the decision processes and acts people involved in buying and using products which includes social and mental process.

3.0 Methodology

A descriptive survey research design was adopted for this study as it is a non-experimental design thereby ensuring the researchers do not control or manipulate the independent variable. Copies of a validated and reliable questionnaire were administered to five hundred and eighty-one (581) SMEs in selected Local Government Areas in Oyo State using the simple random sampling technique. Multiple linear regression analysis was used to analyze the cause-effect of the independent variables on the dependent variable.

The equation is as stated below;

$Y = f(X)$

$Y = f(x_{1,} x_{2,} x_3)$

$Y = \beta_0 + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \varepsilon_i$

$CPD = \beta_0 + \beta_1SMM + \beta_2CNM + \beta_1ONA + \varepsilon_i$------------------------- Eqn1

Where;

Y = Consumer Purchase Behaviour (CPB), X = Digital Marketing (DM)

x_1 = Social Media Marketing (SMM), x_2 = Content Marketing (CNM), x_3 = Online Advertising (ONA)

Four hundred and twelve copies of research instrument were retrieved, coded and subjected to data treatment to test the linearity, normality and homoscedascity. The result shows that the data were valid for further analysis. The regression analysis was carried out using the SPSS as indicated in the Tables below.

Table I: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.654[a]	.428	.424	8.26981

a. Predictors: (Constant), SMM, CNM, ONA

Table II: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	20925.070	3	6975.023	101.989	.000[b]
	Residual	27971.439	409	68.390		
	Total	48896.508	412			

a. Dependent Variable: CPB

Predictors: (Constant), OA, SMM, CM

Table III: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	8.040	1.921		4.186	.000
	SMM	.827	.104	.421	7.982	.000
	CNM	.466	.121	.212	3.855	.000
	ONA	.216	.106	.101	2.045	.041

a. Dependent Variable: CPD

Discussion of Result

Table I revealed the model summary with values of R, R-Square and Adjusted R Square. The coefficient of multiple correlation (R=0.654) showed a moderate positive correlation exists between digital marketing components and consumer purchase behaviour. The adjusted coefficient of determination (Adj. R^2) of 0.424 showed that a combination of social media marketing, content marketing and online advertising can only be explained by 42.4% of variation in consumer purchase behaviour. However, the model did not explain 57.6% of the variation in consumer purchase behaviour, implying that there were other factors associated with consumer purchase behaviour which were not captured in the model.

Table II showed the ANOVA result. The result revealed that overall, the explanatory power of the model was considered statistically significant with the F ratio output of the model reporting a P-value of .000 (F (3,409) = 101.989, P<0.05). Table III gave the beta coefficient to enable the researcher construct regression equation. As depicted in the Table 4.2.9(c), the results revealed that social media marketing (β=0.827, P<0.005), content marketing (β=0.466, P<0.005) and online advertising (β=0.216, P<0.005) were positively and statistically significant to consumer purchase behaviour. The final model is therefore stated;

Regression Model

CPD= 8.040+0.827SMM+0.466CNM+ 0.216ONA ----------------------Eqn (1)

The hypothesis tested examined the effect of digital marketing on consumer purchase decision. The result of the multiple regression analysis showed that digital marketing has a significant effect on consumer purchase decision of the selected SMEs in Oyo State. This result implied that social media marketing, content marketing and online advertising which is embedded in digital marketing has a major influence on consumer purchase decision. This is because businesses have realized the need to accept digital marketing as an important marketing strategy to succeed. The study also agrees with the study of Keerthi (2018) that the unique aspects of social media and its immense popularity have revolutionized marketing practices such as advertising and promotion and helped to increase consumer buying behaviors.

Jackson and Ahuja (2016) also posit that social media has also influenced consumer behavior from information acquisition to post-purchase behavior such as dissatisfaction statements or behaviors about a product or a company and this also supports the findings of this study. The study also aligns with the findings of Pinaki et al., (2016) which concludes that an emerging focus of marketers is on the use of user generated content that is created by consumers in response to specific brands and influences the perception of other consumers. Factors that influence brand perception and intention to buy include things like views of others posted, demonstrated in social media posts.

Nielsen (2016) highlights the advantages that companies gain by effective use of social media marketing. They found that social media marketing is about creating high quality contents that are consumer relevant and as such more focused towards building relationships between consumers and companies. Social media marketing has offered consumers tremendous amount of accessibility and transparency of relevant information. Social media influences consumer mindsets and their intention to buy.

Furthermore, Sathya (2017) in their study stated that in the last few years a great influence of the companies on online networks have been found and social media marketing provides an opportunity for businesses to engage and interact with potential consumers, encourage an increased sense of intimacy with consumers, build all important relationships with potential consumers and enhance consumer purchase behavior. This is also in agreement with the finding of this study.

Conclusion and recommendation

The study concluded that digital marketing has significant effect on consumer purchase behavior. It can be deduced that the use of social media, content marketing and online advertising by the small businesses still needs to be properly embraced by the SMEs as the adoption level is still below optimal. The owner-managers of SMEs should deploy the creative capabilities of the work force for the continuous development of a company. Also, there should be a continuous appraisal of the digital marketing tools used in the business. SMEs should engage in continuous digital marketing tools that meets customer's needs either in terms of content and customer experience in order to achieve growth. Small business organization should pay more attention to the web social communication because of their significant role on the financial and non-financial performance of small businesses firms.

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EVALUATION OF NON-INTEREST BANKING AND FINANCIAL INCLUSION IN NIGERIA

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Abstract

Non-interest banking provides the needed financial panacea to the funding of businesses especially, Micro, Small and Medium Enterprises (MSME) intending to be efficient and effective in their operations as well as giving smoother access to financing when compared to the conventional banks. This paper therefore attempts to evaluate the prospects of a non-interest bank in Nigeria (Jaiz Bank Plc) in terms of financial inclusion, access to financial products and the trajectory of the bank itself in terms of performance and going concern tests. Using primary data analyses, our findings establish high level of acceptability of non-interest banking in Nigeria and secondary data analyses signal the financial soundness of Jaiz bank to give existing and prospective investors' the needed comfort. We recommended that economic units in developing economies, private companies and individuals should tap into the vast bouquet of Islamic banking products offered on flexible terms in achieving their broad objectives.

Keywords*: Non-interest banking and finance, Islamic banking and Financial Inclusion.*

JEL Classification: *G20, G21.*

1. Introduction

Developing countries are challenged in virtually all aspects of human endeavors, there have been strong cravings to build enterprises and retail outlets to accommodate artisans and Small and Medium Enterprises (SMEs) as economic units within the value chain that gets products across to the ultimate consumers. However, finance has been a major bane in achieving the desires.

Over the years therefore, above economic units seek access to funds which has not been forthcoming as desired due to stringent conditions conventional banks attach to lending, this makes non-interest banks (ethical finance) a veritable alternative for businessmen to explore. The author's findings reveal that of the 3 monotheistic religions (Christianity, Islamic and Judaism) expected to provide the platform for non-interest banking, however, only Islamic banking appears to be leading the way and consistently too. It thus goes to say that ethical institutions (such as non-interest banks) have important dual roles to play which are embedded in financial inclusion (wider reach to those who are financially excluded) and financial stability. Financial inclusion has been on the front burner of most discussions on financial stability as a fall out of 2008/2009 global financial crisis. A number of previous studies confirm the roles of financial inclusion to financial stability (Kunt, Klapper and Randall, 2014)

Islamic non-interest banking has challenged the narratives by the flexible ways of accessing the bouquet of their friendly products. The Middle East countries are dominated by non-interest banks that over the years stretched their products to structured bonds (Sukuk) which assist in financing host nations in their developmental strides and the SMEs models adopted in most of the Middle East countries are stable and doing well (Botis, 2013).

International and regional financial organisations such as the World Bank and International Monetary Funds (IMF) are in full support of the Islamic non-interest banking due to the successes recorded so far. In the light of this, Oyewole (2021) affirms that non-interest finance instruments, assets, and products had been identified as catalysts for leading and developing economies globally. He also harped on numerous opportunities Islamic finance offer in improving the economic fortunes of Nigeria. In 2019, non-interest banking assets amounted to US$2.88 trillion, the highest recorded growth for the industry since the global financial crisis and by 2024, this is set to rise to US$3.69 trillion (Ayodeji, 2021).

Nigeria, being an important developing nation and the biggest economy in Africa stands strategic to the deployment of Islamic banking model which offers the needed succor to the teeming SMEs in the country. With Nigeria's huge population of approximately over 200 million people (Sasu, 2022), the licensing and commencement of Jaiz bank Plc in Nigeria in year 2011 was a prayer answered for most traders who do not just see them as a preferred alternative to conventional banks, but also because it aligns with the beliefs of a number of them. The successes recorded by Jaiz bank also gave birth to other Islamic banks in Nigeria; TAJBank limited, Lotus bank and some Islamic microfinance banks, needless to mention conventional banks that now have units dedicated to ethical finance needs of their customers. This invariably has broadened the reach of financial services, reduced intermediation costs and secures the welfare of its patrons. According to Surakatu and Agbaoye (2020), implementing non-interest banking in Nigeria would promote healthy competition in the financial market and has the capacity to reduce interest rates and a steady driver of the nation's economy.

Expectedly, there were initial concerns by a large segment of the banking public on the sustainability of a faith-based institution like Jaiz bank Plc, but her consistent sterling performance over the years has laid to rest fears on its going concern status. Prominent instruments and products of Islamic financial institutions are Sukuk, Murabaha, Musharakah, Ijarah, Istisna, Qard Hasan, Mozara'h (Farming) and Mogharasah (Implanting), Tawarroq, Modarabah,Irrigation (Mosaqah), Bay 'Salam and Wadi'ah. (Botis, 2013). From the author's extract from Jaiz Bank's audited financials, the first six of the products listed above are already prominent in the balance sheet of Jaiz bank and sukuk (Islamic bond) is fast gaining traction in the country as well.

Islamic banking is more concerned with the conformity to norms of Islamic ethics which dominate all other concerns, that is, transactions here must be governed by norms of Islamic ethics as highlighted in the Sharia and Quran. This however does not imply that non-Muslims are denied access to the products as long as they are prepared to abide by the provisions of their ethics, the chief among which is the tag that interest taking is '*haram'* (that is, forbidden).

The broad objectives of this paper capture the perception of stakeholders on the subject of non-interest banking which is a reflection of financial inclusion and its sustainability viewed from the lenses of its performances. Our scope would cover Jaiz Bank Plc, the first non-interest bank in Nigeria. This research has far reaching significance because it will proffer the needed information and serve a ready tool in the hands of the regulatory authorities, proponents of financial inclusion and related stakeholders.

2. Literature Review

2.1 Conceptual Framework

Concept of Non-interest Banking

From the author's perspectives, the word non-interest banking has been misconstrued to mean non-profitable to some people; to the extreme, they view the concept as conveying charity services. However, to remove this erroneous believe is the fact that there are returns made to investors in non-interest banks (for example, Jaiz Bank is quoted in the Nigerian stock market) and the components of their sustainable going concern status are well defined. To the borrowers, cost reduction or non-payment of interest forms the crust of their efficiency strategies.

One point is very clear, that is, when a loan is repaid, the amount involved is higher than what is due or higher than the principal. The issues of percentage (%) might be the major thing we are dealing with. In strict ethical practice among the monotheist religious group, usury is not permissible. The concept of usury is diverse, thus Islamic financial institutions set the boundaries for their operations (Botis, 2013). Usury is the practice of making unethical (or immoral) monetary loans that unfairly enriches the lender (more or less a reverse Robin Hood scenario). Apparently, usury meant interest of any kind.

Concept of Islamic Banking

In terms of its principles, Islamic banking operates under shariah (Islamic law) founded on the principles highlighted in the Holy Quran. As earlier mentioned, the main thrust of these principles is that riba (usury) is haram (forbidden). Usury is any excessive increase charged on the principal amount or what is referred to in conventional term as interest charge (Iqbal and Mirakhor, 2007). Under the concept of haram, trading or financing forbidden items such piggeries, dogs and pools/betting (staking) are forbidden. The issue of profit sharing is a back end phenomenon that is until the transaction is completed and excess of investment is realized, profitability is not discussed. Other principles include zakat, maysir and gharar. The sharia board committee is required (mandatory) to be established in any Islamic bank or institutions; this is a supervisory board that guides and validates all banking transactions and verifies that they adhere to sharia principles (Botis, 2013)

Concept of Islamic Finance and Banking

Islamic finance differ from conventional finance in terms of its fundamental principles of prohibition of certain transactions involving some illegal practices such as interest, 'gharar' and 'maysir' (Botis, 2013). Its growth is attributable to the peculiar economic agents who see the practice as the one in tandem with their values and beliefs. It is therefore regarded in a way as a 'soothing balm' to some types of economic problems such as the liquidity challenges that caused the crippling effect via global financial meltdown of 2008/2009 and current covid-19 pandemic. Islamic finance offer a rich bouquet of financing methods, contracts, financial products or instruments among which are murabaha, moudharaba, musharaka, musaqat, mudaraba, tawarroq, ijarah (ejara), bay salam, istisna, wadi'ah, quard hasan and sukuk, among others.

In some segments, Islamic finance is the equivalent of socially responsible finance. It is designed to promote the public interest (the concept of 'do no harm'), impact investing or public good, and most Islamic financial institutions often describe themselves as being providers of ethical financial services. Islamic finance, as presented thus far, points to several commonalities with ethical finance and socially responsible investment (SRI). While the impact of Jaiz bank in its short history of existence cannot be over-emphasised, there has been increasing concern in its limited reach to every part of Nigeria; this however does not erase the fact that the level of acceptability is increasing daily which is evident in this paper and it is believed that with adequate information and re-orientation of the deficit unit irrespective of religion, patronage would improve significantly in the next few years through the re-invigorated drive for financial inclusion. Islamic finance as ethical simply reflects the fact that self-described ethical finance is a large and growing sector of the market. It has a very positive image with which Islamic financial institutions and individuals seek to associate themselves. To be ethical is required of an Islamic firm, not just expected, as ethics is considered a key for Islamic banking practice. The tie between religion and ethics has been extensively studied by a cross-religious group.

Concept of Financial Inclusion

According to Hannig and Jasen (2010), financial inclusion aims to attract populations "who do not have access to finance" into the systems of financial then they have financial access opportunity such deposit, transfer, credit, and others of financial services. In the words of Khan (2011), the importance of financial inclusion based on the principle of equity and on inclusive growth with stability has engaged the renewed attention of policy makers internationally in recent years. It is being increasingly recognized that despite tremendous growth in the banking sector and significant improvements in all areas relating to financial viability, profitability and competitiveness, the glass remains half-full. There remain concerns that banks have not been able to include vast segments of the population, especially the underprivileged sections of the society, into the fold of basic banking and financial services.

The global pursuit of financial inclusion as a vehicle for economic development had a positive effect in Nigeria as the exclusion rate reduced from the 53% in 2008 to 46.3% in 2010. (EFInA, 2021). Due to this positive trend, CBN in collaboration with stakeholders launched the National Financial Inclusion Strategy on 23rd October, 2012 aimed at further reducing the exclusion rate to 20% by the end of 2020. Specifically, adult Nigerians with access to payment services is to increase from 21.6% in 2010 to 70% in 2020, while those with access to savings should increase from 24% to 60% and credit from 2% to 40%, insurance firm 1% to 40% and Pensions from 5% to 40% within the same period. Channels for improving on the delivery on these services were further enhanced. (EFInA, 2021)

Table 1: Trajectory of Financial Inclusion in Nigeria

YEAR	**PERCENTAGE OF ADULT POPULATION**			
	Banked	**Formal (Non Bank) %**	**Informal (Non Bank) %**	**Excluded %**
2008	21	3	24	53
2010	30	6	17	46
2012	33	11	17	40
2014	36	12	12	40
2016	38	10	10	42
2018	40	9	15	37
2020	45	6	14	36

Source: Enhancing Financial Innovation and Access (EFInA), 2021.

Table 1 shows consistency in trend between 2016 and 2020, it would have been better but for the covid-19 pandemic which stifled a lot of financial activities in the year 2020.

Table 2: Critical Areas of Financial Inclusion

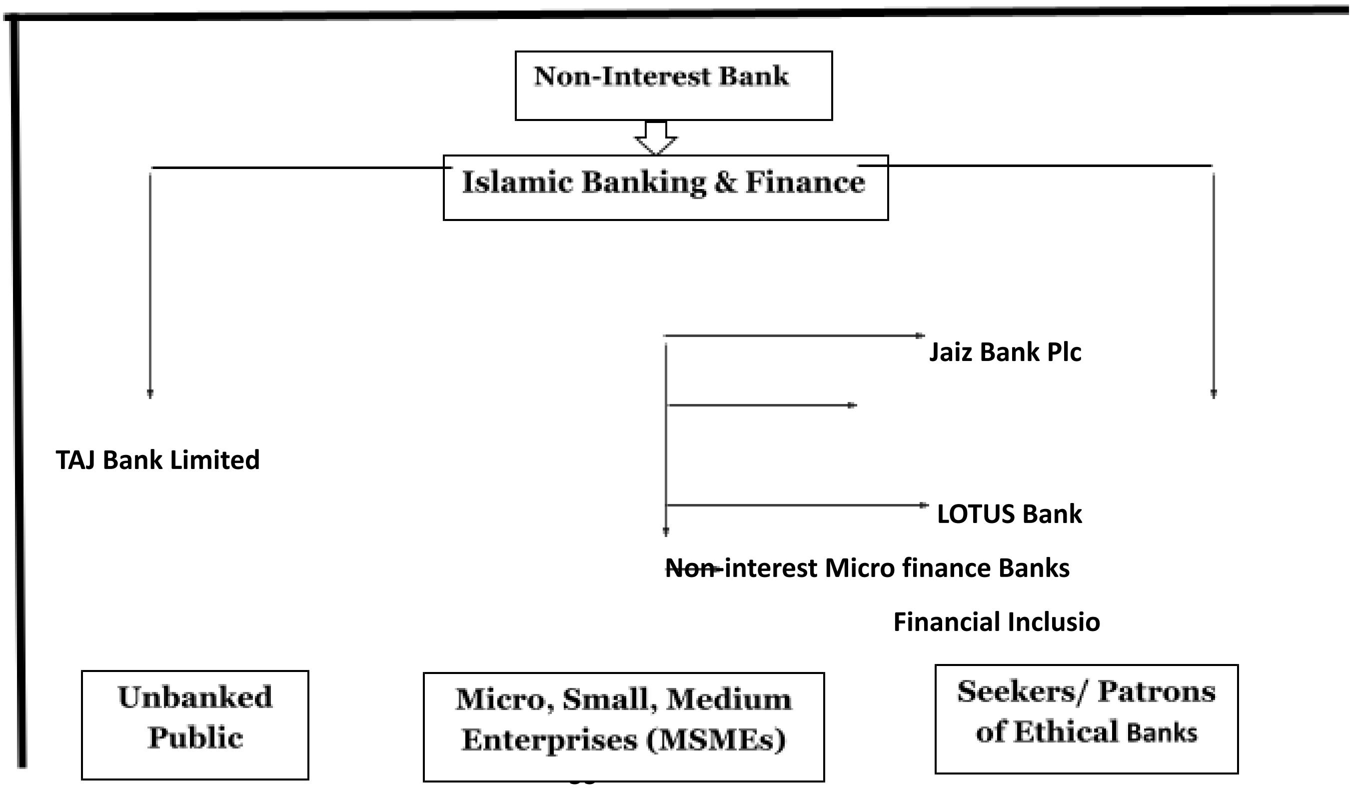
AREA OF FOCUS	**2020 TARGET (%)**	**2020 ACTUAL (%)**	**2020 VARIANCE (%)**
Payments	70	45	-25
Savings	60	32	-28
Credit	40	3	-37
Insurance	40	2	-38

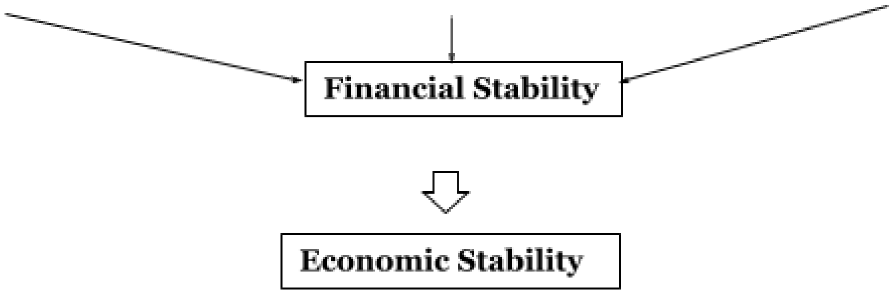
Pension	40	7	-33
Formally Served	70	50.5	-19.5
Financial Exclusion	20	35.9	-15.9

Source: Central Bank of Nigeria (CBN) and Enhancing Financial Innovation and Access (EFInA), 2021.

From table 2, it is evident that Nigeria had a shortfall in the target set by NFIS (National Financial Inclusion Strategy Targets) for 2020. Built on four cardinal areas namely, agency banking, Mobile Banking/Mobile Payments, Linkage models, and client empowerment, NFIS was adopted in the year 2012 and articulated a demand-and-supply-side with regulatory barriers to financial inclusion. Year 2020 witnessed 20% of adult exclusion rate in the formal financial system against a target of 35.9% (variance of -15.9%). With the deeper drive in financial inclusion for which ethical institutions (such as Jaiz Bank Plc, TAJBank Limited and LOTUS Bank) are helping to drive in addition to the roles of conventional banks in this drive, it is clearer that achieving the desired mileage in flattening the curve of financial exclusion is possible in the short to medium term.

Figure 1: ***A flow of Islamic Banking, Financial Inclusion and Economic Stability***





Author's design (2021)

Table 3: ***Jaiz Bank's Products***

ITEM	2012	2013	2014	2015	2016	2017	2018	2019	2020
Sukuk	-	1,000,000	2,400,000	1,242,396	1,060,252	6,068,953	18,689,082	40,496,373	73,795,575
Muharaba (Corporate)	931,414	5,577,034	4,956,280	3,260,936	8,400,925	11,762,743	26,268,814	20,050,012	30,754,751
Murabaha (Household)	7,301	43,877	52,962	80,161	123,236	192,057	-		-
Murabaha (Retail/Gen)	5,161	193,727	5,385,181	7,499,219	8,563,130	11,548,493	-	12,856,993	17,219,760
Murabaha (Auto Finance)	16,585	285,386	1,325,725	952,118	1,482,140	1,212,861	2,602,746	17,219,760	-
Musharaka Financing	103,280	119,848	643,500	637,000	1,191,704	1,200,000	1,200,000	1,200,000	1,200,000
Ijarah (Corporate)	547,691	1,693,938	4,513,455	6,141,719	6,903,069	6,081,025	11,858,064	14,570,891	10,709,304
Ijarah (Auto Finance)	17,262	55,942	16,231	14,007	34,047	58,078	741,353	309,474	388,639
Ijarah (Home Finance)	48,982	1,591,391	2,939,443	4,810,445	6,389,371	6,179,221	22,475,000	19,227,000	21,630,000
Ijarah (Services)	-	-	288,561	1,061,105	1,033,604	864,060	1,008,333	2,738,637	2,717,618
Qard Hassan/ Benevolent loan	2,300	290,264	164,281	147,242	127,674	149,082	158,374	126,200	174,596

Investment in Istisna		354,317	722,676	781,891	1,099,753	1,599,124	2,024,324	1,146,745	2,666,379

Source: Audited Financials of Jaiz bank (2013-2020)

2.2 Theoretical framework

From the author's perspectives, non-interest banking is the type of banking that waives or forbids charging interests on loans and advances, a good example of this are financing products Islamic banks offer. Apart from merely creating loans, Islamic banks also serve as a veritable source of deposit mobilization and possess balancing effect on financial stability. According to Han and Melecky (2013); greater access to bank deposits could boost deposit funding in banks and invariably enhance financial stability and by extension, the entire financial system.

Although financial inclusion contributes positively to the stability of bank assets in diversification form to reduce risk, increase stability deposit base, reducing liquidity risk; and increase monetary policy transmission. However, it may play a negative role by raising the erosion of credit standards such as subprime (Khan 2011).

On the grounds of ethical finance, Jaiz bank (a non-interest Islamic bank in Nigeria) is expanding the frontiers and playing massive role in offering the alternative banking many customers crave for and the bank's role in financial inclusion and financial stability cannot be over emphasised.

Moin (2008) defined Islamic banking as banking in consonance with the ethos and value system of Islam and governed, in addition to the conventional good governance and risk management rules, by the principles laid by Islamic (Sharia) law. In terms of its objective, Schrish (2012) stated that the main objective of Islamic banking is to develop an environment of interest free (riba) financing.

Rashid, Yousaf and Khaleequzzaman (2017) state that financial services offered by Islamic institutions (for example Jaiz Bank) are projected to strengthen financial stability and by extension the entire economy. Similarly, Bourkhis and Nabi (2013) and Ahmed (2010) opine that Sharia banks were not seriously impacted by financial crisis, and possess some roles in stabilizing the economies. The roles Jaiz bank has played in its existence in Nigeria cannot be overlooked, evidenced by the rich bouquet of products offered to the banking public.

The successes recorded so far by Islamic banks across the globe and the attention they are garnering from international and regional financial institutions alludes to its credibility. What makes it more interesting is the meteoric rise in the level of acceptability of Islamic banking against the expectations of some earlier researchers such as Ahmed (2010), among others who were in doubt of the going concern status of non-interest bank because of the thought of losing out on interest income line, yet the banks trudge on. Conventional banks enjoy several advantages over Islamic banks. The belief that long history of existence, acceptance of interest which is a major source of bank's revenue, non-sharing of losses with customers and request for guaranteed collaterals in most transactions, huge capital outlay, spread enjoyed via interest income and payment and their knack for technology are viewed as gateway for established international banks such as Citibank, Deutsche Bank among others to make incursions into Islamic banking by having a department dedicated to it. These do not in any way undermine the fact that Islamic banks have developed strongly in the areas of ICT and the deployment of contemporary banking tools.

In the case of Nigeria however, the licensing and commencement of business by Jaiz bank comes handy after the ousting of Universal banking by the Central bank of Nigeria. The bank functions as a stand-alone (this however does not stop conventional banks from participating as agents in the case of derivative dealings such as the sukuk or a department to handle faith-based transactions) with Central Bank guidelines in place to monitor all operations. The point of convergence of both non-interest and the conventional banks is that they strive for efficiency and financial performances with a view to maximizing the shareholders wealth which is also the major driver at Jaiz bank in Nigeria. While comparing Islamic Bank with conventional banks might not be justifiable based on its peculiarities, there are however points of divergence with cursory look at the issue of asset quality ratio which is the metric for measuring the strength of a bank in terms of loans and advances, this again may be lopsided because a faith-based bank could be more rigid in its requirements or terms for accessing loans. As a way of measuring asset quality, Jaiz Bank stands '*shoulder high'* as it has consistently remained within the acceptable range for Non-Performing loans (NPLs) as stipulated in the prudential guidelines of the Central Bank of Nigeria. While banks may have policy differences, they tend to share some common characteristics; these include transparency, community and the environment involvement.

3. Methodology

The analyses of this study is based on descriptive analysis with data derived from secondary and primary sources. The secondary data presents the key performance indicators (ratios, among others) of Jaiz Bank Plc which is based on extract from relevant versions of the bank's audited financials. Secondly, an interview was conducted to air broad views on the acceptability of non-interest banking in

Nigeria (in view of the renewed drive for financial inclusion in Nigeria) using 452 respondents drawn from the middle class and top management staff of conventional banks (120 respondents), Islamic religious leaders (180 respondents) and entrepreneurs / artisans (152 respondents). Probability and random sampling methods have been used to arrive at the results.

3.1 Secondary Data Analysis of Jaiz Bank Plc

The figures used in testing the performance below were extracted from the company's audited financials from 2015 to 2020.

3.1.1. Results

Table 4: Jaiz Banks Key Performance Indicators (KPIs)

YEAR	2015	2016	2017	2018	2019	2020
Cost to Income	82.90%	83.50%	85.84%	87.28%	80.21%	76.04%
Return On Asset (ROA)	0.38%	0.50%	0.60%	0.80%	1.26%	1.31%
Return On Equity (ROE)	5.00%	5.72%	6.54%	6.85%	13.57%	17.18%
Capital Adequacy	20%	23%	27%	21.36%	16.40%	20.02%
Liquidity	15.90%	16.88%	18.64%	27.94%	33.60%	43.06%
Current Ratio	2.2274	1.8245	1.881	1.851	1.7983	1.9
Loan-Deposit Ratio	81.56	81.22	59.97	51.69	46.09	48.1
Earnings Per Share	7 kobo	2 kobo	-	-	8.29 kobo	9.85 kobo
Proposed Dividend	-	-	-	-	3 kobo	3 kobo
No of Branches/ Offices	25	29	31	33	38	40
No. Of Staff	-	-	699	808	562	609
No Of Shares Issued (N'M)	23,249	25,868	29,464	29,464	29,464	29,464

Source: Author (2021).

3.1.2 Discussions:

Table 4 summarises the KPIs of Jaiz bank which is very essential for prospective investors and other stakeholders. For example, with steady positive trajectory in both its ROA and ROE (a strong measure of management performance), the bank is sustainably profitable, this is particularly cheery to both existing and intending shareholders.

Also, the banks current ratio of greater than 1 (that is, > 1) consistently in the past 6 years is indicative of the fact that Jaiz bank is well positioned to meet up with its current and short term obligations.

Furthermore, on its loan-deposit ratio which is a percentage of a bank's loans funded through deposits and a measure of assessing liquidity and credit risks show that the bank has not gone overboard and has managed the critical aspects of credit risk.

3.2 Primary Data Analysis: Interview (Market Feedback on Non-interest Banking)

The data used in this analysis utilized primary source of data from interview forms given out to respondents that cut across relevant stakeholders (staff of conventional banks, religious leaders and entrepreneurs/ artisans), this has assisted greatly in getting the feelers from the market on the acceptability of non interest banking in Nigeria especially Islamic banking.

Staff of conventional banks were chosen to in order to present unbiased assessment of non-interest banking (notwithstanding the fact that they are in competition), religious leaders were tracked in to shed light the religious angle being an ethical banking issue and lastly entrepreneurs / artisans were picked being the end users or ultimate beneficiaries of non-interest banking. The aggregation of their responses and inputs have guided the recommendations of this paper.

Table 4. Stakeholders Interviewed

	Classes interviewed	No of Interview forms shared	No of response

1	Staff of conventional banks	140	120
2	Religious leaders	180	180
3	Entrepreneurs/Artisans	160	152
	Total	**480**	**452**

Source: The Author (2021)

The interview format covers critical areas of general overview of non-interest banking, regulation and laws, corporate social responsibility (CRS), corporate governance (board make-up / gender mix) and scope of operations (sectorial spread).

3.2.1 Results

Table 5. Interview Feedback

	INTERVIEW FEEDBACK			
Non-interest Banking				
		No (a)	Not sure(b)	Yes (c)
1	Do you think Non-interest banking will help Nigeria's economy grow?	50 (11.06%)	10 (2.21%)	392 (86.73%)
2	Should faith-based financial institutions only cater for people of the same faith?	80 (17.70%)	42 (9.30%)	330 (73.00%)
3	Do you think faith-based institutions/ banks are better than conventional institutions /banks?	44 (9.73%)	10 (2.21%)	398 (88.05%)

Regulations /Laws:				
		No (1)	Not sure(2)	Yes (3)
1	Should faith-based institutions be controlled by religious bodies?	294 (65.04%)	30 (6.64%)	128 (28.32%)
2	Should faith-based institutions be controlled by regulatory bodies?	70 (15.49%)	46 (10.18%)	336 (74.33%)
3	Should faith-based institutions operate under international financial laws?	242 (53.54%)	56 (12.39%)	154 (34.07%)
4	Should faith-based institutions operate under domestic financial laws?	316 (69.91%)	20 (4.43%)	116 (25.66%)
5	Should faith-based institutions operate under a mix of (3) & (4) above?	46 (10.18%)	0 (0%)	406 (89.82%)
6	Should anti-laundering laws be applicable to faith-based institutions?	62 (13.72%)	2 (0.44%)	388 (85.84%)

Corporate Social Responsibility (CSR):				
		No (1)	Not sure(2)	Yes (3)
1	Should faith-based institutions be involved in social responsibility projects?	32 (7.08%)	8 (1.77%)	412 (91.15%)
2	Should faith-based institutions support government's infrastructural projects?	30 (6.64%)	10 (2.21)	412 (91.15)
3	Should faith-based institutions be patronized by government and its agencies?	108 (23.89%)	6 (1.33%)	338 (74.78%)
Board Make-up/ gender mix (Corporate Governance):				
		No (1)	Not sure(2)	Yes (3)
1	Should the board be gender-mixed?	132 (29.20%)	54 (11.95%)	266 (58.85%)
2	Should the board be single-gender (Male)?	296 (65.49%)	34 (7.52%)	122 (26.99%)
3	Should the board be in line with the underlying religion?	176 (38.94%)	18 (3.98%)	258 (57.08%)

4	Should religious leaders be part of the board?	0 (0%)	8 (1.77%)	444 (98.23%)
Scope of operation (Area of Coverage):				
		No (1)	Not sure(2)	Yes (3)
1	Should the faith-based institutions serve individuals &MSMEs only?	8 (1.77%)	8 (1.77%)	436 (96.46%)
2	Should the faith-based institutions serve government only?	100 (22.12%)	100 (22.12%)	252 (55.75%)

Source: The Author (2021)

3.2.2 Discussions:

Above summary is in tandem with our objectives (or hypotheses) and there is high expectation on the side of the respondents on the wide roles of non-interest banking and its coverage:

Firstly, on non-interest banking 86.73% of the respondents believe it would help the economy develop. On whether it should cater only for people of the same faith, 73% agree to it. Also 88.05% believe that they are better than conventional banks; this is due largely to the fact that they have been restricted in access to flexible financing at conventional banks and see non-interest bank (for example Jaiz Bank) as a veritable alternative to assessing funds for their businesses.

In respect of the regulations and laws guiding its operations, 65.04% of respondents disagree that it should only operate under religious bodies, while 74.53% believe that it should be controlled by the regulatory authorities. Furthermore, 53.54% and 69.91% of respondents disagree that non-interest banks should only operate under both international and domestic financial laws respectively, but by the combination of both, supported by 89.82% of them.

This underscores the desire for international best practices and wish that Islamic banks in Nigeria should operate the same way it is with those successful elsewhere. Interestingly too, a whopping 85.84% of respondents believe that anti-money laundering (AML) should also be factored into its operations, this reveals the level of awareness and importance of the AML.

On issues bothering on Corporate Social responsibility (CSR), 91.15% of respondent agree that non-interest banks should be socially responsible in terms of infrastructural development in the host communities.

Similarly, 74.78% believe government and its agencies should also patronize non-interest banks, this could be in tandem with the public sector cost curtailment strategies/ measures. In respect of corporate governance, 58.85% of respondents support gender mix for proper representation at the board of non-interest banks, it is evident in that Jaiz bank has endeavored to maintain a proper gender mix, this is reflective in their commitment to the cause.

Finally, in respect of scope of operations, 96.46% of respondents gave their nod for non-interest banks to serve only individuals and MSMEs, this conveys their dissatisfaction with the existing yearning gap for credit facilities conventional banks have not been able to fill and believe corporate and government establishments are already toasts of conventional banks. Paradoxically too, 55.75% believe it should only serve the government; we believe this could be as a result of not understanding the 'mass' market approach of Islamic banking model that support financial inclusiveness.

4.0 Conclusion and recommendations

Irrespective of the comparatively shorter period of non-interest banking existence in Nigeria, the few ones existing have shown resilience in the fact of unfavourable economic conditions. What appears to be working for them are the rich bouquet of well-tailored financial products, flexibility in its credit processing and easier terms and conditions, they are more in tune with the mass market product needs and more relevant products to drive financial inclusion. It is strongly believed therefore that the rich bouquet of Jaiz bank would assist tremendously in the drive for the inclusion of the financially excluded segment of Nigeria especially now that a large segment of the population seeks more ethical, less stressful and friendly financial institution to partner with.

We therefore recommend the following:

a. Corporate, SMEs, MSMEs, among others and individuals should take advantage of the non interest bank because apart from helping their efficiency strategies, they are more flexible in their terms and conditions for accessing loans, needless to mention their ethical dispositions towards transactions which is more transparent.
b. For the purpose of financial inclusion to be fully achieved, businesses should look beyond religious sentiments and partner with institutions that are ready to 'offer umbrella both in the rain and sunshine'.
c. Financial investors should invest in faith-based (ethical) non-interest institutions like the Jaiz Bank Plc and explore its sustainable returns on investment.
d. Jaiz bank Plc should increase its network of branches in Nigeria presently dominated by the Northern region with only few ones in the South, this would be a much needed drive in the direction of financial inclusion. This would invariably complement the novel and recently proposed E-Naira (e-₦) project.
e. Overall, developing countries including Nigeria should explore the advantages of Islamic banking because they could be the needed panacea to fixing or closing the infrastructural deficits presently experienced.

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A Conceptual Exploration of Leader and Strategic Leadership Principles in a Dynamic System: The Nigerian Perspective

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Abstract

The paper has examined the subject of strategic leadership and management generally in a concise manner. It specifically x-rayed the concept of a leader, the difference between leading and leadership, meaning and characteristics of strategic leadership and management and ten (10) effective laws of strategic leadership. Arising from the point presented in the paper, it is therefore recommended that both individuals and management at different levels in the organization and the government itself should regularly abreast themselves with the tools of strategic leadership and management in order to achieve desired goals, dreams and vision.

Key words: Leaders, Leadership, Strategy, Strategic Leadership, Management, Vision

1.0 Introduction

Every nation of the world needs quality and strategic leadership and management in order to accomplish enviable success and progress. The rise or fall of giant nations is often premised on the existence/ entrenchment or non-existence/entrenchment of strategic leadership as well as the effective or poor management of scarce resources. Most countries and organizations which have experienced economic starvation in the annals of the world are those devoid of strategic leadership and scientific management of resources.

Therefore, the implication of strategic leadership and management in the day –to-day administration of the affairs of a system and the achievement of set goals in the light of the ever-changing socio-economic environment cannot be overemphasized. There is no doubt the world is going through turbulent period! Specifically, the drastic changes taking place in terms of technological advancement, COVID19 pandemic outbreak, harsh economic developments and climate variability in the global space have continued to compel every dynamic system, including private and public institutions/organizations, government' agencies, departments and parastatal to crave for avant-garde leaders as well as employ strategic leadership and management approaches for a transformational purpose in a systematic and dynamic fashion.

Contextually, the prevalent ineffectiveness and poor service delivery in the Nigeria clime calls for the induction of leaders who can strategically change the narratives of both the public and private institution performance. The level of a nation's or an organization's development is a function of the quality of its administrators and leaders (Mukhtar et al., 2017). Covertly, the productivity of a system, be it formal or informal system has a linear relationship with the quality of its strategic leadership. The achievement of a defined task either at micro or macro level, no doubt fundamentally hinges on effective, strategic leadership and management. In strategic leadership and management discourse, one thing is peculiar to leaders; and that is, leaders are capable of enhancing improvements, and are often considered as vital instruments in the entrenchment of productivity of every spheres either in private or public settings (Losari et al., 2015).

1.1 Who is a Leader?

Everyone is a leader in his/her own world, areas, unit or jurisdiction, be it at home, schools, churches, mosques, unit, section, department, division or segment in our places of work. Categorically, the world is divided into leaders and followers. There is no leader without a follower, neither is there a follower without a leader. While a leader leads, a follow follows the instruction and dictates of a leader, subject to the leadership style in place. If the world, an institution/organization and civilization itself will ever experience unprecedented progress socio-economically and politically, the quality of its leaders and leadership is indispensable.

Literarily, leaders are managers who are entrusted with the daily systematic management of physical, human and material resources towards achieving a set goal or task. Anybody who leads a group of persons with assigned task and objective to be achieved can be referred to as a leader. A leader is one who guides and develops the activities of others and seek to provide regular training and directions**.** A leader is one who knows the way, goes the way and show the way**.** We may also see a leader as one who has the courage to dream, the ability to organize and the strength to execute the action necessary. A leader is simply one who knows where he/she wants to go, gets up and goes.

1.2 Leading and Leadership

Leading is causing people to take effective action towards the attainment of an objective either in the short run or long run. Leadership is the discipline of purposely exerting special influence within a group to move it toward set goals of beneficial permanence that fulfils the group's real desired needs. It therefore connotes that leadership without discipline leads to leadership quagmire, societal and organizational retrogression. Moreover, leadership is knowing what to do next; knowing why that is imperative; and knowing how to bring appropriate resources to bear on the need at hand**.**

Unfortunately, leaders and leadership in the Nigeria nation appear to have no understanding of the above assertion. There seems to be misplaced priorities, leading to unbalanced political and economic equations. For instance, economically, the leaders of this nation, Nigeria if actually are desirous of knowing what to do next, should consider the possibility of achieving stable power (electricity) supply given its imperativeness economic wise, and implications on gross domestic product (GDP). Sourcing for finance internally or externally to effectuate such laudable goal by our leaders in the helm of affairs would have been considered appropriate to emancipate the country from economic dependency, all things being equal.

1.3 Characteristics of Strategic Leadership

Strategic leaders possess some distinctive capabilities, which makes them resilient to attain sustainability. Notable characteristics identified by Gupta (2018) are vision, ability to organize resources, emotional intelligence and passion for results. Adanri et al. (2016) identify interpersonal skills, people management, long-term focus and action-oriented policies among the core personal and organizational competencies of strategic leaders. Mukhezakule et al. (2019) allude to strategic thinking, strategic planning, visionary, team worker and ability to inspire as some of the traits of strategic leadership. According to Du Plessis et al. (2016), strategic leaders should have the capabilities of strategic decision making, communicating the vision, evolving vital skills, developing an organization's structure, building the next generation of leaders, maintaining a working organizational culture and stressing on ethical practices in the organizations. Chatterjee et al. (2018) buttress that strategic leaders should be faithful, reliable, respectful, innovative and able to learn from mistakes and past experiences. In essence, strategic leadership is more than the ability to occupy a position of power. It calls for the ability to inspire others and requires an intentional disposition to do the right thing in an effective and efficient manner. This leadership style is vital to actualizing any attempt at reformation and transformation of the Nigerian public sector in the future.

1.4 Strategic Leadership and Management

The concept of strategic leadership is often seen as an elusive one that needs further elaboration in driving home a subject matter (Palladan et al., 2016; Vogel et al., 2015). Literarily, strategic leadership is essential in defining an organization's aim, mission and vision geared towards converting them into result oriented performance. In the view of Jabbar et al. (2017), strategic leadership has to do with leaders' potent ability to anticipate, visualize, sustain flexibility and empower others to create basic strategic transformation. Strategic leadership has the feature of not only managing others but also managing the organizations while adjusting with variability in the environment.

Strategic leadership epitomizes leaders with skills that strengthen an organizations' level of adaptability to precipitated environmental vicissitudes. Strategic leaders identify the prospects of providing solutions to recurring leadership challenges because strategic leadership encompasses diverse leadership styles such as charismatic, transformational, transactional and others (Gupta, 2018; Meuser et al., 2016). Hence, organisations are appropriately directed and capacitated towards achieving success. Strategic leaders support and champion organisational change directed towards an improved state. Coalitions are built around organisations' employees for a smooth transition to an expected end (Alayoubi et al., 2020). Kitonga (2017) emphasize that strategic leadership is a necessity for all types of organizations.

1.5 Effective Principles of Strategic Leadership

If ever there is a time to crave for effective principles of leadership, it is now given the leadership crisis rocking the entire world. The dire need of the hour is positive, constructive, dynamic, creative and effective leadership. In these days, businesses, industries, governments, labor unions, education sector, health sector, religious bodies such as churches and mosque are all craving for effective leadership, and indeed strategic leadership as never before! In our contemporary world, there could be as many persons who be chance, hook or crook are occupying administrative positions, yet are bereft of the ideas and technicalities required to drive the affairs of the system they are into.

Take for example, a mechanical engineering graduate, a medical doctor, or a pharmacist becoming a bank manager! The question is: do these caliber of persons in such leadership or managerial position possess the needed qualities, abilities and ideas to drive such a sensitive system? This is why most times, suboptimal results are replete in every system, whether at micro or macro level, especially in the African context and Nigeria to be specific. There is frequent and unabated public outcry, in search for true leaders who are able to do the job more effectively and produce an outstanding balanced score card for the unborn generation to emulate.

There are ten (10) principles, otherwise refers to as laws that every leaders in the leadership cadre must necessarily and consciously imbibe or take to heart in order to achieve set goals and objective. These ten (10) laws of leadership have been embraced by great men and women and the end goal has been unprecedented result, success and progress.

A leader has vision: It was Newman (1997) who once said that "dynamic leadership is always fired by vision". The possibility of building a future empire is predicated on vision. In furtherance of this, Winston Churchill (2015) averred that "the empires of the future are the empires of the mind". It takes vision to build empires. In other words, leaders have empires in their brains. This suggests that the greatest tragedy that can befall any leader is to have sight and lack vision. Literarily, vision is the ability to dream, and dream big. Vision is a mental picture of the future desired and earnestly craved for by a leader. Visions is a comprehensive sense of where you are, where you are going, how you are going to get there and what you will do after you get there (Newman, 1997). Vision is all about dreaming dreams about the future. It is seeing the big picture and personally painting a part of it for the world to see. Thus, dreams and visions are fundamental towards preparing for future challenges either in a corporate or non- corporate setting. Vision must be focused and attainable in order to avoid discouragement at all costs. Albeit, the day a leader stops dreaming big and having vision, he or she stops living.

Three things about Vision

Vision creates power: Enthusiasm that comes from vision engenders dynamic power. This tends to propel greater productivity; and the feeling of productivity increases one's feeling of self-worth or self-esteem.

Vision emanates from solicitude: Great vision comes from being quiet, still and being alone. We live in a crazy rat –race world. Visions build themselves in quietness, not in the hustle and bustle of life. Most of the time, leaders do receive best and great ideas when they are in a quiet place. For instance, most technological development and breakthrough have been a function of ideas gotten while in a quiet place.

Never allow your vision to escape you: Just as fire goes out without fuel, so does a vision or dream unless it is being regularly kept alive. As a leader, your vision should be so much part of you that you are living it on a daily basis. A leader needs to rehearse and go over his or her vision every time to avoid complacency.

What Vision Can Do

a. Vision is the basis for success
b. Vision enable you determines where you are going to in life and be mindful of it.
c. Vision creates goals that you set for yourself.
d. Vision is a motivating factor to continually drive a leader out of complacency.
e. Vision forbids a leader to accept anything that is negative.
f. Above all, vision challenges a leader to implement many goals that will accomplish his or dreams.

(1) **A Leader has self-discipline:** In life, there is little or nothing a leader can achieve without self-discipline. In other words, nothing worthwhile or significant is possible without self-discipline. In life, most leaders have crashed from grace to grass because of lack of self-discipline. Self-discipline as opined by Bill Newman (1997) is the willingness to perform the acts or activities that are enhancing to us

that, for whatever reason we don't want to perform. Discipline is therefore a necessity in solving life's or organization's problems.

In strategic leadership and management, a leader with some discipline can only solve some problems, while a leader with total discipline can solve all problems. The failures of our youths and adults in the present day world can be underpinned to underestimation of self- discipline. In the Holy Bible, Joseph became in charge of the palace because he refused to defy himself with Potiphar's wife via adultery and this can be traced to the power of self- discipline. On the flipside, Samson in the Bible lost his strength and glory on the lap of Delilah as a result of lack of self-discipline. Lack of self-discipline can cost a leader his life and destiny. There are two types of pains in life. The pain of discipline and the pain of regret. In our contemporary world, it is either a leader is known for self-discipline ourselves or such a leader is subjected to discipline by others.

(2) **A leader has wisdom:** Wisdom is the ability to apply knowledge and experience to any given situation. Wisdom is the something in us that enables us to use knowledge rightly. Conventionally a leader who is not wiser than yesterday cannot be a successful leader. Such a leader may not be able to command respect from his followers. One of the tests of a leader's wisdom is his ability to recognize a problem before it becomes an emergency. The prerequisite of wisdom is the gathering of knowledge. Wisdom consists of making the best use of knowledge. A leader who thinks he knows everything in a system has a lot to learn**.** Apart from getting knowledge via personal observation and experience in quest for wisdom by a leader, developing ardent reading culture, is a sinquannon for getting wisdom. Leaders are readers. Reading is a medium of self- education and development. It is on this basis that **Epictetus** of blessed memory once surmised that "only the educated are free in a world of captivity". Reading prepares the mind; and sometimes divinity and chance do favour the prepared mind in life.

Leadership, Wisdom and Integrity

In strategic leadership and management, integrity is not only an intangible asset, but a social capital a leader can leverage on to win the confidence and loyalty of his or followers from time to time. Hence, the supreme quality expected of a leader is undoubtedly unquestionable integrity. In a world where things are falling apart, integrity remains a choicest intangible asset a leader can maintain to preserve self –worth.

Tip to maintaining Integrity by a Leader

i. Be a leader who honours his word
ii. Be a leader who does not tell lies to cover facts. In real life, nothing increases credibility and trust like integrity
iii. As a leader, you must consciously watch the bribes that may compromise your position.

iv. As a leader, be solely responsible for your mistakes and learn from them. Do not ever attempt to pass the heat on to other for your mistakes.

v. As a leader, carefully guide your tongue jealously as much as you can. Do not divulge sensitive information given to you in confidence.

(3) A leader has courage: Courage is another word for inner strength, presence of mind against odds, determination to hang in there, to venture, to persevere and withstand hardship. One of the hall marks of great leaders is courage. Courage is doing what you are afraid to do. There can be no courage when you are easily scared as a leader. Simply put, courage a deliberate resistance to false evidence appearing real (F.E.A.R). Leadership is often a battle and the fight requires courage. Leaders who are courageous and bold often succeed in the face of teething challenges when pursuing a lofty objective

(4) **A leader has humility:** One of the surest evidence of greatness is a humble spirit. A leader who is devoid of humility of heart and spirit will constantly miss the presence of great men on earth. In consonance with this expression, Isaac Newton said, "If I could see further than others, it is because I stood on the shoulders of giants who have gone ahead of me in the race of life". No sane human person wants to associate himself with a leader who is always full of egocentric. A leader who is humble is naturally a good listener. Listening attentively by a leader to subordinate or any one is a symbol of respect and key to working in and with a team. Listening involves concentrating on what another person is saying and also being empathic in such a situation. In addition to listening, a leader must learn to be humorous. In order words, a leader should learn how to enjoy life and laugh. Laugh is a obviously the music of the soul.

(5) A leader is a decision maker: Every true and great leader is a product of his choice. Effective leaders frequently work at making decisions very simple as much as he can. Some of the tips a leader can employ to achieve effective decision making encompass some of the following points.

i. Clarify the issue. This involves breaking the issue to its simplest form.
ii. Gather the facts require for the decision making as a leader and managers
iii. Analyze the risk involve in the course of the decision making
iv. Get good counsel as much as possible while embarking on the decision.

(6) **A leader develops friendship:** In strategic leadership and management, the common philosophy is that success in life depends upon the support and help of other people. No one makes it alone. A true leader is one who brings out the best in others. As a leader, you must work hard at building successful relationships. Without friendship, one is doomed to loneliness**.** As a leader, work on relationship constantly and never take a friend for granted.

It was George Eliot who said, "To gain friends, become interested in other people instead of trying to get them interested in you". Friendship is not only doing something for someone, it is caring for someone, which is what every person needs. Most times, we all need someone we can be opened with. They will know our secrets, our hiding places, our soft spot, our hopes and dreams. This is what real friendship is all about. A blessed thing it is for any man or woman to have a friend; one human soul whom we can trust utterly; who knows the best and the worst of us; and who loves us in spite of all our faults; who will speak the honest truth to us; while the world flatters us to our face; and laughs at us behind our back; who will give us counsel and reproof in the day of prosperity and self –conceit; but who will cheer us in the day of difficulty and sorrow; when the world leaves us to fight our own battles as we can. In a nut shell, when we lose a friend, we die a little.

(7) A leader exercise tact and diplomacy: Leadership involves knowing where you are going and how to effectively work with people. Tact and diplomacy involves working with people with warmth, enthusiasm and sensitivity geared towards wining loyalty and commitment. Tactfulness and diplomacy is a main ingredient for a leader to use to help people succeed in their jobs. It helps a leader to do for what they may not be able to do for themselves. The fact about life and humanity is that, when we have done for ourselves alone dies with us. What we have done for others and the world remains and is immortal.

(8) **A leader develops executive ability:** As a leader, to build a better dream, you must build a better you. Leaders learn to be leaders. Successful leaders often recognize that developing leadership skills is a lifetime pursuit. The development of leadership skills is a never ending process. A leader never arrives. He keeps learning on daily basis. Unless you try to do something beyond what you already mastered, you will never grow**.** As a leader, what you become is far more important than what you get. What a leader becomes directly influences what he gets. Your life will change only when you change. A leader must regularly cultivate in himself the qualities you admire most in others.

(9) **A leader exudes inspirational power:** A leader must have a sense of purpose and destiny. Leaders inspire, create commitment, act as role models and evoke the highest level of commitment and competence possible for their team. Many leaders make the mistakes of causing people to feel reverence for their leaders. Exceptional leaders induce their team to feel reverence for themselves. Leaders of the future must be willing to venture into the unknown, for the biggest risk is the unwillingness to take risks. Good leaders always recognize the danger of safety.

2.0 Conclusion and Recommendation

The importance of strategic leadership and management in the light of leadership crisis ravaging the globe informed the objective of discussing this paper. The paper has examined the subject matter explicitly. The paper specifically x-rayed who a leader is, the variation between leading and leadership, meaning and characteristics of strategic leadership and management as well as pinpoint ten (10) laws of strategic leadership. The paper concludes that strategic leadership and management are tool for effective management of human, physical and material resources in the ever dynamic world. It is therefore recommended that both individuals and management at different levels in the organization and the government itself should regularly abreast themselves with the tools of strategic leadership and management in order to achieve desired goals, dreams and vision.

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Exploring the level of Awareness, Understanding and Willingness of Non-Muslims in Patronizing Islamic Banking in Nigeria

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Abstract

The study explored the level of awareness, understanding and willingness to patronize Islamic banking products and services among non-Muslims in Nigeria. The study adopted purposive sampling technique while primary data were collected using structured questionnaire to elicit information from 65 respondents who are customers of conventional banks that have branches in the University of Benin. Data was analyzed using descriptive analysis (simple percentage). The results show that 67.7% of the respondents were not aware of the existence of Islamic banking in Nigeria. Findings from the study also showed that majority of the respondents have little or no understanding about Islamic banking system and operation. Furthermore, the willingness level of using Islamic banking products and services is low among the non-Muslim. Furthermore, one of the demographic variables considered in the study (i.e., age) significantly affects the respondents' level of awareness regarding Islamic banking products and services. The study recommended among others that religious bodies should take part in the campaign to clear the various misconceptions and fears of the non-Muslims regarding Islamic banking in Nigeria. Also, more publication on Islamic banking subject should be made publicly available in order to raise the level of understanding and awareness as well as to improve their knowledge regardless of age and level of education amongst Non-Muslims on Islamic banking concept and operations.

Keywords: Ethical Finance, Ijara, Jaiz Bank, Murabaha, Shariah

1.0 Introduction

A viable alternative to conventional banking has emerged in form of Islamic banking which is a non- interest banking. Islamic banking is defined as conduct of banking in consonance with the ethos of the value system of Islam (Kahf, 1999). Unlike conventional banks, Islamic banks undertake their operations without either paying or receiving interest (Saif, & Safwan, 2010). In addition, their banking operations are based on an equity-participation system in which a predetermined rate of return is not guaranteed (Akram, Rafique, & Alam, 2011). While Islamic banking forms part of the overall Islamic finance sector, Islamic finance itself involves structuring financial instruments and financial transactions in such a way that they are in accordance with Muslim strictures against the payment of interest and engaging in gambling (Kolakowski, 2012).

The increased prevalence of Islamic banks has led many countries to grant licenses to Islamic banks allowing them to operate on the basis of Islamic Shariah principles (Al-Ajmi, Hussain, & Al-Saleh , 2009). The largest markets for Islamic banking in terms of Muslim population and per capita income of country include Turkey, Indonesia, Saudi Arabia, the United States of America (USA) and France (Abedniya, Zaeim, & Hakimi, 2011; Rehman, 2012) with the mainstream financial institutions in these countries relying on the ethical qualifications of Islamic finance (Sairally, 2005). However, the fastest growing markets for Islamic banking are Malaysia, Bahrain, the United Arab Emirates, Indonesia and Pakistan (Gait & Worthington, 2008; Gait & Worthington, 2009; Muhamad, Melewar, & Alwi, 2012; Schmith, 2005). According to Qorchi (2005) the reasons behind the recent growth in Islamic finance include, the strong demand from a large number of Muslims for Shariah compliant financial services and transactions and the growing oil wealth, the demand for suitable investments soaring in the Gulf region and, the competitiveness of many of the products offered by Islamic finance which is attracting both Muslim and non-Muslim investors (Anwar, 2009).

Islamic banking is not limited to Islamic countries; it is a misconception that it applies only to those nations that practice the Islamic faith (Imam & Zubairu, 2011). In fact, Islamic banking is spreading wherever there is a sizable Muslim community and it is an alternative to conventional banking practice. It is a financial system which is intended to promote economic growth while maintaining the morals and ethics of the Islamic communities (Imam & Zubairu, 2011). Islamic banking is fast gaining ground with Non-Muslims worldwide as a result of its strict lending principles. This, in turn, is a reflection of the efforts of the banking industry to transcend religious beliefs in order to gain a greater market share. In view of the fact that Shariah finance is a blend of Islamic economics and modern lending principles, its system may be sold to Muslims and Non-Muslims alike. Some countries have opted for a clear separation between Islamic and conventional banks, others have allowed conventional banks to set up Islamic windows, opening the way for some of the largest multinational banks to participate (Ebrahim & Joo, 200).

The Nigerian banking sector first experimented Islamic banking in 1992 when Habib Bank (which later transform to Bank PHB) operated an Islamic banking window. The concept of Islamic windows allows the existing conventional banks to introduce Islamic banking products and services to their customers alongside their conventional banking practices (Ahmad & Haron, 2002; Iqbal, 1997). In June 2011, CBN issued the latest guidelines for non-interest banking and approved a banking license to Jaiz International Bank, the country's first and only full-fledged Islamic bank, which became operational in 2012. Some of the products and services offered by Jaiz bank include current accounts, savings accounts, and motor vehicle and property financing, etc.

In order to ensure that Islamic banking grow in Nigeria, it is important that the practice be well understood by Nigerians and that perceptions of Islamic banking are well managed as well. The employees of Islamic banks will easily convince potential customers who have full understanding about the products and its benefits. There is scant research on the level of Understanding of Islamic banking product and services among non-Muslims in Nigeria. Beside the growing development of Islamic banking in all over the world Nigeria inclusive, the understanding of Islamic banking products and services among Non-Muslims have not been rigorously evaluated and assessed, hence the study.

The broad objective of this study is to analyze the awareness, understanding and willingness to patronize Islamic banking products and services among non-Muslims customers of conventional banks in Nigeria.

The specific objectives of the study are to:

i. examine the level of awareness of the non-Muslims in Nigeria about the basic Islamic Banking products and services;

ii. explore the Non-Muslims level of understanding of the basic Islamic Banking products and services;
iii. ascertain whether the Non-Muslims in Nigeria are willing to patronize Islamic banking products and services; and
iv. Investigate if any of the demographic factors (age, religions, education and income) influences the non-Muslims level of understanding of Islamic Banking products and services in Nigeria.

2.0 Literature Review

Conceptual Literature

Awareness of Islamic Banking: Consumers go through a process of knowledge, persuasion, decision and confirmation before they are ready to adopt a product or service with the adoption or rejection of an innovation beginning when "the consumer becomes aware of the product" (Agarwal et al., 2009). An important characteristic of any adoption of an innovative service or product is the creation of awareness among consumers about that service or product (Agarwal, Rastogi & Mehrotra 2009). Marketing leads to outcomes other than satisfaction, including awareness, image perceptions and loyalty. There are also other factors that influence purchasing and where satisfaction does not always play a role, for example, a lack of perceived differentiated competitors, such as in the banking industry (Bennett & Rundle-Thiele, 2004).

The Understanding of Islamic Banking Concept: Understanding of the Islamic banking products and services refers to the comprehension and acknowledgement of the existing tradable items, the content of products/services as well as the functions. The knowledge of these is acquired by having in touch with the products and services directly or hearing from other sources on it.

Concept of Islamic Banking: Islamic banking refers to a system of banking or banking activity that is consistent with Shariah (Islamic Law) principles and which is guided by Islamic economics. Naveed and Kashif (2010) defined the Islamic bank as a non-interest based financial institution which complies fully with Islamic laws which follows creative and progressive financial engineering efforts to offer efficient and competitive banking, investment, trade finance, commercial and real estate financing services. Islamic Banking is defined as the conduct of banking operations in consonance with Islamic teachings (Mirakhor, 2000; Haque, Jamil and Ahmad, 2007).

Types of Islamic Banking Transaction: Islamic banking is currently practiced through two channels, namely, "specialized" Islamic banks and "Islamic windows". Specialized Islamic banks are commercial and investment banks, structured wholly on Islamic principles, and they deal with Islamic instruments only. On the other hand, Islamic windows are special facilities offered by conventional banks to provide services to Muslims who wish to engage in Islamic banking (Iqbal,1997).The Islamic financial instruments offered by Islamic banks take the form of contracts between the providers and users of funds to manage the risk (Qorchi, 2005). In Zantioti (2009) it is noted that Islamic banks offer the following five basic categories of financial contracts:

Non-interest-bearing demand deposits are regular cheque accounts where customers deposit money without earning interest on it.

Mudaraba- constitutes a profit–loss sharing formula. The depositors in these accounts entrust their funds to the bank which invests the money and then shares the profit according to a predetermined contract (Thomson Reuters, 2011). Financial losses on funds are borne exclusively by the lender, provided they are not as a result of negligence on the part of the entrepreneur while the entrepreneur loses the value of labour, both skilled and unskilled, only (Qorchi, 2005).

Murabaha - cost plus financing, is an instrument in terms of which the institution buys goods on behalf of the client and then resells the goods with a mark-up to the client/borrower(Thomson Reuters, 2011) .Thus, it is the sale of a commodity for a cash/deferred price and is a short-term method of financing. The key characteristic is that ownership of the asset remains with the institution until all payments have been made. This is the most popular method of financing among Islamic banks (Ebrahim & Joo, 2001; Qorchi, 2005; Imam & Zubairu, 2011).

Musharaka - is equity financing through joint ventures and is used in long-term investment projects (Thomson Reuters, 2011). It may be compared to mudaraba although, in this case, the bank not only supplies money but also management. In other words, the bank also shares the entrepreneurship with the borrower. The profits or losses are shared strictly in relation to their respective capital contribution (Ebrahim & Joo, 2001; Qorchi, 2005).

Ijara - sometimes referred to as rent-to-own, means leasing (Thomson Reuters, 2011). One form of ijara constitutes the lessee paying the lessor instalment payments that go towards the ultimate purchase of the asset by the lessee (Ebrahim & Joo, 2001; Haron et al., 1994; Mumu & Guozho, 2012; Qorchi, 2005; Ranjbar & Sharif, 2008). The key characteristic is that ownership of the asset remains with the lessor or is gradually transferred to the lessee as the lease payments are made (Khan & Mirakhor, 1990; Samad et al., 2005).

While the main types of Islamic financial instruments are conceptually simple, they may become complicated in practice as some banks combine aspects of two or more types of instruments to suit customer requirements (Qorchi, 2005). Furthermore, being in competition with the mainstream financial institutions, the Islamic financial institutions are also keeping pace with new financial developments, with Islamic alternatives to hedge funds, securitization and market indices being recent additions to the industry (Sairally, 2005). Islamic products and services are also increasingly manifesting themselves as mutual funds underpinned by investments in Sharia-compliant equity or property, sukuk, takaful or ijara which are constructed with Islamic principles in mind (Gait & Worthington, 2008; Khan & Bhatti, 2008). Under the Islamic law, the freedom of contracts provides the parties with a flexibility that makes possible a virtually open-ended variety of forms of financial transactions and instruments (Khan & Mirakhor, 1990).

Empirical Review

Naser, Jamal, and Al-Khatib (1999) explored the extent to which Muslims living in Jordan were aware of the basic financial terms of Islamic banking. The study concluded that a large number of respondents were aware of the specific features of Islamic banking but they were not using those features. In addition, the findings indicated that some of the respondents were totally ignorant about certain of the specific terms used in Islamic banking.

A study of understanding Islamic banking products among the customers and employees of the Islamic banks in Malaysia by Norafifah (2000) found that the respondents were not interested in having banking transactions in Islamic banks because they believed that only the name of the banks had been changed to reflect that it was an Islamic-based bank whereby the interest, which is prohibited in Islam, was still practiced. Overall, the researcher determined that customers and employees understanding the concepts and practices of Islamic banking are still vague. The authors utilized descriptive analysis, t-test and ANOVA to analyse the result. Hamid and Azmin (2001) focused on the level of awareness of Malaysian consumers about Islamic banking within the context of the wider promotion of Islamic education using simple percentage. They found that most Malaysians did not differentiate between Islamic and conventional bank products and services, although the majority had sufficient knowledge of the existence of and services offered by the Malaysian Islamic banks. Moreover, even though half the respondents were dealing with Islamic banks, they still required a greater understanding of Islamic bank products.

Bick, Brown, and Abratt (2004) examined the perceptions and expectations of banking customers regarding the value being delivered by retail banks in South Africa. The findingsfrom the regression result show that customers were not satisfied with the service, products and level of customer intimacy delivered to them by their banks.

In Adelaide, Australia, a city with a majority, Non-Muslim population, Rammal and Zurbruegg (2007) utilize logit regression and found that the majority of respondents surveyed were interested in and prepared to use Islamic methods of finance but they did not know how they functioned. In other words, despite the fact that they were aware of the availability of Islamic financial products, they were still unaware of basic Islamic banking principles and methods.

In a study carried out by Rammal (2007), the researcher used simple percentage and chi-square for the analysis and found that some participants who had believed in a Halal banking product cannot be found even not aware of the profit and loss sharing concept. This reveals that they do not acknowledge a fair and better concept which brings reasonable profits.

In their study, which they conducted among retail customers in Libya using simple percentage and t-test, Gait and Worthington (2009) found that, as Islamic products and services enter the financial markets; important consideration must be given to the attitudes, perceptions and knowledge of the market participants relating to these new methods of finance. For individual consumers and business firms, these factors determine the extent to which they will choose to patronize these alternative products and services. The study concluded that, while Islamic finance is not yet formally practiced in Libya; most retail consumers do have some knowledge about the existence of Islamic banks that apply Islamic methods of finance. The study also suggests that most of the respondents were potential users of Islamic methods of finance.

The study by Bhatti, Hussain, and Akbar (2010) the result of the simple percentage and t-test revealed that most of the respondents were aware of the products offered by the various Islamic banks, but they were only using facilities such as leasing, housing finance, automobile finance and so on. The reason given for this was that these banks are offering limited facilities to consumers, with the result that Islamic banking customers are also dealing with the conventional banks.

Abdullah, Sidek, and Adnan (2012) also confirmed a level of acceptance of Islamic banking services on the part of non-Muslims using simple percentage and chi-square. The results also indicated that the majority of study respondents' had both Islamic and conventional bank accounts. This finding is in line with the worldwide support for Islamic banking and is consistent with the findings of a study by Haron, Ahmad, and Planisek (1994), which indicated that non-Muslim respondents would consider establishing a banking relationship with an Islamic bank if they had sufficient information on its banking operations

Oman and Rahim (2016) investigates the relationships between non-Muslims' perceptions and acceptance towards Islamic banking in Malaysia. Specifically this research is to determine the significant contributing factors of perception and its measured indicators; and relationships between the factors which influence non-Muslims to accept Islamic banking. A total 250 respondents participated in the survey at selected areas in Kedah, Malaysia. A structural equation modelling (SEM) approach was utilized in the analysis. The result of hypotheses has revealed that there is a significant relationship between perception among non-Muslims which is indicated by confidence and bank selection criteria, towards acceptance of Islamic banking system in Malaysia. Latent variable for perception also passes mediating test to be a significant mediator between the exogenous indicators and the endogenous acceptance towards Islamic banking.

Aigbovo and Abudu (2018) examine whether Nigerian financial market space is suitable for financial products and services tailored after the principles of Islam by focusing on the request for Islamic financial services using simple percentage and ANOVA. They found that consumers within Nigeria are ready to bank with non-traditional forms of banking and financial institutions, though there appear to be limited knowledge on the alternatives that Sharia compliant banking offers especially among non-Muslim respondents.

Theoretical Framework

The concept of Islamic banking is an innovative concept in the Nigerian banking system. As an innovation in the making in Benin City, there are antecedents' variables that characterize consumers prior to the innovation being introduced to the consumers as argued by Rogers and Shoemaker paradigm (1971). However, there is no Islamic bank yet in Benin City, and therefore can be perceived as an innovative concept in Benin City, Edo State, Nigeria. The Rogers and Shoemaker paradigm (1971) suggest that consumer segments exist base on some variables, that is, personality characteristics (general attitude toward change), social characteristics (cosmopoliteness), perceived need for innovation and religious considerations, prior to the introduction of a product into the market. The antecedent variables, as argued by Rogers and Shoemaker shape the consumers adoption or rejection of the product as it diffuses into the market. The Rogers and shoemaker paradigm theory is the theoretical framework on which the study was done.

3.0 Methodology

The study adopted a survey research design. The population of the study was based on all Non-Muslims customers of conventional banks that have branches in the University of Benin. The study targeted a convenient sample of 65 respondents. Data was collected using a structured questionnaire. Questionnaires are appropriate for this study since it collect information that is not directly observable and it can inquire about feelings, motivations, attitudes, accomplishments as well as experiences of individuals. The questionnaire comprised of both open and close ended questions. The survey questionnaire consists of four parts. The first part of the questionnaire focuses on the demographic information of the respondents which included gender, age, marital status, level of education and religion.

The second part of the questionnaire concentrate on questions regarding the level of awareness of Islamic banking system and operation while the third part of the questionnaire focuses on questions relating to knowledge of Islamic banking product and services while the last section deal with question relating to the willingness to patronize Islamic banking**.** Each of the constructs; awareness, understanding and willingness to patronize Islamic banking are derived from previous researches. This study used descriptive analysis (frequency table) to carry out the data analysis. Frequency table display simple average percentage and is used to illustrate the proportion of respondents in relation to sample size and is normally taken in hundreds. Statistical Package for Social Sciences (SPSS) version 22.0 was used to carry out the necessary statistical analysis.

3.1 Reliability Analysis

Results of the Reliability Test

Scale	Items	Cronbach's Alpha (α)
Awareness	8	0.884
Understanding	8	0.795

Source: SPSS Output of Author's Field Survey, (2021).

To measure the reliability of the scale, Cronbach's alpha (α) was used. The awareness scale has good internal consistency with a Cronbach alpha coefficient of 0.884. Similarly, understanding scale have a good internal consistency with a Cronbach alpha coefficient of 0.795. Therefore, the viability or validity of the instrument was deemed sufficient and satisfactory since the Cronbach's Alpha ($\alpha = 0.884$) and ($\alpha = 0.795$) exceeded the minimum acceptable level. Hence the scale was found to be reliable for further analysis.

4.0 Analysis of Results and Discussion

Questionnaire Distribution and Retrieval

In the study, a total of 70 questionnaires were administered to the non-Muslims customers of conventional banks operating within University of Benin. The response rate is shown in Table 4.1.

Response Rate

Questionnaire	**Frequency**	**Percent (%)**
Distributed	70	100.00
Retrieved and usable	65	92.85

Not retrieved and retrieved but not usable	05	7.14

Source: SPSS Output of Author's Field Survey, (2021).

It can be deduced from Table 4.1 that the questionnaire that were received are as follows, 65 questionnaires were successfully filled, returned and taken as a sample for the study. This gave a response rate of 92.85%. This response rate was favorable according to Mugenda and Mugenda (2003) who stated that 50% and above response rate is adequate.

Respondents' Demographic Profile

Respondents' personal information was collected and the results are presented and analyzed in the following Table and sections. The data are shown in frequencies and percentage.

Respondents' Demographic Profile

S/N	Variable	Metrics	Frequency	Percentage (%)
1	Gender:			
		Male	36	55.4
		Female	29	44.6
		Total	65	100.0
2	Age:			
		18 – 30 Years	32	49.2
		31 – 50 Year	24	36.9
		51 – 70 Years	6	9.2
		70 Years and above	3	4.6
	Total		65	100.0
3	Marital Status			
		Single	35	53.8
		Married	23	35.4

	Divorced	4	6.2
	Widowed	3	4.6
	Total	65	100.0
4	Highest level of education:		
	Below Secondary School	3	4.6
	Secondary School	8	12.3
	Tertiary	42	64.6
	Post Graduate	12	18.5
	Total	65	100.0
5	Religion:		
	(a) Christian	54	83.1
	(b) Africa Traditional Religion	9	13.8
	(c) Others	2	3.1
		65	100.0

Source: SPSS Output of Author's Field Survey, (2021).

Table 4.2 shows that gender wise, male respondents have greater percentage than female respondents. This is because 55.4% represent the male respondents while 44.6% is for the female respondents. In terms of age of respondents, 49.2% of the respondents fall within the age 18-30 years, 36.9% within the range of 31-50 years, 9.2% within 51-70 years and 4.6% for 71 years and above. Therefore, the greater numbers of respondents are between the ages of 18-30 years while the least number of respondents is for 71 years and above.

With respect to marital status, 53.8% of the respondents are single while 35.4% are married and 6.2% for divorced while 4.6% represent widowed as in the above table. Therefore it clearly shows that greater numbers of the respondents are single. From the above table, it is seen that a greater number of the respondents representing 64.4% has tertiary education qualification (BSc, Diploma etc.), this is followed by post graduate (Post graduate diploma, masters and PhD) qualification representing 18.5% and 12.3% represent those that finish secondary school while 4.6% have below secondary school qualification and they are the least. With respect to question relating to religion affiliation, majority of the respondents representing 83.1% indicated that they are Christian while 13.8% indicated that they practice Africa Traditional religion. Only 3.1% of the respondents indicated that they practice other religion.

Respondents' Awareness Level of Islamic Banking in Nigeria

Responses on the awareness of Islamic banking among the non-Muslims customers of conventional banks operating within University of Benin are presented and analyzed in the Table 4.3.

Respondents' Level of Awareness of Islamic Banking in Nigeria

AWARENESS

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	YES	21	32.3	32.3	32.3
	NO	44	67.7	67.7	100.0
	Total	65	100.0	100.0	

Source: SPSS Output of Author's Field Survey, (2021).

Table 4.3 show that 21 (32.3%) of the respondents are aware of the existence of Islamic Banking in Nigeria while 44(67.7%) of the respondents are not aware that Islamic Banking exist in Nigeria. Thus, majority of the non-Muslim customers of conventional banks operating within University of Benin are not aware that Islamic bank exists in Nigeria.

Respondents' Awareness Level towards Islamic Banking Products and Services

Products/Services	Aware	Not Aware

	Frequency	Percent	Frequency	Percent
Deposit Products (e.g.; savings account, current account)	22	33.8	43	66.2
Investment Products (e.g.; general and special investment account)	19	29.2	46	70.8
Financing Products-equity based (e.g.: Ijirah-Leasing)	6	9.2	59	90.8
Financing Products-debt based (e.g.; credit cards, home financing)	11	16.9	54	83.1
Trade Finance (e.g.; letter of credit, banker acceptance)	16	24.6	49	75.4
Money Market Instruments (e.g.; government investment issues-Treasury Bills)	11	16.9	54	83.1
Insurance Products (e.g.; takaful)	16	24.6	49	75.4

Source: SPSS Output of Author's Field Survey, (2021).

Table 4.4 shows that among the seven products offered by Islamic Bank, deposits products have the highest awareness level which is 22(33.8%) respondents. The following product that has the second highest level of awareness is investment product which is 19(29.2%) respondents. It is followed by trade financing and insurance product, 16(24.6%) respondents for each of them, money market instrument and financing product debt are the next with 11(38.6%) while financing product –equity product is 6(9.2%). The product that has lowest level of awareness from the respondents is trade product –equity product which is only 6(9.2%) respondents is aware of it.

Respondents' Level of Understanding of Islamic Banking System and Operations

S/N	Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
8	Islamic banking is the conduct of banking operation according to sharia law.	10 (15.4%)	9 (13.8%)	19 (29.2%)	19 (29.2%)	8 (12.3%)
9	Islamic banking is available for Muslims as well as non-Muslims.	11 (16.9%)	11 (16.9%)	20 (30.8%)	17 (26.2%)	6 (9.2%)

10	Islamic banking prohibits interest in all forms of transactions.	9 (13.8%)	10 (15.4%)	32 (49.2%)	11 (16.7%)	3 (4.6%)
11	Parties in Islamic banking cannot predetermine a guaranteed profit	6 (9.2%)	12 (18.5%)	37 (56.9%)	5 (7.7%)	5 (7.7%)
12	Returns on Islamic banking are based on gift and profit sharing basis instead of interest.	10 (15.4%)	18 (27.7%)	32 (49.2%)	3 (4.6%)	2 (3.1%)
13	Islamic banking prohibits major uncertainty in all form of transactions	5 (7.7%)	9 (13.8%)	36 (55.4%)	10 (15.4%)	5 (7.7%)
14	Islamic banks only invest in businesses that are not prohibited by Islam or Halal businesses.	7 (10.8%)	12 (18.5%)	26 (40.0%)	14 (21.5%)	6 (9.2%)
15	Each Islamic bank should have a sharia supervisory board to ensure that all business activities are in line with sharia requirements.	11 (16.9%)	6 (9.2%)	23 (35.4%)	19 (29.2%)	6 (9.2%)

Source: SPSS Output of Author's Field Survey, (2021).

Table 4.5 shows that 27(56.10%) of the respondents agree that Islamic Banking is the conduct of banking operation according to Sharia Law. 23(35.4%) of the respondents agree that Islamic is available for Muslims as well as non-Muslims. 14(21.3%) of the respondents agreed that Islamic banking prohibits interest in all form of transactions. 10(15.4%) respondents agreed that parties in Islamic Banking cannot predetermine a guaranteed profit. 5(7.7%) respondents agreed that returns on Islamic Banking are based on gift and profit sharing basis instead of interest.15 (23.1%) respondents agree that Islamic Banking prohibits major uncertainty in all form of transactions. 21(30.7%) respondents agree that Islam Banks only invest in businesses that are not prohibited by Islam or halal businesses. 25(38.4%) of respondents agree that each Islamic Bank should have a Shariah Supervisory Board to ensure that all business activities are in line with Shariah requirements. We can conclude that the respondents have low level of understanding of Islamic banking system and operation.

Respondents' Understanding level towards Arabic Terms used in Islamic Banking

Arabic Terms	Yes		No	
	Frequency	Percent	Frequency	Percent
Sharia	47	72.3	18	27.7
Riba	10	15.4	55	84.6
Hibah	11	16.9	54	83.1
Wadiah	5	7.7	60	92.3
Takaful	9	13.8	56	86.2
Musyararah	6	9.2	59	90.8
Mudharabah	10	15.4	55	84.6
Qardh Hassan	5	7.7	60	92.3
Bai. Bithaman	3	4.6	62	95.4
Ijarah	12	18.5	53	81.5

Source: SPSS Output of Author's Field Survey, (2021).

Based on Table 4.6, 47(72.9%) respondents know the meaning of sharia and 12(18.5%) respondents know the meaning of Ijarah. As for riba, Hibah, wadiah, takaful, musyarakah, mudharabah, Qardh Hassan and Bai Bithaman, the number of respondents who know their meaning are 10 (15.4%), 11(16.9%), 5(7.7%), 9(13.8%), 6(9.2%), 10(15.4%), 5(7.7%) and 3(4.6). The respondents do not understand the meaning of most of the Arabic terms used in Islamic banking.

Respondents' Willingness to Patronize Islamic Banking

Statement	Yes		No	
	Frequency	Percent	Frequency	Percent

I am willing to open an account if an Islamic bank is established in my area	22	33.8	43	66.2
I will choose an Islamic bank because of their ethical values	18	27.7	47	72.3
For Nigeria to have Islamic bank for retail customers is very important to me	10	15.4	55	84.6

Source: SPSS Output of Author's Field Survey, (2021).

Table 4.7 show that Nigerian non-Muslims customers of conventional banks are not willing to open an account with Islamic bank since majority of the respondents 66.2% responded NO to the questions that test respondent's willingness to open an account with Islamic bank. Also, 72.3% of the respondents will not choose Islamic bank because of its ethical values, while only 15.4% of the respondents agree that having Islamic bank for retail customers is very important in Nigeria.

Inferential Analysis

The inferential analysis of this study consists of t-test and one way ANOVA test. T-test and One Way Anova were applied in order to assess the effect of demographic variables i.e. Gender, age, marital status, educational qualification and religion on respondents' understanding of Islamic banking system and operation. An independent-samples t-test will reveal whether there is a statistically significant difference in the mean scores for the two groups, while One-way ANOVA reveals whether there are significant differences in the mean scores on the dependent variable across the three or more groups. In other words, Analysis of Variance (ANOVA) is carried out when there are more than two levels of the independent variable (when there are more than two groups, and we would like to compare their performance across a dependent variable) ANOVA is used.

Gender and Understanding of Islamic Banking Products and Services

In order to examine if there is significant difference between male and female respondents regarding respondents' understanding of Islamic banking system and operation, an independent sample t test has been carried out. The results of the descriptive statistics and independent sample test are given in Table 4.9.

Table 4.8: T-Test for Gender Comparison

Group Statistics

	GENDER	N	Mean	Std. Deviation	Std. Error Mean
UNDERSTANDING	MALE	36	5.2778	.88192	.14699
	FEMALE	29	5.1724	1.03748	.19265

Source: SPSS Output of Author's Field Survey, (2021).

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
UNDERSTANDING	Equal variances assumed	1.879	.175	.443	63	.660	.10536	.23809	-.37042	.58115
	Equal variances not assumed			.435	55.139	.665	.10536	.24232	-.38024	.59096

Source: SPSS Output of Author's Field Survey, (2021).

t-test was conducted for testing the statistical significant differences between male and female respondents' regarding their understanding of Islamic banking system and operation at 5% level of significance, the Asymptotic (2 sided) Significance is 0.105, which is higher than the critical level of 0.05, therefore the Null Hypothesis is accepted. Hence, it can be stated that there is no significant difference between male and female respondents regarding their understanding of Islamic banking system and operation. It was also found that mean of male respondents' (36) was more than that of female respondents' (29) which indicates that male respondents' exhibit higher level of understanding of Islamic banking system and operation than their female counterpart.

Difference in Age and Awareness of Islamic Banking

To test whether there are significant differences among the various age groups regarding their understanding of Islamic banking system and operation, ANOVA has been used. The result of the ANOVA test is shown in Table 4.10.

Analysis of Variance for Age-Wise Comparison

ANOVA

UNDERSTANDING

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	14.872	3	4.957	7.087	.000
Within Groups	42.667	61	.699		
Total	57.538	64			

Source: SPSS Output of Author's Field Survey, (2021).

One Way Anova Test was conducted for testing the statistical significant differences between various Age groups of respondents' regarding their understanding of Islamic banking system and operation at 5% level of significance, the Asymptotic (2 sided) Significance is 0.000, which is lower than the critical level of 0.05, therefore the Null Hypothesis is rejected while the alternative Hypothesis is accepted. Hence, it can be stated that there is significant difference among the various Age groups regarding their understanding of Islamic banking system and operation.

Difference in Marital Status and Understanding of Islamic Banking Products and Services

To test whether there are significant differences among the various groups of marital status regarding their understanding of Islamic banking system and operation, ANOVA has been used. The result of the ANOVA test is shown in Table 4.11.

Analysis of Variance for Comparing Marital Status-Wise Groups

ANOVA

UNDERSTANDING

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	5.722	3	1.907	2.245	.092
Within Groups	51.817	61	.849		
Total	57.538	64			

Source: SPSS Output of Author's Field Survey, (2021).

One Way Anova Test was conducted for testing the statistical significant differences between various marital status groups of respondents' regarding their understanding of Islamic banking system and operation at 5% level of significance, the Asymptotic (2 sided) significance is 0.092, which is higher than the critical level of 0.05, therefore the Null Hypothesis is rejected. Hence, it can be stated that there is no significant difference among the various groups of marital status regarding their understanding of Islamic banking system and operation.

Difference in Level of Education and Understanding of Islamic Banking Products and Services

To test whether there are significant differences among the various educational level groups regarding their understanding of Islamic banking system and operation, ANOVA has been used. Table 4.110 provides of the analysis.

Analysis of Variance for Comparing Educational Level-Wise Groups

ANOVA

UNDERSTANDING

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	3.878	3	1.293	1.469	.232

Within Groups	53.661	61	.880		
Total	57.538	64			

Source: SPSS Output of Author's Field Survey, (2021).

One Way Anova Test was conducted for testing the statistical significant differences between respondents with different education level regarding their understanding of Islamic banking system and operation at 5% level of significance, the Asymptotic (2 sided) Significance is 0.232, which is higher than the critical level of 0.05, therefore the Null Hypothesis is accepted. Hence, it can be stated that there is no significant difference among the various groups of educational level regarding their understanding of Islamic banking system and operation.

Difference in Religion and Understanding of Islamic Banking Products and Services

To test whether there are significant differences among the various religion groups regarding their understanding of Islamic banking system and operation, ANOVA has been used. Table 4.11 provides of the analysis.

Table 4.11: Analysis of Variance for Comparing Religion Groups

ANOVA

UNDERSTANDING

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	2.501	2	1.251	1.409	.252
Within Groups	55.037	62	.888		
Total	57.538	64			

Source: SPSS Output of Author's Field Survey, (2021).

One Way Anova Test was conducted for testing the statistical significant differences among the three different religion group regarding their understanding of Islamic banking system and operation at 5% level of significance, the Asymptotic (2 sided) significance is 0.252, which is higher than the critical level of 0.05, therefore the Null Hypothesis is accepted. Hence, it can be stated that there is significant difference among the three different religion groups regarding their understanding of Islamic banking system and operation.

Discussion of Findings

The study found that the non-Muslims customers of conventional banks have low level of awareness and understanding of Islamic banking system and operation in Nigeria. In other words, the study reveals lack of awareness and understanding of the basic operations and activities of Islamic banking in Nigeria by the non-Muslims. This finding is in tandem with Aigbovo and Abudu (2018). The study also found that Nigerian Non-Muslims customers of conventional banks are not willing to open an account with Islamic bank since majority of the respondents 66.2% responded NO to the questions that test respondent's willingness to open an account with Islamic bank. This implies that Islamic banking in Nigeria has a low growth potential in the future among the non-Muslims. One of the demographic variables considered in the study, i.e., age significantly affects the respondents' level of awareness regarding Islamic banking.

5.0 Conclusion and Recommendations

Conclusion

Islamic banking products and services are gaining popularity among non-Muslims all over the world due to its wider product coverage and ability to withstand the global economic melt-down. However, to what extent this statement is true in Nigerian context. Hence, this study explored the level of awareness, understanding and willingness of Non-Muslims in patronizing Islamic banking in Nigeria. The descriptive analysis ((simple percentage) was employed in the analysis. The results of the study show that more than half (67.7%) of the respondents are not aware of the existence of Islamic banking in Nigeria, Also, majority of the respondents were not conversant with the products and services offered by Islamic banks. Furthermore, from the response to the questions relating to willingness to patronize Islamic banking we can conclude that the willingness level of using Islamic banking products and services is low among the Non-Muslim in Nigeria. The study concludes that the level of awareness and understanding of Islamic banking services and products is low among Non-Muslims population especially in Nigeria

(Specifically among customers of conventional banks within the University of Benin). Furthermore, majority of the Non-Muslims customers of conventional banks are not willing to open an account with Islamic bank.

Recommendations

In light of the findings of this study, the following are offered as recommendations:

i. Religious bodies should also take part in the campaign to clear the various misconceptions and fears of the non-Muslims regarding Islamic banking in Nigeria.

ii. More publication on Islamic banking subject should be made publicly available in order to raise the level of understanding and awareness as well as to improve their knowledge regardless of age and level of education amongst Non-Muslims on Islamic banking concept and operations.

iii. Jaiz bank, which has been in existence for more than 10 years in Nigeria, should take a more proactive and aggressive effort such as frequent product campaign and collaboration with schools to promote their banking products and services to Non-Muslims. With Nigeria's growing population, targeting Non-Muslims at an early age would augur well with the objective to promote Islamic banking and could result in a positive long term effect on the benefit as well as avoid any negative perception on Islamic banking.

Limitations of the Study and Future Research

As a limitation, our sample size is only 65 and thus might not be a true representation of the population. Also, the method used in this study is only descriptive analysis. Further studies should increase the sample size and use inferential statistics methods, both parametric and non-parametric. Nonetheless, these limitations were prudently and efficiently managed so as to have uncompromised findings and conclusion from the study.

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A CONCEPTUAL AND DESCRIPTIVE APPROACH TO CAPITAL MARKET PROGRESSION IN A DEVELOPING COUNTRY: THE NIGERIAN PERSPECTIVE

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ABSTRACT

This study undertook a conceptual and descriptive approach to capital market progression in Nigeria, beginning from 1985 to 2019 using number of listed securities (a proxy for market accessibility), market capitalization (a proxy for market size), All Share Index (a proxy of market efficiency) and market depth (a proxy of ratio of market capitalization to gross domestic product (GDP) in the reference period. The period analyzed was segmented into a five year period for effective descriptive reporting purposes. Findings from the study showed that the Nigerian capital market has progressed steadily in terms of market size, efficiency and depth but was retrogressive in terms of the number of listed firms in the reference period. From the analysis, the study recommends that capital market operators and regulators should do more in the areas of listing more securities by reducing the obstacle for listing, efficiency and especially the depth of the market (increase trading in the floor) for it to effectively and efficiently provide move fund from surplus sector to deficit sector.

Key words: Capital Market, All share Index, Market Capitalization, Number of Listing

JEL CLASSIFICATION: G11, G12

INTRODUCTION

Capital market is a segment of the financial market. It is the long arm of the financial market. The capital market is a market for medium and long term financial assets investments. It is the market for buying and selling of equity and debt instruments. Capital market channels savings and investment capital from suppliers of capital such as individual investors, government or corporate investors and users of long term funds which also include the governments, corporate organizations and individuals (Ogbeide & Osamwonyi, 2021). The capital market is a source of generating huge capital for investment, thereby promoting reduction of unemployment and the generation of economic outputs. Hence, it is commonly considered as the bedrock of growth and development of an economy. In the light of this, the importance of a capital market cannot be over emphasized given the nexus between capital accumulation, investment activities and real economic growth.

There are two segments of the capital market, namely, the primary market and the secondary market. In the primary market, stocks and bonds are sold directly to companies, potential and existing individual investors and institutional owners through underwriting. The primary market is where securities are sold and bought for the first time through intermediaries in the capital market. Similarly, in the primary market, equities are sold for the first time to potential and existing investors by publicly quoted companies. Companies which are not quoted on the floor of the stock exchange cannot sell shares or bonds in the primary market directly to investors for the first time (Ogbeide & Osamwonyi, 2021). Doing so will contravene the Securities and Exchange Commission (SEC) rules and regulations.

The secondary market is the market where existing securities such as shares and bonds are sold and bought over the counter (OTC). In over – the – counter, buyers and sellers transact with each other not through the floor of a stock exchange, but through negotiations and unanimously agreed prices. The price at which the securities (shares and bonds) are bought over the counter may not be the same as the corresponding transactions on the floor of a recognized stock exchange (Ogbeide & Osamwonyi, 2021). In order words, in the secondary market, the buyers and sellers do agree upon the most competitive price based on constant contact through computers and other online channels with other market participants. The secondary market enables investors to easily sell their securities if they wish to do so. This why the marketability of securities is a very vital aspect of the capital market in that investors are more willing to buy stocks if they know that they could sell them as quick as possible if they wish to do so. Through this, the capital market is said to facilitate liquidity trading of stocks (Onyema, 2012; Akpomudje, 2017).

Investments in the capital market commands certain benefits. For instance, investment in the capital market promotes divisibility**.** This connotes that an investor can choose to sell off part of his investments in the capital market and keep the other parts to trade with continually in the capital market (Isenmila, Eragbhe & Ogiedu, 2010). Investment in capital brings about confidentiality of investment (Isenmila, et al., 2010). Investment in the capital market enables investors to have a certain level of secrecy without anybody necessarily watching and having a full knowledge of the financial strength (Isenmila, et al., 2010)..

In other words, it is truly possible for an investor in the capital market to be a billionaire without any one detecting it. In addition, investing in the capital market seeks to guarantees stable income to a large extent, assuming all other factors are held constant (Isenmila, et al., 2010). Investment in the capital market may guarantees stable income especially under favourable economic condition. For example, the market price of shares of a company can easily appreciate under a favaourable economic outlook and good management of the company in question. This therefore, enables an investor to make quick wealth if he/she/it has the objective of buy and hold. Investment in the capital market promotes liquidity: By liquidity, it means an investor can easily convert most capital market securities like shares and debentures to cash without bottlenecks (Osazee, 2011; Olisaemeka, 2009).

Given the attendant benefits derivable from capital market investments generally, the growth progression of the capital market in Nigeria appears low compared to the capital markets in other climes (NSE Strategy Department, 2013). For meaningful and sustainable economic growth, effective allocation of capital to enable businesses harness their human and material resources geared towards managing resources for optimal results is inevitable. Conventionally, whenever the capital market is thriving in an effective and efficient manner, there is probability that the economy will grow in a positive direction. Covertly, when funds are not provided to vital economic sectors, especially the real sector where demand is growing and which are capable of increasing production and productivity, the spate of growth and development of the economy tends to be retrogressive. Overtly, where the reverse is the case, the economy progresses. Over the years, the attention of prior researchers around the world, especially in developing countries such as Nigeria has always been on the determinants of capital market growth and development as well as the impact of capital market on economic growth of nations. There is lack of evidence based studies which have examined capital market progression in the Nigeria clime to the best of the knowledge of the researchers.

Moreover, the capital market is indispensable in capital accumulation, source of medium and long term external financing, investments and promotion of the growth and development of an economy. Thus, the understanding of the growth of the capital market on a periodic basis is a necessary factor for a nation's economic acceleration, vibrancy, policy formulation by the government and regulators. In economics and finance literature, there are fewer or no studies which have descriptively analyzed and reported capital market progression, especially in a developing clime such as Nigeria.

It is against this backdrop, this study seeks to analyze the progression of the Nigerian capital market using indices like market size, market depth, market efficiency and market accessibility. The specific objectives of the study are to analyze Nigerian capital market progression based on market capitalization index, determine Nigerian capital market efficiency progression using all share index as a measure; analyze Nigerian capital market depth progression using market capitalization to GDP ratio; investigate the Nigerian capital market accessibility progression using number of listed securities (NLS) under the period, 1985 to 2019.

INDICATORS OF CAPITAL MARKET PROGRESSION

Capital market growth indicators are also referred to as securities market growth measures (Ogbeide & Osamwonyi, 2021). These indicators are variables that influence the size, activity/depth and liquidity of the capital market (Isenmila, 2017). Some of these indicators are market capitalization. All share index, value traded ratio and turnover ratio (Ogbeide & Osamwonyi, 2021). Market capitalization is the commonest important indicator of the size and performance of the capital market. Market capitalization is the aggregate number of shares issued in stock market, multiplied by their share prices. In other words, market capitalization is a function of a firm's aggregate number of issued and fully paid up and its current price. Market capitalization is also the sum of the market price of all securities listed in an exchange. Besides market capitalization, is market capitalization ratio which serves as a further measure of size of the securities market. Market capitalization ratio shows the relationship between total values of shares outstanding in the market to Gross Domestic Product (GDP) (Ogbeide & Osamwonyi, 2021). It is also the relationship between market capitalizations to the gross domestic product (GDP). It is a preferable measure of the size of the market than the market capitalization itself. Market capitalization ratio actually shows the contribution of the securities market to the economy. Another measure of securities market size is the total number of securities listed on the market (Babalola & Adegbite, 2000).

All share index (ASI) reveals the trends and performance of the securities market. It serves as a barometer for determining upswings of prices in the securities market (Ogbeide & Osamwonyi, 2021). That is, the indicator is used to track the daily movement of prices of stocks listed in the securities market (Isenmila, 2017). The principal aim of All Share Index is to evaluate the mood of the securities market. It is an indicator of investors' confidence in the economy as often shown in their selling and buying activities. Thus, the more the selling and buying activities in the securities market due to huge volumes of shares exchange transaction, the better the progression of the capital market and performance of an economy.

Value Traded Ratio (VTR) reflects the total worth of shares traded on a stock exchange at a particular period of time, often expressed in money terms (Ogbeide & Osamwonyi, 2021). Value traded ratio shows securities market liquidity. Securities market liquidity is the ease with which securities (shares) can be converted into cash. Similarly, it implies the ability of firms and individuals to easily sell or buy securities in a security market. Value traded ratio expresses the relationship between total values traded to gross domestic product (GDP). In other words, value traded ratio is computed by dividing the total value of shares by GDP.

Turnover Ratio (TR) is another effective measure of liquidity in the securities market. It shows the value of securities transaction relative to the market size (Ogbeide & Osamwonyi, 2021); (Isenmila, 2017). Hence, it is calculated by dividing the value of shares traded by market capitalization. The higher the turnover ratio, the better it is for a security market. This is because a high turnover ratio is commonly assumed to be an effective pointer of very low transaction cost. A security market that is very active and yet has a large market capitalization often produce a very little turnover ratio.

FACTORS INFLUENCING CAPITAL MARKET GROWTH

Several factors are responsible for the growth and deepening of the capital market, whether in developed or developing countries. Some of these factors according to Ogbeide and Osamwonyi (2021); Isenmila (2017) include:

- **Government Policies:** Over the years, the policies of successive regime of governments have been a major influencing factor of the securities (stock) market. In Nigeria for example, some policies developed to stimulate the growth of the securities market include the indigenization policy, privatization and commercialization programme policy as well as banks and insurance company recapitalization policy. These policies in one way or the other have contributed to the growth and stability of the securities market in Nigeria.
- **Foreign Cash Inflow:** In attempt to boost the securities market through encouragement of foreign investment in Nigeria, the Federal government had to abolish the legislation which earlier prevented foreign capital inflow. The reason for this is because of the adduced positive impact of foreign capital inflow on stock market.
- **Return on Investment:** Increasing return on investment do attracts investors to invest in a stock market. As the volume of investment transaction gets high, the stock market grows.

CONDITIONS NECESSARY FOR CAPITAL MARKET PROGRESSION

Ogbeide and Osamwonyi (2021); Isenmila (2017) suggested some of the following factors as the conditions necessary for the progression of capital market generally:

- **Political Environment:** The stability in the political system of a country is a major prerequisite for the steady growth of a country's securities market. A country with a stable political environment always influences the confidence of both local and foreign investors to invest in such a country's securities market. A stable political environment helps to assure investors of safety of their investments both in the short-run and long run.
- **Good Corporate Governance:** Good corporate governance is fundamental to securities market growth and development. The quality of corporate governance in securities market is a necessary condition to attracting investors from local and international climes to invest in stocks of firms in different sectors of a country's economy. Weak corporate governance practices discourage investments in the securities market. No rational investor will be interested in parting away hard earned resources to invest in a stock market where legal framework, governance code of best practices, trading processes, rules and regulations are significantly undermined.

- **Effective Fiscal and Monetary Policies:** Effective fiscal and monetary policies are an unavoidable condition in the promotion of savings and investment towards ensuring economic wellbeing of a nation. For example, individual and corporate investors are easily motivated to invest in securities market where there are less risky assets and high liquidity. Fiscal policies are put in place by the government to ensure cost of taxation and rate of inflation is low, capital project investments are encouraged. Effective monetary policies seek to influence low interest rate and promote financial intermediation and investment climate in a country. Similarly, investors are likely to float bond security in the capital market where inflation rate is low. Equity investors will invest in stocks of firms if the inflation rate is low, withholding tax is low and capital gain is high. These in turn enhance the development of small and large companies, which may translate to listing of these firms either in the second tier security market or first-tier securities market. The more firms are listed in the securities market, occasioned by the influence of an effective monetary and fiscal policy, the higher the growth and deepening of the securities market.

- **Institutional Environment:** Equity and bond markets function well when there is an effective system which enhances intermediaries such as brokers, dealers and under writers. Effective institutional framework is a prerequisite to ensuring good infrastructure for efficient communication, pricing of stocks of firms, marketing of securities, delivery and settlements. In the same vein, a robust communication structure eases flow of information between buyers and sellers towards promoting confidence among members of the general public about such securities market.

- **Legal and Regulatory Environments:** The main aim of regulation of investment environment is to protect investors and enhance their confidence in the securities market. Securities market regulators are constantly amending and coming up with new laws to protect and control market participants, state the necessary procedures for allowing firms' listing and stock price quotation in the securities market. Regulators also regulate the security market towards promoting its growth. They commonly do this by providing sufficient rules and regulations for brokers, underwriters and other operators of the equity and bond markets. In a nut shell, legal and regulatory environments are carried out by securities market, principally for the purpose of minimizing market frictions.

- **Liquidity:** A security market where investors buy securities and sell them quickly with very little or no risk or market friction tends to easily experiences growth and development. Local and foreign investors often invest in securities market where they know that they can easily hold baskets of portfolio with optimal diversification.

- **Relative Macroeconomic Stability:** Macroeconomic factors such as inflation rate, interest rate, exchange rate, political instability, worsening corruption, amongst others are very unhealthy to the growth and deepening of securities market. For example, when there is persistent fluctuation and unpredictability of inflation, the growth and development of securities market is unlikely. Most often, local and foreign investors are attracted to invest in securities market of a country where inflation rate is very low, interest rates are little and exchange rate is relatively stable.

CHALLENGES OF THE NIGERIAN CAPITAL MARKET

According to Olisaemeka (2009), Osazee (2011); Oluwatosin, Adekanye and Yusuf (2013), some of the challenges of Nigerian capital market are global phenomenon, pull-out of various foreign investors; lack of infrastructure and high production costs; avalanche of private placement offers and *regulatory inconsistencies and pronouncements*. The present seeming collapse of the world economy occasioned by COVID-19 pandemic has not excused Nigeria as a nation. Many stock markets of countries, from USA to Britain, from China to Japan, Russia, France and others are in serious trouble since the pandemic. The world is indeed a global village and the interrelatedness of world economies is very evident that any development in any part of the world affects other parts as well. Consequently, the Nigerian capital market is not insulated from this global malignant cancer.

Pull-out of various foreign investors is a major factor which has contributed to the continuous fall of the Nigerian stock market (Olisaemeka, 2009). Many foreign investors that already have troubles in their home economies have pulled out of the Nigerian stock market leading to dumping of shares beyond the ability of domestic investors to contain. Supply of equities has, in consequence of this, overwhelmed demand, leading to price fall. The cost of doing business is high in Nigeria. For example, basic infrastructures like good roads, power supply are lacking, leading to high cost of doing businesses. Many quoted companies such as Dunlop Nigeria Plc and Michelin Nigeria limited have closed down shops due to the increasing cost of doing business in the Nigeria clime. Most of the textile industries have also stopped production, leading to the crash of their share prices. The shares of Dunlop Nigeria Plc that sold above N6 per share a few months ago now trade below N0.6 per share. Evidently, high production costs reduce profitability or increase loses which also impact negatively on the share prices.

Avalanche of private placement offers is a critical challenge to the growth of the Nigerian capital market. A number of private companies did private placement of their shares at lower prices in a bid to seek quotation of their shares at higher values on the Nigerian Stock Exchange, thus making such private placements very attractive(Olisaemeka, 2009); (Ewah, Esang & Bassey, 2009). This development lured investors to dispose or dump their shares in the secondary market, purchase the private placements and dispose of same immediately after their listing on the Stock Exchange at higher prices (Osazee 2011).. The Nigerian capital market thus became a battleground as private companies were falling on each other through avalanche of offers. The regulating bodies were impotent as the Investment and Securities Act, 2007, does not place private companies under their control. There has been regulating inconsistencies and pronouncements by regulatory bodies of the Nigerian capital market over time (Oluwatosin, et al. 2013). The apex regulator of the Nigerian stock market such as the Securities and Exchange Commission, prior to the crash of the market had alleged publicly that stock market prices were being manipulated and it announced that it was probing some quoted companies. This contributed to the crash of the market. Unfortunately till date, not much has been heard of the outcome of the SEC investigation that transmitted shockwaves down the spines of investors.

EMPIRICAL REVIEW

There are several studies which have examined capital market progression, growth and development in various climes with divergent findings. For example, Adesanya, Adediji and Okenna (2020) investigated stock exchange market activities and economic progression in Nigeria. The study employs multiple regressions as a technique to measure the effect of stock exchange market progression on the Nigerian economy. The Secondary data used were market capitalization (CAP), all share index (ALLSHARE) and total volume of transaction (TNOV) sourced from the Central Bank of Nigeria (CBN) statistical bulletin, 2019. The technique of data analysis used was the ordinary least square (OLS) multivariate regression method of estimation.

Findings reveals that the market capitalization (CAP) had a positive relationship with GDP, with the relationship being statistically insignificant. ALLSHARE has a positive and significant relationship with GDP. TNOV has a positive and significant relationship with GDP. Therefore, it was recommended that Government should help to restore confidence to the market through regulatory authorities which will portray transparency, fair trading transactions and dealing in the stock exchange and consequently improve economic development. The authors recommended that SEC and NSE should put a very good advocacy programme in place to encourage and awaken Nigerians' interest in the capital market as this will boost local participation in the market and as well enable local investors to absorb shares offloaded by foreign investors any time there was perceived economic instability.

Ubesie, Nwanekpe and Ejilibe (2020) studied the impact of capital market on economic growth in Nigeria. The study employed the ordinary least square method (OLS) to analyze the time series data. The result of the findings show that all the variables of interest were significant in explaining the behavior of capital market on the growth of Nigeria Economy except Labour force. Onuora (2019) examined the effect of capital market on economic growth of Nigeria as case study covering a period of 2001 – 2017. The study used time series data in order to capture capital market revenue covering the period under review. The study employed ordinary least squares regression method to analyze the data obtained from the CBN statistical bulletin and World Bank. The study found that there was no significant positive relationship among some indices of economic growth and capital market in Nigeria. Relationship between transportation and capital market revenue; growth rate in GDP and capital market revenue were not significant; however adequate security and capital market revenue indicate positive significant relationship. Ilo, Elumah, Yinusa (2018) investigated the impact of financial intermediaries on capital market development in Nigeria employing co-integration.

To capture the activities of financial intermediaries, five proxies were used to explain financial intermediaries which include credit to the private sector to GDP, broad money supply and total bank savings while on the other hand, market capitalization was used to capture capital market development covering the period of 1981 to 2016. The result revealed that in the long run, credit to private sector and money supply will lead to an increase in capital market development while banks total savings and government expenditure results to a decrease in capital market development in the long run.

Okoye, Modebe,Taiwo, & Okorie (2016) investigated the relationship between capital market development and economic growth using data on GDP (proxy for economic growth), market capitalization ratio, value traded ratio and stock market turnover ratio (proxies for capital market development) over the period 1981-2014. Employing the vector error correction model, the study shows that in the short-run, market capitalization ratio and turnover ratio have significant negative effect on aggregate national output (GDP). The study also shows positive effect of value traded ratio as well as negative effect of inflation rate on GDP though not significant.

The long-run estimate shows that all the exogenous variables have significant negative impact on GDP and that changes in market capitalization ratio, value traded ratio and turnover ratio produce more than proportionate changes in GDP. With an adjustment speed of about 91.12 per cent, the model presents an inherent capacity to overcome short-run disequilibrium. The Granger causality test shows evidence of causal impact of market capitalization ratio, value traded ratio and turnover ratio on aggregate national output. The study further shows uni-directional causality from GDP to inflation. Adeoye (2015) examined the impact of the Nigerian Capital Market on the Nigerian economy looking at a 20 years period from 1992 to 2011. The Nigerian Capital Market was proxy as Market Capitalization against some variables of the economy such as gross domestic product (GDP), foreign direct investment, inflation rates, total new issues, value of transaction and total listing. Using the multiple regression analysis, findings reveals that capital market has an insignificant impact on the Economy within the period under review. The study therefore advised that policies and measures that would boost investors‟ confidence should be enshrined in the running of Nigerian Capital Market so that it could contribute significantly to the growth of Nigerian economy noting that all elements of the market are essential ingredients to the development of a nation.

METHODOLOGY

This study utilized the descriptive research design. Secondary data which were obtained from CBN and SEC statistical bulletins for various years were used for the descriptive analysis in the period 1985 to 2019, thus covering a period of thirty-five (35) years. Simple percentage was also used to determine the progression of the capital market using number of listed securities (a proxy for market accessibility), market capitalization (a proxy for market size), All Share Index (a proxy of market efficiency) and market depth (a proxy of ratio of market capitalization to gross domestic product (GDP) in the reference period. The period analyzed was segmented into a five year period for effective descriptive reporting purposes.

DATA PRESENTATION AND ANALYSIS

Table 1: *Nigerian Capital Market Progression between 1985 and 1989*

Year	NLS	Diff (%)	MC(NB)	Diff	ASI	Diff	CM depth	Diff
1985	220		6.60		127.3		0.04	
1986	240	9	6.80	3	163.8	29	0.03	-2
1987	244	2	8.20	21	190.9	17	0.03	-2
1988	253	4	10.00	22	233.6	22	0.03	-5
1989	267	6	12.80	28	325.3	39	0.03	-3
Average	**-**	**5**		**18**	**-**	**27**	**-**	**-3**

Source: Authors' Computation from CBN statistical bulletin

Table 2: *Nigerian Capital Market Progression between 1990 and 1994*

Year	NLS	% Diff	MC(NB)	% Diff	ASI	% Diff	CM depth	% Diff
1990	295	10	16.30	27	513.8	58	0.03	7
1991	239	-19	23.10	42	783	52	0.04	19
1992	251	0.5	31.20	35	1107.6	41	0.03	-12
1993	272	8	47.50	52	1543.8	39	0.04	10
1994	276	1	66.30	40	2205	43	0.04	-1
Average		**1**		**39**		**47**		**23**

Source: Authors' Computation from CBN statistical bulletin

Table 3: *Nigerian Capital Market Progression between 1995 and 1999*

Year	NLS	% Diff	MC(NB)	% Diff	ASI	% Diff	CM depth	% Diff
1995	276	0	180.40	172	5092.2	131	0.06	55
1996	276	0	285.80	58	6992.1	37	0.07	20
1997	264	-4	281.90	-1	6440.5	-8	0.06	-9
1998	264	0	262.60	-7	5672.7	-12	0.06	-14
1999	268	2	300.00	14	5266.4	-7	0.06	0
Average		**-1**		**47**		**28**		**10**

Source: Authors' Computation from CBN statistical bulletin

Table 4: *Nigerian Capital Market Progression between 2000 and 2004*

Year	NLS	% Diff	MC(NB)	% Diff	ASI	% Diff	CM depth	% Diff
2000	260	-3	472.30	57	8111	54	0.07	22
2001	261	0	662.50	40	10963.1	35	0.08	20
2002	258	-1	764.90	15	12137.7	11	0.07	-17
2003	265	3	1,359.30	78	20128.9	66	0.10	51
2004	277	5	2,112.50	55	23844.5	18	0.12	16
Average		**1**		**49**		**37**		**18**

Source: Authors' Computation from CBN statistical bulletin

Table 5: *Nigerian Capital Market Progression between 2005 and 2009*

Year	NLS	% Diff	MC(NB)	% Diff	ASI	% Diff	CM depth	% Diff
2005	288	4	2,898.80	37	24085.8	1	0.13	8
2006	288	0	5,133.60	77	33189.3	38	0.17	35
2007	310	8	13,173.90	157	57990.22	75	0.38	125
2008	301	-3	9,532.80	-28	31450.78	-46	0.24	-37
2009	265	-12	7,027.70	-26	20827.17	-34	0.16	-32
Average		**-1**		**43**		**7**		**20**

Source: Authors' Computation from CBN statistical bulletin

Table 6: *Nigerian Capital Market Progression between 2010 and 2014*

Year	NLS	% Diff	MC(NB)	% Diff	ASI	% Diff	CM depth	% Diff
2010	264	0.00	9,909.40	41	24770.52	19	0.18	11
2011	250	-5	10,275.40	4	20730.63	-16	0.16	-10
2012	256	2	14,800.94	44	28078.81	35	0.21	27
2013	254	-1	19,077.42	29	41329.19	47	0.24	15
2014	252	-1	16,875.10	-12	34657.15	-16	0.19	-20
Average		**-1**		**21**		**14**		**4**

Source: Authors' Computation from CBN statistical bulletin

Table 7: *Nigerian Capital Market Progression between 2015 and 2019*

Year	NLS	% Diff	MC(NB)	% Diff	ASI	% Diff	CM depth	% Diff
2015	255	1	17,003.39	1	28642.25	-17	0.18	-5
2016	245	-4	16,185.73	-5	26874.62	-6	0.16	-12
2017	261	7	22,917.90	42	38243.19	42	0.20	26
2018	272	4	21,904.04	-4	31430.5	-18	0.17	-15
2019	302	11	25,890.22	18	26842.07	-15	0.18	5
Average		**4**		**10**		**-3**		**0**

Source: Authors' Computation from CBN statistical bulletin

The result of table 1 indicates that the average progression from in terms of NLS was 5%; ASI was 27%; MC grew by 18% while CM depth declined by 3% between 1985 and 1989. The result of table 2 reveals that between 1990 and 1994, the average progression of the capital market in terms of NLS was 1%, MC was 39%; ASI was 47% while the depth of the capital market recorded average 23% progression. The result of table 3 shows that the average progression of the capital market from 1995 to 1999 in terms of NLS was minus

1% while that of market capitalization was 47%, ASI was 28% and capital market depth was 10%. The result of table 4 indicated that the average progression of the capital market from 2000 to 2004 in terms of NLS was 1% while that of market capitalization was 49%, ASI was 37% and ratio of MC to GDP was 18%. The result of table 5 indicates that the average progression of the capital market from 2005 to 2009 in terms of NLS was minus 1% while that of market capitalization was 43%, ASI was 7% and ratio of MC to GDP was 20%. The result of table 6 shows that the average progression of the capital market from 2010 to 2014 in terms of NLS was minus 1% while that of market capitalization was 21%, ASI was 14% and ratio of MC to GDP, representing capital market depth was 4%. The result of table 7 indicated that the average progression of the capital market from 2015 to 2019 in terms of NLS was 4% while that of market capitalization was 10%, ASI was minus 3% and ratio of MC to GDP was flat. On the overall, the analysis reveals that between 1985 and 2019, the number of listing in the Nigerian capital market averaged 8%.

The finding portends that the number of listed companies in the Nigerian capital market is significantly low for over thirty (30) decades. Market capitalization which is the commonest important indicator of the size and progression of the capital market from the analysis averaged 227%. It means that the aggregate number of securities issued in the Nigerian capital market has been impressive since 1985 to 2019. The finding supports the position of Nyong (2003) and Isenmila (2017) where they stated that the value of equities transactions and listing broadens the stock market and tell a good sign of its progression in a defined period. All share index (ASI) which shows the trends and performance of the securities market averaged 157% in the reference period. The finding points out that the volume and value of securities transactions was relatively high and also reveals a better mood of the securities market and progression in the examined. The depth of the Nigerian capital market averaged 72% between 1985 and 2019. In a nutshell, it can be concluded that the Nigerian capital market progressed relatively in the period examined.

CONCLUSION AND RECOMMENDATION

Over the years, the capital market has shown to be a catalyst for real sector development and in general economic growth and development of any economy. So developed and developing economies have paid much attention to its growth and development. Measuring its progression is critical in-order to know how it is faring. This study has taken a critical evaluation of Nigerian capital market since 1985 to 2019 with a view to knowing its progression, From the evaluation, it is clear from the four cardinal points of assessing capital market progression or performance using size, accessibility, efficiency and depth that the Nigerian capital market has progressed steadily in terms of market size, efficiency and depth but was retrogressive in terms of the number of listed firms in the reference period. From the analysis, it is recommended that capital market operators and regulators should do more in the areas of listing more securities by reducing the obstacle for listing, efficiency and especially the depth of the market (increase trading in the floor) for it to effectively and efficiently provide move fund from surplus sector to deficit sector. The study also suggested that the government should come up with effective and enabling policies geared towards minimizing macro -economic instability capable of hampering the deepening of the capital market and its progression in Nigeria in order to make it globally competitive for investors.

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The Contribution of Banking Sector to Economic Growth in Nigeria (1980 -2019)

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Abstract

The banking system remains one of the major development sectors in emerging markets and developed economies. The study examines the contribution of banking sector to economic growth for a period of forty (40) years. The Nigerian banking sector has undergone remarkable changes over the years in terms of technological payment system, digital assets development, increase in number of institutions and ownership structures. The data used in this study are collected from the period of 1980 to 2019. Augmented Dickey Fuller (ADF) and Philip Perron Unit root test and Ordinary Least Square method are adopted. Unit root test confirms the stationary of all variables at first difference. Results show that deposits, advances, investments and profit after tax have significant different proportional effects on economic growth in Nigeria. The paper recommends a two-year interval reforms in the banking subsector in order to stimulate economic growth and to achieve financial stability in Nigeria.

Keywords: Financial institutions; Central Bank of Nigeria (CBN); GDP; Banking sector; Financial intermediation; Nigeria.

JEL: C22, G21, O16

1.1 Introduction

The banking sector is an integral part of the broader financial system and which constitutes a key provider of funds to business operations. A well-functioning banking system helps to facilitate the exchange of goods and services. It also provides incentives for savings and efficiently channels finance to productive and investments opportunities. As such, banking system supports and promotes efficient allocation of resources in any economy. However, a healthy, vibrant and stable banking sector plays a crucial role in supporting economic activity, promoting economic growth and ensuring financial stability. It must be noted that financial market also plays a significant role in the development of an economy, but deposits, advances and investment are strongly controlled and managed by the banking sub-sector, thus providing stable and healthy financial institution through financial intermediation process in the economy.

Studies by Stiglitz & Weis, (1981), Merton (1990) and Akinkolu (2021), claim that the reward for accumulating financial asset and current consumption rate influence the willingness to increase saving deposits. However, the trends in investment could be affected by cost of funds and the degree at which deposit rates vary depends on the maturity of the financial assets. Cost of capital affects the demand for and allocation of loanable funds. These studies further claim that increase in savings and efficient allocation of loanable funds help to foster economic growth.

According to Andrianova, Demetriades and Shortland, (2003) and CBN (2021) argue that well-developed financial system (banks, non-banks, financial markets and financial instruments) are completely expedient for economic sustainability in developed and developing countries as well as emerging markets. CBN (2021) furthermore opine that Monetary Policy Rate is still retained at 11.5% to make credits available for potential investors. The reform in banking sub-sector has a strong influence on Nigerian economic growth. A minimal interest rate could compel the devaluation of local currency due to the demand for domestic goods increase, most especially when imported goods are believed to be costly. These factors among others could necessitate economic growth, consumer spending pattern and investment.

Economic growth is a proportion of a nation's potential output. Economic growth re-examines the reality behind the disparity in growth rate of nation's overtime; and government decisions have a very strong influence on the expenditure pattern and tax policy on an economy so as to achieve growth. The average real GDP rate is less than 6% in 1970s, and later becomes worse, until the economic reform of August, 1986. Since then, positive GDP has been sustained till 2014, (5.5%), but at a very low rate; and slides to negative in early 2016 (-1.62). The negative trends continues till late 2019 (2.21) to second quarter (Q2) of 2020 (-6.1), but positive in first quarter (Q1) of 2020 at 1.87% and since then it has been growing with slight fluctuations; Q1, Q2 and Q3 of 2021 as 0.51%, 5.01% and 4.03% respectively (CBN 2020 & 2021).

The banking sub-sector system is a dynamic one, which has gone through different changes over the years in form of existing structures, functions and regulations (John & Kent, 2008; Okpala, Ezeanolue & Scholastica, 2018). Furthermore, Nigerian banking system of today is very proactive and driven with a high technological infrastructure coupled with government regulatory policy issues. The Nigerian banking sub-sector has undergone different forms of reforms in the hands of the supervisory / regulatory government agency such as Central Bank of Nigeria (CBN).

The essence of banking reform is to achieve a stable and vibrant economic system. Considering the roles of banking sub-sector in the economy, it could be regarded as "life wire" of any economy due to its roles of financial intermediation. Despite this, the Nigerian economic growth measured by Gross Domestic Product (GDP) has been on a dwindling trend most especially since the outbreak of the global pandemic (Covid-19). Also, it has become very difficult to examine the contribution of banking system in the sustenance of Nigerian economic growth. Therefore, this has constituted a gap in this study with the following questions; how far have bank deposits, advances, investments and profit after tax significantly contributed to economic growth? Consequently, these questions have demanded for the needs for hypothesis testing, that is, the null hypothesis (Ho): bank deposits, advances, investments and profit after tax have not significantly influenced the contribution to economic growth?

This study is the first to examine the extent of bank deposits, advances, investments and profit after tax's contribution to economic growth in Nigeria within the context of reviewed period (1980 -2019). This paper reveals that banking industry is germane to economic growth because its relevance could never be over-emphasized.

This paper is further divided into literature review, that is followed by methodology section, which concentrates on research instruments, methods of data collection and analysis; section four concentrates on results and discussions, while the last section captures findings, conclusion and policy recommendations.

2. Literature Review

The banking reforms have helped to facilitate capital formation and generate growth in the economy, but the consistent and persistent financial intermediation roles of Banks have been able to foster national and international development via the means of channelling resources into sectors of priority for sustainable development (Demetriades & Law, 2004). The development of Nigerian banking system can be characterized by changes in structure, growth and emerging challenges since the era of Structural Adjustment Programme in 1986 to date (Ajekigbe, 2009). The banking sector plays a crucial roles in the growth of an economy through its financial intermediation (FI) responsibilities. The banking industry plays a very significant responsibility in the economic growth of a country (Shabbir, Mustafa, Mohammad and Joji, 2021).

The financial intermediation remains the major function of banks both in developing and developed economies as well as emerging market like Nigeria. Nigerian economy is characterized with inadequate resources to meet the expected needs of the economy to grow and develop. Bank is targeted to be an intermediary between those with surplus funds and those who need to borrow these funds. In emerging markets, arguably, banking industry is not a heavily regulated sector due to lack of adequate pace of technological innovation for the development of new financial products and services, which has resulted to unit cost (La-porta, Lopez & Shleifer, 1998; Rousseau and Wachtel, 2011). According to Olawonyi (2020), the availability of banks' products / services such as e-banking, internet banking, credit cards, debit cards, electronic fund transfer (EFT), point of sale (POS) etc., can improve cash management practice, and have the ability to reduce the cost of delivery of cash management services in a country; but deficiency in institutional structures has been regarded a challenge.

The Nigerian banking system has undergone remarkable changes over the years in terms of the numbers of institutions and ownership structure. The recent shake-up in Nigerian banks can be regarded as the continuation of 'skeletal / partial' financial reform in the banking sub-sector centred on ensuring full disclosure, zero tolerance to weak corporate governance and adopting strong and vibrant risk management approach (Lamido, 2009). Though, the core roles and responsibilities of banks in any economy are to render financial assistance to the productive sector. The financial reforms, which may be regarded as 'skeletal / partial' financial reform in banking sub-sector that is embarked upon by Nigeria apex banks (CBN) to have removed the eight bank executives over alleged exposure to N1.143 trillion with Non-Performing Loans (NPL) in first phase call for concern.

Though, exposure to the oil and gas sector only account for N536.45 billion, is a pragmatic strategy to achieve and target macroeconomic stability and growth (Lamido, 2009). The principle of full disclosure, good corporate governance and a sound and vibrant risk management practices would build the confidence of the international community in a developing economy -Nigeria inclusive. The restructure of board of Skye bank Plc. and recent takeover by Polaris bank and merger between Access bank and Diamond remains an indication that there is need for continuous banking sector reforms to ensure stability and efficiency in the sector. It is believed that a fragile financial system can impair long-run growth (Merton, 1990; Andrianova et al., 2012; CBN 2020).

Banking activities in Nigeria have started during colonial rule with Free Banking Era (1892). This means that banking in Nigeria can be traced back to 1892 with the entrance of African Banking Corporation, whose operation is later taken over in 1894 by the Bank for British West Africa (BBWA) now First Bank of Nigeria. The free banking era provides platform for the establishment other expatriate banks; British and French Bank of 1948, (now United Bank For Africa Plc) and the Barclays Bank Dominion, Colonial and overseas (now Union Bank of Nigeria Plc.) In a similar vein, during this era, some indigenous bank set-up cannot survive except one that is created in 1945 that has survived till date, Agbomagbe Bank (now Wema Bank Plc).

Pre- Central Banking Era (1952 - 1959). This period features the emergence of the 1951 banking ordinance and last until 1959. The Ordinance Act is fully operational in 1955. The act defines banks and banking business, restricts the establishment of banks and the practice of banking to companies holding valid and dully issued licenses. The Ordinance Act is criticized for being incapable of developing the sector, not assisting undercapitalized financial institutions (i.e. banks) and inability to prevent frequent sharp fraudulent practices. These criticisms necessitate for the establishment of a central bank.

Era of Banking Legislation (1959 - 1970). This era allows the need to establish a central bank. The Central Bank of Nigeria (CBN) is established in 1958 and starts operation in 1959, which provides impetus for banking legislation. The establishment of apex banking body promotes banking supervision, management and control; this drastically curtails prevailing financial malpractices in the banking industry. The Act that establishes CBN gives the agency power to supervise and regulate every activity in the banking system, which concentrates more on reserves, financial reporting, lending and charging limits, liquidity considerations, financial reforms and capitalization processes.

Era of Indigenization Ownership (1970 - 1976). This era since 1970 permits the government and the public to partly ownership of expatriate banks to bring public indigenous ownership to 60%, while owners retain 40% of the banks shareholding in line with the indigenous enterprises promotion Act 1972 as amended in 1977 in order to increase development in agriculture, manufacturing, mortgage acquisition and informal sector (i.e. mini, small and medium scale enterprises- MSMSEs.

The Era of Banking Distress (1992 - 2004). This era experiences many banks liquidation, funds mismanagement, and premature and sudden death due to illiquid problem, high level of fraudulent activities and poor management policies by bank directors.

The Era of Full and Partial Banking Reform (2005 – Date). Due to challenges and problems encountered in the last phase of banking era in Nigeria. Full reform is held in 2005, during this period many banks are acquired and merged. Out of at least forty banks, only twenty-five banks are left standing during Prof. Charles Soludo as governor of the apex bank. After this period, comes Lamido Sanusi era in 2009. This era records minor reforms that affect about eight banks (i.e., some banks also merged and others are acquired, this leads to sacking of chief executive officers of banks). During this present government –Emefiele era, very few banks that have merged and acquired are (Access and Diamond banks) and Polaris and defunct Skye bank) respectively. This reform is as a result of high level of non-performing loans of banks, poor and weak corporate governance, insider abuses and trading, which have promoted frauds in the banking system.

Dey & Flaherty (2018) use a two-stage regression model to examine the impact of bank credit and stock market liquidity on GDP growth. They find that bank credit and stock market liquidity are not consistent determinants of GDP growth. Banking development is a significant determinant of GDP growth, while turnover is not. Demetriades and Law, (2004) in their study of financial institutions and economic growth. The study discovers that there is relationship between financial institutions most especially banks and economic growth in United States. The study further explains that the supply of credit, both in terms of volumes and in terms of credit standards applied on loans to enterprises, have significant effects on real economic activity. In other words, a change in bank loan growth has a positive and statistically significant effect on GDP.

In a study that is carried out by Shabbir, et al, (2021), to investigate the long-run link between banks' performance and the economic growth in India. The study used a panel of data of 20 public sector banks for the period 2009 to 2019. The study adopts the Pedroni and Kao test of co-integration, panel vector error correction model (VECM) dynamic. Their conclusion is that lending capacity and investment activities are not significantly associated with economic growth.

3. Methodology

To determine the contribution of banking sector to economic growth in Nigeria would require to establish the relationship between the variables for this study. Ordinary Least Square Method (OLSM) is adopted, with simple econometric models in order to arrive at logical conclusion. The source of data is secondary and data is collected from various official publications and CBN statistical bulletin for a period of 10 years (1980 -2019).

However, model specifications are presented as follows:

$$Y_{it} = \delta_0 + \delta_1 X_{it} + \mu_{it} \text{ ---} 1$$

Where

Where i equal to ith subject and t equal to time period for the variables

δ_0 = the intercept; δ_1 is the coefficient; X is the predictor variable

μ = stochastic variable or error term; Y = criterion variable

The equation (1) is re-written as stated below:

$$GDP_{it} = \delta_0 + \delta_1 D_{it} + \delta_2 A_{it} + \delta_3 I_{it} + \delta_4 PA_{it} + \mu_{it} \quad \text{-------------------------------} 2$$

4. Results and Discussion

Table 1 represents the descriptive statistics of the model. GDP is the criterion variable and predictor variables are deposits (D), advances (A), investments (I) and profit after tax (PA). The study's sample size captures 1980 -2019 that is, forty (40) observations. The minimum value of GDP is 1034.219; maximum value is 3244.932; mean value is 1101.131 with standard deviation value of 1321.261. Deposits and its values have the following with minimum (82.714), maximum (3244.932), mean (152.468) and standard deviation (161.149). Advances and its values have the following with minimum (41.192), maximum (619.403), mean (262.187) and standard deviation (318.234). The investment has a minimum value (27.128), maximum value (94.238), mean value (32.402) and standard deviation (58.305). Profit after tax has a minimum value (22.341), maximum value (61.928), mean value (19.138) and standard deviation (21.489). The Jarque-Bera values depicts GDP - 3.093307(0.096799); D - 1.216681(0.409278); A - 0.642149(0.070188); I - 2.118329(0.062526) and PA - 1.286241(0.361209). The probability values of Jarque Bera variables in the parentheses are greater than 0.05, therefore, residuals are normally distributed.

Table 1: Summary of Descriptive Statistics

	GDP	D	A	I	PA
Mean	1101.131	152.468	262.187	32.402	19.138
Maximum	3244.932	415.022	619.403	94.238	61.928
Minimum	1034.219	82.714	41.192	27.128	22.341
Std. Dev.	1321.261	161.149	318.234	58.305	21.489
Jargue-Bera	3.093307	1.216681	0.642149	2.118329	1.286241
Probability	0.096799	0.409278	0.070188	0.062526	0.361209
Observations	40	40	40	40	40

Authors' Computation, 2020

The table 2 and 3 reflect the time series behaviour of each series as presented earlier using the Augmented Dickey-Fuller (ADF) and Phillips-Perron (PP) test, which show over-whelming proof of the existence of non-stationarity (differencing the non-stationarity) in the series and that the variables are integrated of order 1(1) as shown in the decision 'column'. Though, both the ADF and PP test show that the null of non-stationarity will be rejected (Type 1 error) for all the variable at levels.

Table 2: Augment Dickey-Fuller Test

Variable	Intercept or constant	Intercept and trend	None	Intercept or constant	Intercept and trend	None	Decision
Log GDP	1.43	-2.4	9.7	-2.9	-3.8	-0.79	I(1)
Log D	0.51	-1.5	-0.6	-4.9	-5.9	-5.0	I(1)
Log A	-0.11	-0.3	1.2	-2.3	-4.2	-1.2	I(1)
Log I	0.16	-2.8	-1.1	-0.2	-5.3	-3.0	I(1)
Log PA	0.29	-0.3	-3.2	-1.4	-1.7	-0.4	I(1)

Critical Value	1% - -3.7 5% = -2.99 10%= -2.6	1% - -4.4 5% = -3.6 10%= -3.3	1%=-2.7 5%=-1.96 10%=-1.6	1%= -3.8 5%=-3.01 10%=-2.6	1%= -4.5 5%=-3.6 10%=-3.3	1%=-2.7 5%=-1.96 10%=-1.6	

Authors' Computation, 2020

Table 3: Phillips – Perron (PP) Test

Variable	Intercept or constant	Intercept and trend	None	Intercept or constant	Intercept and trend	None	Decision
Log GDP	2.6	-1.8	11.2	-2.8	-3.1	-0.4	I(1)
Log D	-0.5	-1.4	-0.6	-4.9	-5.9	-5.01	I(1)
Log A	-0.3	-0.4	-2.1	-0.7	-2.2	-0.2	I(1)
Log I	0.2	-1.3	-1.1	-0.1	-3.4	-2.5	I(1)
Log PA	1.3	-1.1	-0.2	-1.6	-0.7	-0.5	I(1)
Critical Value	1% - -3.7 5% = -2.99 10%= -2.6	1% - -4.4 5% = -3.6 10%= -3.3	1%=-2.7 5%=-1.96 10%=-1.6	1%= -3.8 5%=-3.01 10%=-2.6	1%= -4.5 5%=-3.6 10%=-3.3	1%=-2.7 5%=-1.96 10%=-1.6	

Authors' Computation, 2020

Table 4 shows results on the co-integration test, over-parameterized GDP in Nigeria is measured. Each variable is set at one (1) lag. The dummy variables are used to represent the post reform regime but the pre-reform regime is characterized by unregulated and regulated era that is represented with zero (0) value, and the reform era is represented with one (1) value. To start with over-parameterized model as shown stated in table 5; which is then tested down until the preferred parsimonious model is derived at. The parsimonious encompassing model explain that based on Akaike Info Criterion (AIC) or Schiwarz Info Criterion (SIC), the re-parameterize model ensures that insignificant variables are excluded until Information Criterion (IC) start to rise. In order to ascertain a goodness of fit test, the models that emerged is slightly significant to the over-parameterized ones.

The dynamic parsimonious result for model, it shows that the explanatory variables accounted for 41.3% variations in the level over the entire sample period. The findings show that 31.5% errors are corrected every year. The Error Correction Model (ECM) must be negative and significant.

Table 4: Co-integration Test

Sample (adjusted): 1980- 2019

Included observations: 39 after adjusting endpoints Trend assumption:

No deterministic trend (restricted constant) Series: LNGDP

Lags interval (in first differences): No lags

Unrestricted Cointegration Rank Test

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	5 Percent Critical Value	1 Percent Critical Value
None **	0.535461	28.13807	19.96	24.60
At most 1	0.212262	5.201592	3.24	10.27

*(**) denote s rejection of the hypo thesis at the 5%(1%) level

Trace test indicate s 1 cointegrating equation(s) at both 5% and 1 % levels

Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	5 Percent Critical Value	1 Percent Critical Value
None **	0.685960	40.53818	15.67	20.20
At most 1	0.202067	7.900591	9.24	12.97

*(**) denotes rejection of the hypothesis at the 5% (1%) level

Max-eigenvalue test indicates 1 co-integrating equation(s) at both 5% and 1% levels

Table 5. Error Correction Mechanism

Dependent Variable: D (LNGDP)

Method: Least Squares

Sample (adjusted): 1980- 2019

Included observations: 38 after adjusting endpoints

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.027556	0.032134	2.120072	0.0113
D(LNGDP)	0.154362	0.261521	1.257041	0.0424
D(LND(-1))	0.074451	1.210658	0.736974	0.0009
D(LNA(-2))	-0.135923	0.078223	3.346282	0.0296
D(LNI(-1))	0.231974	3.091271	0.333742	0.0172
D(LNPA(-2))	-0.178201	0.362836	-0.492578	0.0304
ECM(-1)	-0.315229	0.230405	-1.203802	0.0025
R-squared	0.413036	Mean dependent var		0.043535
Adjusted R-squared	0.350493	S.D. dependent var		0.128461

S.E. of regression	0.008917	Akaike info criterion	1.410445
Sum squared reside	0.102494	Schwarz criterion	1.093004
Log likelihood	10.26231	F-statistic	1.27454 9
Durbin-Watson stat	1.430225	Prob(F-statistic)	0.60215 1

Source: E-View Version 9.0

Findings

i. The probability values of Jarque Bera variables that are greater than 5%, which shows that residuals are normally distributed. The distribution is neither skewed to the right nor to the left, but in a 'bell shape'.

iii. The Unit Root Test for stationarity result is I(1) not I(0).

iii. The unit root results indicate that the null hypothesis (type I error) is rejected.

iv. The dynamic parsimonious result shows that predictor variables account for 41.5% variations in the GDP level over the entire sample period, while remaining 58.5% accounts for by other factors.

Conclusion

The paper investigates the contribution of banking sector to economic growth in Nigeria for the period of 19 years; and affirms that there is a relationship between banking sector and economic growth in Nigeria over the period. Consequently, deposits, advances, profitability and investment have significant positive influence on economic growth at various proportions. The banking system would increase employment rate, encourage financial inclusion and promote the electronic payment mechanism.

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