

# Moderating Effect of Servant Leadership on the Relationship between Conflict Management Styles and Employee Performance of Manufacturing Sector in Kano State, Nigeria

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## Abstract

*Employee performance has long been considered as one of the key factors that can lead to the growth and development of any organization. However, Nigerian organizations have for a long time been concerned with the employee performance. Therefore, this study examined the relationship between conflict management styles and employee performance with the moderating effect of servant leadership in the Manufacturing Sector of Kano State. After extensive literature review on employee performance, conflict management, servant leadership and established that servant leadership moderate the relationship between conflict management styles and employees performance. The study concludes that, servant leadership is an important factor that can improve employee performance. The researcher recommended that manufacturing companies should adopt conflict management styles and servant leadership which will help to enhance overall employee performance*

**Keywords:** *Employee Performance, Conflict Management Styles, Servant Leadership Nigeria Manufacturing Sector*

## 1.0 Introduction

Employees are a major resource hired by organizations to perform tasks, under certain conditions, to meet the various organizational goals. One of the major concerns of manufacturing companies is focused on improving employee productivity which is one of the employee performance measures. Employee performance is an important building block

of an organization, it has long been considered as one of the key factors that lead to the growth and development of manufacturing sector (Mollick, 2019; Sanni, 2018). A good employee performance is necessary for the organization, since an organization's success is dependent upon the employee's creativity, innovation and commitment (Rothwell, Hohne, & King, 2018; Onukwube, Iyabga & Fajana, 2010).

According to MAN's 2020 annual performance report reported that, Nigeria manufacturing companies are closing every year due to lack of effective leadership and poor management, in 2019 for example, it was reported that there was a marginal decline in employee's performance in the manufacturing sector, by 6.61% as a result of workplace conflict.(Samuel, 2019; MAN 2020). Moreover, employment generates by the sector marginal decline from 3,029,884 in 2017 to 2,880,973 in 2018. According to National Productivity Center (2020) the number of those engaged in employment in the Manufacturing Sector in 2020 was decrease from 2,980,841 to 2,568,514 which represent by 8.62% decline in employees performance. Many issues attributed to this declines among others are; insecurity, skill gap, employees' discretionary behavior, poor infrastructures, organizational conflicts, poor leadership and management, high government bureaucracy etc. (Ahmed 2015). Kuye, and Sulaimon, (2020), stated that excellent performance from individual workers contribute to the growth of Nigerian manufacturing sector because they assist them to achieve their goals and objectives. Employee's performance is behavior exhibited or something done by the employee (Rum; Troena & Hadiwudjoyo 2017; Campbell, 1990). According to Motowidlo & Borman (1997), employee's performance is the behavior that can be evaluated in terms of the extent to which it

contributes to organizational effectiveness. According to Nigeria Labour Act (2018), describes employee performance as the extent to which an organizational member (employees) contributes to achieving the objectives of the organization. According to Industrial Arbitration Panel (2018), workplace Conflict in Nigerian industries has become perennial and disturbing so much that it has hampered and decreased the employee performance and the growth of some organizations in Nigeria. Onwuegbule (2020) asserted that workplace conflict is now a very common factor in organizations that leads to deterioration in employee's performance because of human interactions in today's work environment. Conflict management style plays an important role on employee's performance (Novitasari, Sasono, & Asbari, 2020; Pitafi, Liu, & Cai,2018; samuel, 2018). Rahim (2019) asserted that effective conflict management depends on the kind of styles that suit the organization and have an added advantage to the organization in the long run. Conflict management is also seen as a wider concept which involves conflict management styles, process and skills to mitigating conflicts in a workplace (Mukhtar, 2013). Therefore, in order to know which style suits the conflict best, management should be able to have the right kind of skills to manage the conflicts which come about in the organization. The conflict management styles include dominating, compromising, integrating, avoidance and obliging (Rahim, 2002).

Servant leadership is a leadership style that places the followers' interests over and above the leaders own interest (Joseph & Winston, 2005). Researches (Laub, 2003; Sendjaya, Sarros, & Santora, 2008) establish that servant leadership is more conducive to employee performance due to its focus on follower development, community building, authentic leadership, and shared leadership.

The best indicator of servant leadership is that followers are more likely to become servants themselves. Stone, Russell, & Patterson (2004) argue that the motive of the servant leader influence is not to direct others but rather to motivate and facilitate service and stewardship by the followers themselves. Followers service to others and stewardship of organizational resources could be construed as employee performance. Servant leadership encourages employees to use integrating and compromising conflict management styles in business settings (Maiti Et al. 2020)

On the other hand, Bambale (2014) also stated that servant leadership has always played a helpful role in motivating employees, raising their morale, and making a positive influence on individuals and organizational performance. Servant leadership always attempts to develop and keep high potential employees and provide the organization with positive managerial talents, sources and competitive human resources (McGraw & Taylor 2004). Similarly, conflict management styles also stimulate an employee's success and performance in an organization (Kellett, Humphrey & Sleeth, 2009). This is because employees' perceptions of conflict management strategies have a substantial impact on the rate of staff turnover (Aziziha, Faraji Hajirasouliha, Mousari & Zakaria, 2013).

Generally, this study aims at investigating the effect of servant leadership in moderating the relationship between conflict management styles and employee performance in manufacturing sector of Kano state: Specifically, the study has the following objectives:

- i. To investigate the relationship between conflict management styles

- and employee performance in the Manufacturing Sector of Kano State.
- ii. To examine the moderating effect of servant leadership on the relationship between conflict management styles and employee performance in the Manufacturing Sector of Kano State.
- iii. To determine the relationship between servant leadership and employee performance in the Manufacturing Sector of Kano State.

## **2.0 Literature Review**

### **2.1 Concept of Employee Performance**

Numerous scholars have defined employee performance in so many ways. For example, Koopsman *et al.*(2013) define employee performance as the performance of employees in an organizational setting in order to achieve goals and objectives of the organization. Pugh (1991) defined employee performance as the degree to which individual's achieve their goals in an organizations through hard work. It is also the level of individuals' output as a result of an activity (Erat *et al.*,2012). Employee performance is also defined as the amount of individual contribution to the development effort as captured by the number of defects fixed by individuals in an organization (Ehrlich & Cataldo, 2012). Campbell (1990) defined performance job as behaviors or activities that are related to the objectives of the organization. For the purpose of this study, employee job performance refers to the performance of an employee in an organization in order achieve the goal and objectives of the organization.

Employee performance is the creation of the entire performance of any business, because it is the performance of individual employees that determines the prospects of the organization. Additionally, the main objective of employee performance is to

support the projected ways of employees' activities in order to elevate the performance of the organization as a whole to achieve the desired goals (Adiguzel, Yuksel & Tekin, 2010). Employee performance is important for the effectiveness, achievement and performance of an organization because effective performance of the individual employees determines the progress and survival of the organization. Additionally, employees are also the main resources of every business entity, because when employees are inspired and satisfied, they will always execute their responsibilities diligently and vigorously (Akram, 2012).

Nevertheless, some researchers such as Campbell (1990) implied that performance is not only a result of the action but the activity itself. This is due to the fact that employees' actions alone cannot bring about performance but a combination of good action, activity and effort by the employees in the organization. Hence, organizational factor that influence employees performance has to do with team work and flow of information by the organization to the employees so as to have a smooth and good understanding between the employees. Individual performance could also be a function of work experience because experience leads to the accumulation of knowledge, talent and skills (Sturman, 2003), which in turn predicts better performance of individual employees in an organization (Borman, Hanson, Oppler, Pulakos & White, 1993). Additionally, individual factors has to do with experience, talents, knowledge and skilled acquire by the individuals in order to achieve better performance in an organization. Thus, it is also very important for the development of every organization to have competent and educated employees because educated employees, coupled with good skills lead to

higher goals and objectives in an organization.

Therefore, based on the above past studies findings the researcher felt the findings are inconsistency hence, there is need to look at performance of employee in manufacturing industry. Additionally, based on the current phenomenon in the Nigerian context vis- a vis the finding from past scholars, there is need to look at individual employee performance. Moreover, even though, Several studies have been undertaken on employee performance, there is no research, to the researcher's knowledge, that investigate conflict management and employee performance in a developing nation like Nigeria and specifically on the Manufacturing sector of Kano State. For instance, the study of Campbell (1990) used only task performance as dimension of employee job performance, Rotundo and Sackett (2002), and Dalal (2005) added contextual performance as dimension of individual performance while Koopsman *et al.* (2011) came up with adaptive performance as another new dimension of employee job performance making three. Therefore, in view of the above, this study will look at employee job performance as a multi-dimensional variable which comprises of task performance, contextual performance and adaptive performance (Koopmans *et al.*, 2013). This study chooses this dimension from Koopmans *et al.* (2013) because they suite the context of the study.

### **2.1.1. Task Performance**

Task performance can be defined as the ability with which employees perform the core substantive or technical tasks essential to their job (Koopmans *et al.*, 2013). It also reveals how well an individual performs the responsibilities required by the work (Borman & Motowidlo, 1997). Additionally, task performance is the efficiency with

which job incumbents perform activities that lead to the organization's technical core (Borman & Motowidlo, 1997). According to Motowidlo and Van Scotter (1994), task performance can also be classified into two which includes transforming raw materials into finished goods; and the activities that service and maintain the supply of raw materials by way of providing important planning, supervising, directing, coordinating and staffing functions that can assist it to function excellently and successfully.

Task performance can also be the overall performance of individual employees that relate directly to the organization's technical core by execution of the organization's technical process or maintenance and services of its requirements. Thus, task performance often includes work skills, work knowledge, work quantity and quality of an individual in an organization (Rotundo & Sackett, 2002; Campbell, 1990). A successful person who works alone on a task and expects compensation will be motivated to produce excellent results concerning his or her work in the organization he or she is working for. Hence, this individual identifies personal abilities, feels equal to the task, and believes that hard work will determine the result of his or her good performance in the organization he or she works for. A task performance is also related to the expression of individual competencies (Shossi, Witt & Vera, 2012).

### **2.1.2 Contextual Performance**

Contextual performance can be defined as behaviors that support the organizational, social and psychological environment in which the technical core must function (Borman & Motowidlo, 1993). Behaviors used to describe contextual performance include, for example, demonstrating effort, facilitating peer and team performance,

cooperating and communicating among individuals in an organizational setting. Contextual performance is associated with behaviors that support the organizational, social and psychological context in which the work is performed; it consists of activities such as volunteering to help, cooperating with co-workers and signifying commitment to work (Borman & Motowidlo, 1993). Contextual behaviors are believed to be a way by which an employee can give back to the organization; thus, if an employee is satisfied with his or her job, the employee may be more likely to give in return by helping others through contextual performance (Edwards, Bell, Arthur & Decuir, 2008).

Contextual performance is important because managers in their assessment of general performance, tend to give roughly the same weight to contextual behaviors (Borman & Motowidlo, 1997). Additionally, an enabling context should be consciously and deliberately created to provide conditions in which individual employees can trust each other, work together, be motivated to share ideas and engage in dialogues in order to achieve better performance and the desired goals and objectives of the organization. Contextual performance supports and improves the context in which individual and organizational goals are accomplished and hence contribute to overall performance (Borman, White & Dorsey, 1995). Contextual performance is also related to the expression of individual competencies (Shossiet *al.*, 2012).

### **2.1.3 Adaptive Performance**

Adaptive performance can be defined as the level to which an individual adapts to changes in the work role or environment

(Griffin, Neal & Parker, 2007). It can also refer to altering behaviors of individuals in an organization to meet the demands of the environment, event or new situation (Pulakos, Arad, Donovan & Plamondon, 2000). Adaptive performance is an aspect of performance that reflects acquiring enhanced competencies in response to changes in an organization. In addition, adaptive performance also focuses on the growing interdependency and uncertainty of work systems and the corresponding change in the nature of individual performance in an organization.

## **2.2 Conflict management styles**

Conflict management refers to attempt to control or regulate conflict through a number of measures. Conflict management styles refer to the internal mechanisms used by the various authorities in resolving conflict (Adeyemi & Ademilua, 2012). Constructively managed conflict induces a positive performance while poorly managed conflict heats up the environment to bring about 'dislocation of the entire group and polarization, reduced productivity on job performance, psychological and physical injury, emotional distress and inability to sleep, interference with problem activities, escalation of differences into antagonistic position and malice and increased hostility (Akanji, 2005). Through an effective conflict management, a cooperative atmosphere is created to promote opportunities and movements are directed towards non-violent, reconciliation of clashing interests (Salami, 2009). According to Awan and Anjum (2015) properly managed conflict promotes open communication, collaborative decision making, regular feedback, and timely resolution of conflict. Open communication and collaboration enhance the flow of new ideas and strengthen work relationship,

which can have a positive effect on employee morale. Regular feedback and timely resolution of conflict has the potential of improving employee satisfaction and job performance (Ebhote & Monday 2015).

### **2.2.1 Rahim's Meta Model**

Rahim (2002) noted that there is agreement among management scholars that there is no one best approach on how to make decisions, lead or manage conflict. In a similar vein, rather than creating a very specific model of conflict management, Rahim created a meta-model (in much the same way that DeChurch and Marks, 2001, created a meta-taxonomy) for conflict styles based on two dimensions, concern for self and concern for others. Within this framework are five management approaches: integrating, obliging, dominating, avoiding, and compromising. (Rahim, 2002).

#### **2.2.1.1 Obliging Style**

Obliging Style also known as accommodating indicates low concern for self and high concern for others. An obliging person neglects and sacrifices personal concern so to satisfy the concern of the other party. This style is associated with a non-confrontation element characterized by the attempt of minimizing differences and emphasizing commonalities to satisfy the concern of the other party. As suggested by (Rahim, 2002) this style may take the form of selfless generosity, charity, or obedience to the party's order. An obliging person can be defined as a "conflict absorber" terms describing a reaction of low hostility or even friendliness to a perceived hostile act (Kassim & Ibrahim 2014).

#### **2.2.1.2 Dominating Style**

Dominating Style also known as competing indicates high concern for self and low

concern for others. A dominating person stands up for own rights and ignore others' needs and expectation; try to defend personal positions that he believes being as correct and right. This is a win-lose style expression of a forcing behavior in order to win one's position (Kassim & Ibrahim 2014).

### **2.2.1.3 Avoiding Style**

The avoiding style also known as suppression indicates low concern for self and others. Therefore an avoiding person fails to satisfy personal concern as well as the concern of the other party. It has been associated with withdrawal, buck-passing, sidestepping situations. As suggested by Rahim this style may take the form of postponing an issue until a better time, or simply withdrawing from a threatening situation. This style often reflect little concern toward the issues or parties involved in conflict, and the attitude to refuse or denying to acknowledge the existence of a conflict in public (Kassim & Ibrahim 2014 ; Rahim 2001).

### **2.2.1.4 Compromising Style**

Compromising Style indicates intermediate concern for self and others. The styles sees both parties involved in give and-take or sharing solutions, whereby both parties accept to give up something to make mutually acceptable decisions. Compromising style may involve splitting the difference, exchanging concession, or seeking a quick, middle ground position. A compromising person or party gives up more than a dominating but less than an obliging person or party. Similarly a compromising person or party addresses an issue more openly than an avoiding person or party but does not explore alternative solutions as an integrating person or party. Rahim suggested that would be possible to get more insights if

using the taxonomy of game theory for reclassifying the five styles of handling interpersonal conflict (Kassim & Ibrahim 2014; Rahim 2001).

### **2.2.1.5 Integrating Style**

Integrating Style can be reclassified to a positive-sum on nonzero-sum style, compromising to a mixed style, and obliging, dominating, and avoiding to zero-sum or negative-sum. Although Rahim (2010) indicated this possibility he warns on the risk of using the taxonomy "win" and "lose" used by the game theory for this reclassification. This may be misleading, as matter of fact, Rahim(2001) highlights that each of the five styles of handling interpersonal conflict may be appropriate, depending on the situation, therefore considered as a situation dependent "winning style".

## **2.3 Concept of Servant Leadership**

Servant leadership is one of the emerging theories of leadership and it is very different from the traditional trait, behavioral and situational theories (Sousa, & van Dierendonck, 2017). Coinciding with business interest in a more caring and responsible style of leadership, organizational scholars have shifted their attention away from leadership based on individualistic, self-serving tendencies towards more relational styles of leadership (Avolio et al, 2009). There has been tremendous conceptual and empirical research that has focused on servant leadership (Peterson 2003). It is a leadership style that transcends self-interest to serve the needs of others by helping them grow professionally and personally (Dennis & Bocarnea 2005). Servant leadership as first proposed by Greenleaf (1970) is a theoretical framework which stipulates that a leader's primary motivation and role is

service to others. Greenleaf first coined this modern term “servant-leadership” in 1970 in the essay entitled, “The Servant as Leader” (Spears, 1996). According to Greenleaf, servant leadership begins with the natural feeling that one wants to serve, to serve first then conscious choice causes one to aspire to lead (Greenleaf, 1991). Greenleaf was inspired to write about servant leadership when he read the book entitled “The Journey to the East” by Herman Hesse. The book is about a band of men on a spiritual journey.

Servant leadership seemed to cut across leadership theories while providing a foundational philosophy for those theories that emphasize principles relating to human growth. Servant leadership focused on the character of the individual (McFarland, Senn, & Childress, 1993). According to Laub (2004), servant leadership was not a style of leadership. Rather, it was a paradigm that reshaped our understanding and practice of leadership. Servant leadership held to the premise that only if the general health and development of individuals was initially facilitated, then the goals of the organization would be achieved long-term (Stone & Patterson, 2005). Laub (2004) summarized the servant leadership and servant leader concept into a servant organizational model.

According to Laub (2004), servant leadership was an understanding and practice of leadership that placed the good of those led over the interest of the leader. Servant leadership promoted the valuing and development of people, the building of community, the practice of authenticity, the providing of leadership for those being led, and the sharing of power and status for the good of everyone (Smith, Montagno, & Kuzmenko, 2004). The servant leadership model was based on the idea of the servant as the leader (Greenleaf, 1977).

Greenleaf (1977) noted that the servant-leader was a servant first. The servant-leader was sharply different from the leader-first person. The servant-leader enriched others by his presence, while understanding that the only authority that he possesses is that which is granted by those being led. Servant leadership viewed a leader as a servant of his followers. Servant leadership placed the interest of those being led before the interest of the leader, emphasized personal development and empowerment of followers (Greenleaf, 1977). Greenleaf (1977) also noted, "The best test (of a servant-leader) and difficult to administer, was: do those served grow as persons? Do they, while being served, become healthier, wiser, freer, more autonomous, more likely themselves to become servants? Furthermore, what is the effect on the least privileged in society? Will he benefit, or, at least, will he not be further deprived "Greenleaf (1977) suggested a *primus inter pares*, first-among-equals approach to leadership. With servant leadership, a leader existed, but the leader was not the chief. Greenleaf characterized a great leader as a servant first. By definition, servants were fully human. Servant-leaders were functionally superior because they were able to hear things, see things, know things, and they had an intuitive insight that was exceptional.

## **2.4 Research Methodology**

This study adopts quantitative approach to examine the relationship among the following variables employee performance, conflict management styles and servant leadership. It is a cross sectional survey design that intends to collect data covering a short period of time. This study focused on employee of manufacturing sector in Kano State north-western part of Nigeria. The Kano State of the North-west part of Nigeria is selected for this study because it has the

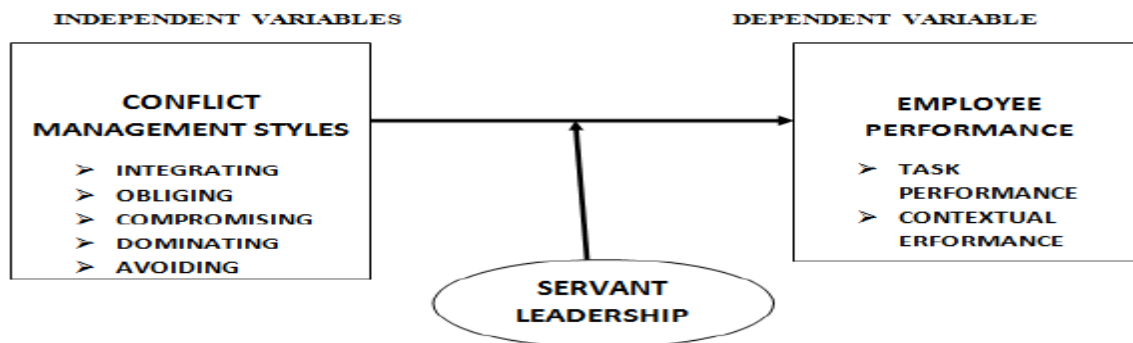


largest number of manufacturing company in the geo-political zone with a population number of 139 operational Manufacturing companies (MAN, 2021). Hence, Kano State represents the best area for the efficient operation and sustainability of the manufacturing organizations in the zone. The 139 companies have a total population of 545, 107 employees across the area of the study as at March (MAN 2021). The number of manufacturing sector was divided into four clusters based on the geographic regions (Sharada, Challawa, Tokarawa & Bompai) which these the study considered as the largest. This work was used proportionate stratified sampling, which is appropriate sampling design because the stratification provides the researchers more information with a given sample size (Sekaran & Bougie, 2013). The study used

application of Krejcie and Morgan (1970) model requires no calculation because they have developed a table for selecting an appropriate sample size. Therefore, the sample size for 545, 107 population is 381 employees.

### 2.5 Conceptual Framework

Based on the foregoing discussion and empirical evidence, a framework is developed to examine the relationship between conflict management styles on employee performance with moderating effect of servant leadership in the manufacturing industry of Kano state. According to Sekaran, (2003) the research framework is the central foundation where by other research structures extend the front line of knowledge. The research framework for this study is depicted in Figure below.



**Figure 1: Conceptual Framework Model**

### Conclusion

From the discussion thus far, it is quite evident that conflicts occur in organizations as a result of competition for supremacy, leadership style, scarcity of common resources, etc., From the literature that has been reviewed, it is clear that there is need to conduct more research on the relationship between conflict management on employee performance with moderating role of servant leadership. The challenges facing the manufacturing sector in many developing

countries including Nigeria suggest a need to transcend traditional rationality and move towards recognizing the pivotal role servant leadership plays, particularly leadership based on moral values in fostering employee performance. This paper proposes a model that would examine the moderating effect of servant leadership style on the relationship between conflict management and employee performance in some selected manufacturing organizations in Kano, Nigeria. Review of literature provided mixed results regarding

the relationship between conflict management styles, and employee performance. The proposed study would verify the pattern of link between workplace conflict management and employee performance using the servant leadership as moderator. In essence, the proposed model of this study would highlight the importance of moderating power of servant leadership on the relationship between conflict management and employee performance.

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# Promotional Strategies and the Performance of Small and Medium Enterprises in Gombe State

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## Abstract

*This study examines impact of promotional strategies on the Performance of Small and Medium Term Enterprises in Gombe Metropolis. The study employed a survey research design. A well-structured questionnaire was designed to elicit response from the respondents. Ninety five (96) copies of questionnaires were collected and analyzed for the study. The data generated from the field survey were presented and analyzed in tables. The test of hypothesis was performed using the chi-square statistical test. The result arising from the primary data tested at a 0.05 coefficient interval and degree of freedom revealed that all the promotional strategies (Advertisement, Personal selling and sales promotion) have effects on the Performance of Small and Medium businesses in Gombe State. The need to embark on promotional strategies to achieve continuous operation and an aggressive competitive message about their company and its products has become an issue of concern to any results driving firm. The study concluded that, promotional strategies are one of the primary tool that assist companies in improving their profit levels. The study recommended that organizations increasingly integrate effective promotion into their activities in order to improve their profitability and compete favorably in the market.*

**Keywords:** SMEs, Strategies, Marketing, Performance, Promotion

## 1.0 Introduction

Over the years, concerted efforts have been made by various administrations in Nigeria to attain the desired industrial growth and development, but little was achieved. In doing this, government's full attention was solely on the large-scale industries with less or no attention on the small and medium

scale enterprises (Doreen 2014). Many small and medium enterprises (SMEs) failed to expand due to Promotional Strategies, poor management, use of outdated technologies, stiff competitions from bigger firms, poor management of account receivables, unfavorable government policies, among others. According to Yaron (2017) previous studies revealed that poor access to loans and limited finance as the main causes limiting the growth of micro and small enterprises.

In the past, business organizations primarily focused on productions and the products alone but due to the dynamism and growing competition in the market place, organizations in this 21st century are looking forward to adopt customer-focused business in order to sustain a competitive advantage by combating the challenges of improving qualities of products, productivity and service delivery. There are many factors that could affect organizational performance. This includes the promotional strategies adopted by the organization.

Despite all these efforts, the contribution of SMEs to Nigeria Gross Domestic Product (GDP) remains very poor. Nigeria remains listed among the poorest countries of the world, with unemployment and poverty levels rising increasingly (World Bank, 2010). This is indicative of the inefficacy of micro, small and medium enterprises in helping address these problems.

In Nigerian economy, many manufacturers attempt to stimulate the demand for their products (goods/services). They are not satisfied merely to produce and trust to the chance that consumers will become aware of their products through the impersonal interplay of the market. As a matter of fact, profit making should not be the primary objective of any organization rather, quality product will satisfy consumers' needs and

enhance repeat purchase. Definitely the company will make some profit in order to remain in business. This is also applicable to the manufacturing industry, it is pertinent to mention that this will only be achieved when a company produces a quality product and this product is reasonably priced based on its value to the consumers and a good promotion employed to inform and create product awareness and the product is within the reach of the target consumers.

Although, there has been continuing researches in both the developed and developing countries with respect to the impact of promotional strategies that will inform, persuade rebuild and restore confidence in customers buying patterns (Akpan, 2010; Michael, 2002; Rafael, 2014; Ayuba, 2015; Frances & Stephen, 2006). This study therefore seeks to investigate how the promotional strategies affect SMEs performance in Gombe

### **Research Questions**

The following research questions have been formulated to guide the investigation

1. To what extent does advertising influence the performance of SMEs in Gombe state?
2. To what extent does personal selling influence the performance of SMEs in Gombe state?
3. To what extent does sales promotion influence the performance of SMEs in Gombe state?

### **Small and Medium Scale Enterprises**

The term small and medium-size enterprises (SMEs) vary from different bodies, organizations and institutions in Nigeria. This confirms that there is no specific and generally accepted definition of small and medium-sized enterprises. An SME according to the Central Bank of Nigeria is

one whose capital employed excluding land is between ₦1 million and ₦150 million and employs not more than 500 persons. The National Policy on Small and Medium Scale Enterprises defines SMEs with respect to the backdrop of number of persons employed and assets possessed. The National Council on Industry defined Small and Medium Enterprises (SMEs) as follows:

- i. Small scale Industry: Industry with asset base of more than ₦1.5 million but in excess of Small ₦50 million excluding cost of land but including working capital and/or a staff strength from 11 to 100.
- ii. Medium Scale Industry: Industry with asset base of more than ₦50 million, but not in excess of ₦200 million excluding cost of land but including working capital and/or a staff strength from 101 to 300.

The concept of performance has gained increasing attention in recent decades, being pervasive in almost all spheres of the human activity. Performance is a subjective perception of reality, which explains the multitude of critical reflections on the concept and its measuring instruments. The multitude of studies at international level in the field of performance is also due to the financial crisis that swept the economy globally, which has led to a continuing need of improvement in the area of performance of entities. The concept of company performance is often used in the scholarly literature, but it only rarely defined. Due to the large number of concepts employed in defining performance, it is more and more discussed the existence of a confusion of this concept. Thus, organizational performance is confounded with notions such as: productivity, efficiency, effectiveness, economy, earning capacity, profitability, competitiveness etc. For this reason, it is increasingly insisted on a clear

and unambiguous definition of the concept of performance. The term performance emerged in the mid-nineteenth century and was first used in defining the results to a sporting contest. In the twentieth century, the concept has evolved and developed a series of definitions that were meant to encompass the widest sense of what is perceived through performance. Currently, there is no performance independent to targeted objectives. Reaching the objectives translates with achieving the performance. Since the objectives of an organization cannot be defined precisely and are more and more numerous, the performance is more and more difficult to define, as it is a relative measure (Ali, 2016).

Performance is a widely used concept in many areas. Usually, performance is a measure of how well a mechanism/process achieves its purpose. In enterprise management, Moullin (2003), defines an organization's performance as "how well the organization is managed" and "the value the organization delivers for customers and other stakeholders." For the purposes of this research, 'performance' is related to achieving stockholder/investor interests.

## **2.6 SME's performance**

The concept of company performance is often used in the scholarly literature, but it is only rarely defined. Due to the large number of concepts employed in defining performance, it is more and more discussed the existence of a confusion of this concept. Thus, organizational performance is confounded with notions such as: productivity, efficiency, effectiveness, economy, earning capacity, profitability, competitiveness etc. For this reason, it is increasingly insisted on a clear and unambiguous definition of the concept of performance.



According to (Bremetal, 2008), Performance Measurement Systems (PMS) in Small and Medium enterprises shows that the main contributions focus on the development of theoretical models, but not on guidelines for practical implementation. In this context, performance established an important neglected aspect as the general fitness or readiness of an SME to implement a PMS. In this aspect, a case study in a German Small Medium Enterprises was conducted and the findings indicate that the existence of specific contingency factors - Corporate Strategy, software based Enterprise Resource Planning (ERP) and Activity Based Costing (ABC) – strongly supports the successful implementation of a PMS and its later use. Of course, to ensure a reliable performance measurement among SMEs, there is need to use the key Performance Indicators as adopted by many SME's. This is based on identifying what the business does in terms of levels of processes and attaching Key Performance Indicators to those processes.

According to Sudhir & Subrahmanya (2009) & Dalrymple (2004), growth over a period of time can be used for performance measurement of SMEs since this, rather than short term performance, will reflect the long-term strategy of the firm. The researchers (Sudhir & Subrahmanya) probed how far Indian SMEs carried out technological innovations as a result of technology and other related inputs acquired through subcontracting relationships and achieve growth using the case study approach covering two SMEs in Bangalore. It was established that customer requirements were the major causal factors while internal factors such as self-efforts and in-house technical capability along with external factors in the form of technical inputs, suggestions and initiative from Large Enterprises (LE) customers were the sources

of innovations for these SMEs. Because of these innovations, SMEs achieved growth in terms of investment in plant and machinery, output and customer base, which are ideal indicators of SME performance.

#### **Promotional Strategy:**

is the use or application of various marketing communication mix that attempts to introduce, build, persuade, inform, and encourage customers of the product or services that is available, which tend to focus on where to get it, how to get it, to whom to get it, its advantages in such a way that it enhances customer benefits and improves organizational performance.

Promotion is the use of communication mix or elements to inform and persuade individuals, groups or organizations to purchase a company's product or service (Michael R. Solomon, Greg W. Marshall & Elnora W. Stuart, 1997). Promotional mix is the combination of five key communication tools: advertising, personal selling, sales promotion, public relation and direct marketing (Chris Fill, 2006). A strategy is a comprehensive plan of actions that has to do with the application of skill and knowledge to achieve organizational vision and mission statements which normally leads to the attainment of organizational goals and objectives (Nzelibe, Moruku and Joseph, 2011). (as cited in Danladi and Ezekiel (2015).

Promotional strategies mix: these are promotional strategies that are independent variables (personal selling, advertisement and sales promotion) that determine organizational performances (profitability).

#### **Advertisement:**

Advertising communication can be conveyed through various mass media which include traditional media such as TV,

broadcasting, magazines, and newspapers (Belch & Belch, 1998). In addition, Internet industry becomes a new medium for businesses, especially provides a new living space for the growth and development of enterprises (Hamill, 1997).

Advertising as a marketing tool is used by business organization to inform consumer that the right product is available at the right place, right price and to convince the consumer to purchase them. Advertising comprises all messages that are paid for in the media owned and controlled by people other than the company making the advertisement. Therefore, advertising must be tailored towards consumers' satisfaction and organizational performance (Osogbo, 2014).

#### **Personal Selling:**

Personal selling is a direct spoken communication between sellers and potential customers, usually in person but sometimes over telephone. Personal selling serves as a communication bridge between the organization and the target audience. It is effective because it permits a direct two-way communication between buyer and seller. This gives the organization a much greater opportunities to investigate the needs of their consumers and a greater flexibility in adjusting their offers and presentation to meet these needs (Perreault and McCarthy, 2000; Doyle and Stern, 2006).

According to Kotler and Armstrong (2010) in today's hyper-competitive markets (including manufacturing industry) buying is not about transaction anymore; Company salespeople must know their customers businesses better than customers do and align themselves with customers' strategies. Personal selling remains an essential promotional mix element that listens to customers, assess customer needs, and

organize efforts to solve customers' problems.

#### **Sale promotion:**

Sales promotion is an initiative undertaken by organizations to promote increase in sales, usage or trial of a product or services (i.e initiations that are not covered by other elements of the marketing communication/promotional mix). Sales promotion is an important component of an organizations overall marketing strategy along with advertising, public relations, and personal selling. Sale promotion acts as a competitive weapon by providing an extra incentive for the target audience to purchase or support one brand over another. It is particularly effective in spurring product trial and unplanned purchases (Aderemi, 2003).

#### **Methodology**

The methodology adopted for this research study is survey research method. This methodological procedure enables the researcher elicit responses from the respondents through structured questionnaire. The population of the study was made up of 95 SMEs operating at both old and new markets in Gombe metropolis. The respondents were selected from the ten wards in the local government area out of which all the 92 respondents filled and returned our questionnaires. The researchers' structured research instrument formatted on a five-point Likert type of scale made of twelve items was used for data collection. The instrument has response options of Strongly Agreed (SA) 5points, Agree (A) 4points, Undecided (UN) 3points, Disagreed (D) 2points, and Strongly Disagreed (SD) 1point. The simple percentage and Chi-square were the two statistical tools of data analysis deployed to analyze the data retrieved from the field.

The simple percentage which is a descriptive tool for statistics was used for initial analysis, while the Chi-square was

employed in testing the hypothesis generated from the survey.

**Table 1:** The Demographic Characteristic of the Respondents

	Question	Response	Frequency	Percentage (%)
1.	Age	Below 20	-	-
		20 – 30	10	11
		31 – 40	28	29
		41 – 50	37	39
		51 – 60	15	16
		61 and above	5	5
	Total		95	100
2.	Marital Status	Single	22	23
		Married	67	71
		Divorced	6	6
		Total	95	100
3.	SME Location	Old Market area	18	19
		New Market area	35	37
		Other location	42	44
		Total	95	100
4.	Gender	Male	62	65
		Female	33	35
		Total	95	100
5.	Experience	Less than 4 years	32	34
		5 – 10 years	40	42
		11 – 15 years	15	16
		16 years and above	8	8
		Total	95	100
6.	Position in the firm	MD/CEO	83	87
		Manager	-	-
		Cashier/accountant	-	-
		Sales Assistant	-	-
		Other	12	13
		Total	95	100

Source: Field Survey, 2020

Table 1 above shows that for the age of the respondents, 10 of them with 11% fall between the age bracket of 20 – 30 years, 28 (29%) fall between the age bracket of 31 – 40 years, 37 (39%) fall between the ages of 41 – 50 years, 15 between 51 – 60 and 5 of them were 60 and above years this implies that majority of the SMEs in Gombe State

are run by people that are still strong and agile. On the response of marital status of respondents, 67 of them representing 71% are married; only 22 of them representing 23% are single and 6 respondents is divorced, it means that most the SMEs owners are married people whom probable are into business to find their daily bread.

On the location of the SMEs, 18 respondents run their business around Gombe Old Market area, 35 representing 37% operate their businesses in Gombe Main Market while 42 respondents run their businesses in other location within the state capital, this means that many SMEs operate even outside market areas. On the sex of the respondents, 62 (65%) of them male and 33 (35%) are female. There are more male SMEs operators than female in Gombe State. On the business experience, 32 of the respondents has less than 4 years business

experience, 40 of them have 5 – 10 years experience, 15 have 11 – 15 years of business experience while 8 (8%) of them have 16 years and above experience. Most of the SMEs owners are well experienced enough to run the business.

The table above also showed that the respondents to this study are MD/CEO and Manager who manage their enterprises and who can only make a decision especially with regard to employment generation. 83 representing 87% of the respondents are MD/CEO and 12 (13%) constitute of others.

Table 2:. Respondents’ Responses to Research Question

S/N	Statement	SA	A	N	D	SD	TOTAL
1.	Advertising influence the performance of SMEs in Gombe state	50 (53%)	33 (35%)	0 (0%)	9 (9%)	3 (3%)	95
2.	Personal selling improves the performance of SMEs in Gombe state	35 (37%)	40 (42%)	2 (2%)	12 (13%)	6 (6%)	95
3.	Sales Promotion affects the performance of SMEs in Gombe state	25 (26%)	65 (69%)	5 (5%)	0 (0%)	0 (0%)	95

Source: Survey 2022

From the above table 2 respondents, representing 53% strongly agreed that Advertisement has effect on the SMEs performance in Gombe, 33 respondents, representing 35% strongly agreed. While 9% disagreed and also 3% strongly disagreed that Advertisement has effect on the SMEs performance in Gombe.

On the issue of whether Personal selling improves the performance of SMEs in Gombe state. 35 respondents, representing 37% strongly agreed, 40 respondents,

representing 42% agreed, 2 respondents, representing 2% neutral, while 12 respondents, representing 13% disagreed and 5 respondents, representing 6% strongly disagreed that Personal selling improves the performance of SMEs in Gombe state.

On the issue of whether all Sales Promotion affects the performance of SMEs in Gombe state. 26% strongly agreed, 69% agreed that all SMEs have the ability to comply with the multiple taxes imposed on them while 5% neutral.

### Test of Hypotheses one

Table 3 CHIS SQUARE CONTINGENCY TABLE

Variables	O	E	O - e	O - e <sup>2</sup>	O - e/E
Strongly agreed	50	12	38	144	12
Agreed	33	12	21	441	36.75
Moderately agreed	0	12	-12	144	12
Disagreed	9	12	-3	9	0.75
Strongly disagreed	3	12	-9	81	6.75
Calculated chi-square					68.25

The calculated chi-square value  $x^2 = 178.16$

Degree of freedom

Df = (r-1) (c-1)

Df = (5-1) (2-1)

Df = (4) (1)

Df = 4

Using 0.05(5%) level of significance, the table value  $t_1 = 9.49$

The chi-square value calculated is  $x^2 = 68.25$

### Decision rule:

If the calculated chi-square ( $X^2$ ) value is greater than the table value ( $t_1$ ), then the null hypothesis ( $H_0$ ) is rejected and the alternative hypothesis ( $H_1$ ) is accepted  
 Decision: Since the calculated chi-square value ( $x^2 = 68.25$ ) is greater than the table value ( $t_1 = 9.49$ ) the null hypothesis is rejected and the alternative hypothesis is then accepted.

### Test of Hypotheses Two

Table 4 CHI-SQUARE CONTINGENCY TABLE

Variables	O	E	O - e	O - e <sup>2</sup>	O - e/E
Strongly agreed	35	12	23	529	44.1
Agreed	40	12	28	784	65.3
Moderately agreed	2	12	-10	100	8.33
Disagreed	12	12	0	0	0
Strongly disagreed	6	12	-6	36	3
Calculated chi-square					120.07

The calculated chi-square value  $x^2 = 168.49$

Degree of freedom

Df = (r-1) (c-1)

Df = (5-1) (2-1)

Df = (4) (1)

Df = 4

Using 0.05(5%) level of significance The table value  $t_1 = 9.49$

The chi-square value calculated is  $x^2 = 120.07$

### Decision rule:

If the calculated chi-square ( $X^2$ ) value is greater than the table value ( $t_1$ ), then the null hypothesis ( $H_0$ ) is rejected and the alternative hypothesis ( $H_1$ ) is accepted.

### Decision:

Since the calculated chi-square value ( $x^2 = 168.49$ ) is greater than the table value

( $t_1=9.49$ ) the null hypothesis is rejected and

the alternative hypothesis is then accepted.

### Hypothesis Three

**Table 5 CHI-SQUARE CONTINGENCY TABLE**

Variables	O	E	O - e	O - e <sup>2</sup>	O - e/E
Strongly agreed	25	12	13	169	14.08
Agreed	65	12	53	2809	234.08
Moderately agreed	5	12	-7	49	4.08
Disagreed	0	12	-12	121	10.08
Strongly disagreed	0	12	-12	121	10.08
Calculated chi-square					272.4

The calculated chi-square value  $x^2 = 193.49$

Degree of freedom

$Df = (r-1) (c-1)$

$Df = (5-1) (2-1)$

$Df = (4) (1)$

$Df = 4$

Using 0.05(5%) level of significance, The table value  $t_1 = 9.49$

The chi-square value calculated is  $x^2 = 272.4$

### Decision:

Since the calculated chi-square value ( $x^2 = 272.4$ ) is greater than the table value ( $t_1=9.49$ ) the null hypothesis is rejected and the alternative hypothesis is then accepted.

### Summary of Findings

Based on the analysis made above, the study arrived at the following findings;

1. Advertisement has significantly improves the performance of SMEs Gombe state.
2. Personal Selling has significantly improves the performance of SMEs Gombe state.
3. Sales Promotion has significantly improves the performance of SMEs Gombe state.

### Conclusion/ Recommendation

This study indicates the effects of promotional strategies on organizational performance (profitability). As indicated in the work there is four promotional strategies (Sales promotion, Advertisement, Personal selling and public relations), but only three promotional mix (sales promotion, Advertisement and personal selling) where discuss, on account of it is only promotional elements used by the organization of the case study.

1. Special attention should be focused on Advertisement by SMEs owner to improve their performance.
2. Sales Promotion should consider the effect of factors such as location, product, and services (characteristics) on how to choose promotional mix to be selected.
3. One on one engagement by SMEs owners is also encouraged as it have the capacity to boost performance

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# Effects of Bank Size and Loans-to-Deposit Ratio on Non-Performing Loans of Listed Deposit Money Banks in Nigeria

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Administration

## Abstract

*The study examines the effect of bank size and loans-to-deposit ratio on non-performing loans of listed Deposit Money Banks (DMBs) on the Nigerian exchange group (NGX). The population of the study are all the thirteen (13) listed DMBs were used for the purpose of this research. Data from annual reports and accounts of the DMBs for the period 2005-2020 were analysed by way of multiple linear regressions analysis using STATA 12.0. The results showed that both bank size (BSZ) and Loans-to-deposit ratio (LDR) have significant negative effects on non-performing loans(NPL) of listed DMBs in Nigeria. The study recommends that banks should increase the size of their assets by way of increasing the various components of the banks' assets in order to minimize and keep NPLs as low as possible.*

**Keywords:** *Non-Performing Loans (NPLs), Bank Size (BSZ), Loans-to-Deposit Ratio (LDR)*

## 1.0 Introduction

The importance of the financial sector, particularly banks, in today's global industrialization cannot be overstated. Bank is a business entity that collects funds from the public in the form of deposits and distributes funds to the public in the form of credit and / or other forms. (Brastama & Yadnya, 2020). Loans represent a significant portion of banks assets. These loans sometimes turn to nonperforming loans when either or both the principal and the interest element are not paid by customers. According to Taiwo and Mike (2021), a loan is considered to be non-performing when a bank affirms that a customer (debtor) cannot fulfil his/her obligation in relation to payment of interest and/or principal as at when due. These non-performing loans have adverse effects on bank's liquidity and profitability which

are the key components of the general efficiency of banks because any increase in NPLs diminishes income and further leads to a mismatch of maturities between asset and liability and consequently leads to liquidity risk which deteriorates bank's overall credit rating (Ihegboro & Egbo, 2021). The size/volume of the NPLs should be of special concern because it represents health and profitability. Furthermore, NPLs are burden for both the lender and borrower because it contracts credit supply and distort allocation of credit. The banking sector/industry is extremely sensitive due to the fact that deposit liabilities account for more than 85% of banks obligations. (Yulianti & Aliamin, 2018).

Bank size as one of the bank-specific attributes, is expressed in terms of total assets, indicates how much funds the bank has and how much money the bank invested in other assets to make more money. Larger banks are expected to perform better because of the advantage of economy of scale (Irawati *et al.*, 2019). Furthermore, larger banks would be able to adopt good practices stemming from the huge resource at hands.

Another important bank-specific attribute is the Loans-to-Deposits Ratio (LDR). The LDR is an indicator of bank's ability of a bank to meet customer demands for withdrawals (Rizqi & Nasution, 2020). It is important that DMBs pay attention to LDR in order to remain liquid enough to meet customer demands on one hand and to create loans to achieve profitability. The higher the LDR ratio, the higher the profit.

Nigerian DMBs tend to have suffered the plight of Non-Performing Loans (NPLs) in recent times in no small quantum (CBN 2018). The NPLs of the DMBs based on CBN selected banking data (2018) shows that it has continued to rise from N286

Billion in the fourth quarter of 2012, to a high N2.245 Trillion in the fourth quarter of year 2018, similarly the ratio of non-performing loans to total loans increasing from 3.71% in the fourth quarter of year 2012 to a record high 14.31% in the same quarter of year 2017. These high NPLs are burden to both the lenders as well as the borrowers because of credit crunch by every of contraction in credit supply and distribution of credit that consequently show economic growth of a country. The CBN in 2019, adjusted the minimum LDR upward from 30% to 60%. In the same year (2019), it was further increased to 65%. The actual LDR of the DMBs according to statistical Bulletin of CBN (2019) was 64.24% in 2014 and 60.10% in 2019.

The main objective of this study is to examine the effect of bank-specific attributes on non-performing loans of listed deposit money banks in Nigeria. Other specific objectives are as follows:

- i. To investigate the effect of bank size on non-performing loans of listed DMBs in Nigeria.
- ii. To determine the effect of loan to deposit ratio on non-performing loans of listed DMBs in Nigeria.

#### **Statement of the Hypotheses:**

**H<sub>01</sub>:** Bank size has no significant effect on non-performing loans of listed DMBs in Nigeria.

**H<sub>02</sub>:** Loan-to-Deposit Ratio has no significant effect on non-performing loans of listed DMBs in Nigeria

## **2.0 Literature Review**

### **Bank Size**

Bank size is considered as an important determinant of lending to the DMBs subsectors just like any other form of

lending because large and complex banks tend to provide lending to facilities in an economy. The size of DMBs as well as other banks can be from their total assets. Banks with large total assets reflect how established they are.

Bank's size is seen from of total assets of banks. Stern and Feldman (2004) find that large banks are able to take excessive risk by using leverage to extend loans. Meanwhile, the bank's size can be negatively correlated to NPLs. A bank's size indicates a higher likelihood of a diversified loan portfolio, thereby lowering risk and a higher probability of achieving target returns. Salas and Saurina (2002) found a negative correlation between bank size and NPLs. It has also found that size of a bank and bank operating efficiency are inversely related to bank asset quality. Small banks manage loans portfolio efficiently relative to large commercial banks. The fact of this relationship is that, small banks explore valuable information that is used to evaluate loans issuance and monitor performance of loans advanced to customer. For this reason, quality of borrowers from small banks is improved which in thus improves bank loan quality of small bank relative to large banks. Bank size affects negatively bank asset quality as document by Stern and Feldman (2004). Louzis et al. (2012) on the other hand found that bank size does not influence loan quality of the bank.

### **Loan-to-Deposit Ratio**

The Loan-to-Deposit Ratio (LDR) is the ratio of the total outstanding loans of the bank over a certain period to the total balance of deposits over the same period, expressed as a percentage. Generally, the LDR can be used by analysts and regulators as a measure of liquidity risk in the banking sector. Liquidity is the ability of a bank to meet a minimum or no loss of cash demand.

The liquidity power of the bank should be considered as having an impact on the success or failure of the bank (Diamond & Dybvig, 1983).

It is also noted that if a bank finds too few deposits to fund loans, it must rely more on non-deposit sources of funds such as the Interbank market, repurchase agreements, commercial paper, etc., the availability and price of which are more sensitive to economic conditions than to deposit funds. Therefore, if these funds become too expensive or dry because of a changing economy, the health of the bank could possibly be threatened. Furthermore, the LDR is monitored to ensure that there is ample liquidity to cover loans in the event of an economic downturn, in particular when large withdrawals of short-term funds occur (Disalvo & Johnston, 2017).

### **Non-Performing Loans (NPL)**

Non-performing loan generally refers to loans that do not generate income for a relatively long period of time; that is, the principal and/or interest on these loans has been left unpaid for at least 90 days. These loans could negatively affect the level of private investment, increase deposit liabilities and constrain the scope of bank credit to the private sector by reducing the capital of banks, falling savings rates as a result of bank runs, accumulation of losses and, concurrently, increasing provisions to compensate for these losses. Impaired loans also have a potential to reduce private consumption and, in the absence of deposit-guarantee mechanisms to protect small depositors, they can be a source of economic contraction, especially when coupled with declining gross capital formation in the context of a credit crunch caused by the erosion of bank equity and assets (Fofack, 2005).

A bank loan is considered non-performing when more than 90 days pass without the borrower paying the agreed instalments or interest. Non-performing loans are also called “bad debt” (European Central Bank, 2016). The term Non-Performing Loans is used interchangeably with Bad Loans and Impaired Loans as stressed by (Fofack, 2005). Similarly, Berger and De Young (1997) also describe these types of loans as "problem loans." In a broad context, loans that have been outstanding for both interest and principal for a period contrary to the terms and conditions set out in the loan agreement are considered to be non-performing loans. (Gorther, 2001).

### **Empirical Review**

Taiwo and Mike (2021) examined the effect of non-performing loans on liquidity of Deposit Money Banks (DMBs) in Nigeria. A panel regression analysis was performed on a data of 15 quoted DMBs from 2009 to 2019, in order to examine the correlation between the explained variable (banks' liquidity) and Non-Performing Loans (NPL) while other explanatory variables- Capital Adequacy Ratio (CAR), Bank Size (BS), Loan Growth (LG), Monetary Policy Rate (MPR), Gross Domestic Product (GDP) and Inflation were taken into consideration. Data were extracted from the banks' yearly financial statements and the World Bank Financial Statistics. Based on the empirical findings, the study found only four variables-Non Performing Loans, Capital Adequacy Ratio, Bank Size and Inflation significantly related at 5% significant level with banks' liquidity while the other three; Gross Domestic Product, Loan Growth and Monetary Policy Rate were identified as insignificant. The finding also revealed that NPLs has negative effect on banks' liquidity while CAR, BS and INF showed positive relationship. The study recommends strict

compliance of banks with the NPLs tolerable limit set by the Central bank. It also suggests that the CBN take proactive measure to ensure the banks' compliance with the minimum capital requirement. This author mixed the bank specific variables and microeconomic variable.

Le *et al.* (2020) examined empirical evidence to show that larger banks are more efficient than smaller banks in developed countries. However, there is very little empirical evidence to show that in small developing economies, such as Vietnam, bank size is associated with increased risk, especially credit risk. The study provides empirical evidence to fill in this gap. The study employs a slack-based directional distance function using the intermediation approach in measuring the inefficiency of banks in Vietnam during the period 2006–2015. Non-performing loans are used as an undesirable output to capture credit risk. The results show that small banks are more efficient than large banks at the mean level and across the entire distributions of inefficiency of the two groups. Input waste, output shortage and risk surplus of big banks are nearly three times higher than those of small banks. The results are robust under constant and variable returns to scale for production technologies. The study's empirical results contribute to the ongoing debate on the merits of enlarging bank size in a small transitional economy and suggest that policy makers should pay attention to the risk and inefficiency of large banks to enhance the performance of Vietnam's banking system as a whole. The study used the non-radial slack-based directional technology distance function developed by Grosskopf and Sarin (2010) to estimate the efficiency of banks using the data envelopment analysis technique. Data for 44 commercial banks are used. The empirical results of the study contribute to the ongoing

debate on the merits of enlarging bank size in a small transitional economy and suggest that policy makers should pay attention to the risk and inefficiency of large banks to improve the performance of Vietnam's banking system as a whole. Similarly, Nigeria a developing country like Vietnam's similar study need to be done.

Singh *et al.*, (2021) assessed the effect of Non-Performing Loan (NPL) of Nepalese conventional banks. The population of this study is major commercial banks in Nepal and the data obtained for this study was from the period 2015–2019. The study used secondary data and it is collected from each bank's annual report and GDP and Inflation taken from the World Bank database. The study used NPL as a dependent variable while BSZ as independent/ variable. The study found that BSZ has a significant effect on NPL. Furthermore, there is need to conduct similar study using our commercial banks data in Nigeria to see the difference.

## **Theoretical Framework**

### **Institutional Memory Hypothesis**

The underpinning theory of the study is institutional memory hypothesis by Allen S. Berger and Gregory Udell (2003) was developed to describe and explain the procyclicality of bank lending. The basis of this model lies on dualistic assumption. On the one hand, the authors of this hypothesis assume that the alternating periods of boom and bust in lending are determined by the horizons of loan officers' memory - the farther away from the previous crisis, the higher the willingness to accept risk. On the other hand, the life cycle of the loan officer is of great importance diminishing the role of experts with accumulated experience inevitably leads to the recruitment of new professionals with no relevant experience, which also contributes to decreasing

perception and evaluation of risks. Thus, the interaction of these two factors brings to life the procyclicality in the bank lending behaviour. The core of this hypothesis is availability heuristic, which presents itself as a cognitive shortcut to different pieces of information, held in short-term memory. The farther a piece of information is from reality, the harder it is to recall. The breakpoint for behavioural economics (and biases as well as heuristics being its subject) lies in the beginning of the 1970s. An important role of availability heuristic, as well as the role for memory in the resulting behaviour of economic agents, was stressed by Amos and Kahneman (1973), arguing the importance of the availability effect in judgments and evaluation of probabilities. This paper gave rise to much research in the field, especially in studying the linkages and mechanism of short-term memory affecting risk attitude (Thorsten Pachur, Ralph Hertwig, and Florian Steinmann 2012; Pamela R. Haunschild, Francisco Polidoro Jr., and David Chandler 2015). The institutional memory hypothesis is very common and popular and has been repeatedly verified in a variety of ways based on data sets taking into account the national specificities of different countries. For example, in the work of Christa Bouwman and Ulrike Malmendier (2015), an analysis of the credit inspectors' reports of U.S. banks is presented. The results of the analysis confirm the institutional memory hypothesis. Also, in some empirical studies by Malmendier and Stefan Nagel (2011) and Malmendier, Geoffrey Tate, and Jon Yan (2011) an importance of the overconfidence effect influencing the quality of loans granted is stressed. To similar conclusions come a number of other authors (Sendhil Mullainathan 2002; Rötheli 2012). The influence of experience on the formation of confidence in current and future periods in

banking activity also points to the paper of Chia-Pin Chen *et al.* (2012). Based on the analysis of data of the credit activity of commercial banks in Taiwan over the period from 1991 to 2007, the authors of the study also come to the conclusion about the existence of periods of underestimation and overestimation of credit risk, which is potentially associated with the effect of institutional memory, disaster myopia, or herd behaviour. However, the exact answer about the reasons for the underestimation and overestimation of credit risk is not presented in the study. Similar results on the role of experience in risk perception and risk-taking behaviour were obtained by other authors (Yao-Min Chiang *et al.* 2011; Anjan 2015; Sergey, Samuel, and Adi Sunderam 2016). A special role for future beliefs and expectations based on past and current experiences points to the study of Costas Azariadis, Leo Kaas, and Yi Wen (2016), assuming an interaction of availability and representativeness heuristics. Taking into account a huge number of empirical tests of the institutional memory hypothesis, none of them unfortunately allows giving a clear answer about the nature of this effect. In other words, the statistical data for empirical tests only indirectly confirm the existence of the institutional memory hypothesis and the role of availability heuristic in it. Our study differs from all previous tests of this hypothesis using experimental methods of research, which allow not only confirming or refuting the hypothesis but also to determine the mechanism of the institutional memory effect as well as whether the cyclical underestimation and overestimation of credit risk by credit agents really takes its place. It is also important to notice that research on the availability heuristic making decisions under uncertainty and risk was conducted repeatedly and this served as an

additional argument in favour of the institutional memory hypothesis. However, studies of this heuristics in the context of financial markets and specifically credit cycles were not conducted. In contrast to existing studies of the institutional memory hypothesis, first, our study is based on the use of experimental research methods. Second, unlike other studies on the role of the availability heuristic, the experiment is carried out in the lending environment, where loan solicitation and confirmation are separated in such a way that the loan officer who approves the loan is not in contact with the borrower. Thus, we eliminate the potential effects associated with the reaction in the system of interpersonal relations. These facts determine the relevance and purpose of our research. Our main objective is testing the institutional memory hypothesis on the subject of its viability. In addition, we try to identify the sources of procyclical lending behaviour. Our assumption at the core of the institutional memory effect lays the availability heuristic, *ceteris paribus* generating a cyclical effect of underestimating risk on the phases of recovery and overestimating risk during the recession phase.

### **3.0 Methodology**

#### **Population and Sample Selection**

The population of this study is made up of (13) listed deposit money banks on the floor of the Nigerian Stock Exchange from year 2005 to 2020 (Access Bank PLC, Ecobank Nigeria PLC, Fidelity Bank PLC, First City Monument Bank (FCMB) PLC, First Bank of Nigeria (FBN) PLC, Guaranty Trust Bank (GTB) PLC, Union Bank of Nigeria PLC, United Bank for Africa (UBA) PLC, Zenith Bank PLC, Sterling Bank PLC, Unity Bank PLC, Stanbic IBTC Bank PLC, and Wema Bank PLC. This period is considered a post recapitalization period for DMBs. As at

December, 2020, 13 Deposit Money Banks were listed on the exchange. In this study the entire population will be studied. This is due to the small size of the population; however, this study applied census method.

### Data Source and Analysis Method

Secondary data were collected from annual reports and accounts of the sample banks for a period of sixteen years (16), from 2005 to 2020. To examine the effect of bank specific attributes on non-performing loans of listed Deposit Money Banks in Nigeria, panel data methodology of Ordinary Least Square (OLS), Fixed Effect (FE) and Random Effect (RE) was employed in analyzing the data. STATA software version 12.0 was used in data analysis.

### Study Variable and their Measurement

**Table 1:** Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min.	Max.
NPL	208	.1012228	.1159998	.0003	.74
BSZ	208	11.98597	.5351833	10.28859	13.01028
LDR	208	.614825	.1977078	.0355039	1.229165

**Source:** Computed by the Author from Annual Reports of the Banks (2005-2020) using STATA 12.0.

From Table 1, it can be observed that the number of observations for each variable is 208, with the study period of 16 years. The non-performing loans have a mean of .1012. This implies that on the average, the banks have .1012 as non-performing loan per every naira value of loan given, with the minimum and maximum values of .0003 and .74. Bank size have the mean value of 11.99 implying that on the average, banks in Nigeria have a bank size of 11.99 with a maximum value of 13.010 and minimum value of 10.29. Loan to deposit ratio has the mean value of .6148 which implies that, on the average, banks in Nigeria have .6148 as total loan value per every naira of asset. The

Two sets of variables were used in this study, namely, the dependent variable and the independent variables. Consistent with the prior studies of Siddique, Masood, Javaria and Huy (2020). Le et al., (2020), Nguyen and Chau (2021) Sikanda et al., (2021) among others, this study uses non-performing loans (NPLs) as dependent variable which was measured by the ratio of non-performing loans to total loans. Bank size (BSZ) and LDR are the independent variables. BSZ is measured by the log of total assets while LDR is measured by the ratio of total loans to total deposits.

## 4.0 RESULTS AND DISCUSSION

### Descriptive statistics

Table 1 presents the descriptive statistics of the variables used in the study.

minimum and the maximum values of LDR are 0355 and 1.2292 respectively.

### Correlation Result

Table 2 presents the correlation matrix of the variables used in the study.

**Table 2:** Correlation Matrix of the Variables

Variables	NPL	BSZ	LDR
NPL	1.000		
BSZ	-0.4289	1.000	
LDR	-0.2089	0.2474	1.000

**Source:** Computed by the Author from Annual Reports of the Banks (2005-2020) using STATA 12.0

The correlation result in Table 2 shows the correlation coefficients on the relationship between the dependent variables (non-performing loans) and independent variables (bank size and loan to deposit ratio). The values of the correlation coefficient range from -1 to 1. The sign of the correlation coefficient indicates the direction of the relationship (positive or negative). The correlation coefficients on the main diagonal are 1.0, because each variable has a perfect positive linear relationship with itself. From Table 2, it can be seen that non-performing loans has negative relationship with bank size and loan to deposit ratio.

### Regression Result

This sub-section presents the regression results of the effect of bank specific attributes on non-performing loans of listed Deposit Money Banks in Nigeria. However, robustness tests of the model of the study were first presented. These are multicollinearity test and heteroskedasticity test.

Multicollinearity test was conducted to ensure that there is no linear relationship between two or more independent variables.

When multicollinearity exists, it will be difficult to differentiate the individual effects of explanatory variables. The commonly used technique in determining the presence of multicollinearity is Variance Inflation Factor (VIF). The VIF in excess of 10 should be taken as an indication of multicollinearity (Gujarati, 2003). The results of the tests conducted revealed absence of multicollinearity evidenced from the VIF value of 1.07 for all the independent variables as shown in Table 3. Heteroskedasticity test was also carried out to ensure that there is no heteroskedasticity and regression fits all the values of the independent variables. A p-value of greater than 0.005 (5%) indicates absence of heteroskedasticity (Gujarati 2003). The result of the test conducted shows the p-value of 0.0000, thus suggests presence of heteroskedasticity. However, the problem has been taken care of by OLS robust test.

**Table 3:** Mutlicollinearity Test

Variable	VIF	1/VIF
bsz	1.07	0.938785
ldr	1.07	0.938785
Mean VIF	1.07	

**Table 4:** Regression Results

. regress npl bsz liq

	Robust					
npl	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
bsz	-.0871008	.0165993	-5.25	0.000	-.1198281	-.0543735
ldr	-.0642305	.0513689	-1.25	0.213	-.1655095	.0370485
_cons	1.184701	.2068406	5.73	0.000	.7768929	1.592508

**Source:** Computed by the Author from Annual Reports of the Banks (2005-2020) using STATA 12.0

Table 4 presents the regression result of OLS robust and. However, based on the panel data analysis, comparison has to be

made between the fixed effect and random effect estimations to select the appropriate estimation. The Hausman test was used by



the majority of economic researchers as a standard rule to choose between fixed effects and random effects. Therefore, if the p-value of Hausman test is less than 0.05, fixed effect result is more efficient, if otherwise, the reverse is the case. The result of Hausman test implies that the random effect estimation is preferable than fixed effect estimation (Table 4). Hence, the analyses were based on random effect estimation.

From the result, bank size has significant negative effect on non-performing loans of listed Deposit Money Banks in Nigeria. This indicate that the higher the size of the bank, the lower the non-performing loans. This finding supports the work of (Siddique, et al., 2020). Based on this result, the research hypothesis which states that bank size has no significant effect on non-performing loans of listed Deposit Money Banks in Nigeria is accepted.

According to the result, LDR has a negative relationship with non-performing loans. This indicate the higher the liquidity, the lower the non-performing loans. This finding supports the work of (Taiwo & Mike, 2021) Based on this result, the research hypothesis which states that liquidity has no significant effect on non-performing loans of listed Deposit Money Banks in Nigeria is accepted.

### Conclusion

i. Bank size has a negative effect on non-performing loans of listed Deposit Money Banks in Nigeria. This indicates that the bigger the size of a bank, the lower the non-performing loans. Based on this result, the research hypothesis which states that bank size has no significant effect on NPLs of listed DMBs in Nigeria is rejected.

ii. Loan-deposit ratio has a negative effect on non-performing loans of listed Deposit Money Banks in Nigeria. This indicate the higher the loan-deposit, the lower the non-performing loans Based on this result, the research hypothesis which states that loan to deposit has no significant effect on non-performing loans of listed Deposit Money Banks in Nigeria is accepted.

### Recommendations

- i. The study recommends that banks should increase the size of their assets by way of increasing deposit liabilities on one hand and also increasing their equity capital.
- ii. The study also recommends that banks should be giving out a higher proportion of their deposit as loans in order to minimize and keep NPLs as low as possible. While giving out high proportion of their deposit as loans, banks should strengthen their credit risk management practices to avoid a corresponding increase on NPL.

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## Impact of SMEDAN on the Growth of SMEs in Lokoja, Kogi State, Nigeria

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### Abstract

*The study examines the Impact of SMEDAN on the Growth of SMEs in Lokoja, Kogi State, Nigeria: Study of selected registered SME's within Lokoja Metropolis. It used primary data and the primary data used were questionnaire administered. The population size used for this study was pegged at 500 while Taro Yamane formulae were used to determine the 222 sample size. Purposeful sampling technique was adopted for the study while simple linear regression through the SPSS version 25.0 was used to analyze the data and tested the formulated hypothesis at 5% level of significance. The study revealed that there is a significant impact between developmental training programmes and profitability levels of SME's in Lokoja, Kogi State, Nigeria, thus concluded that SMEDAN within its functions and power should organize developmental training programmes and access to finance which impacts on the growth variables like profitability levels and business expansion of SME's. It was recommended that SMEDAN should organize different developmental training programmes like managerial skills acquisition, sales and marketing training, book-keeping and recording on regular basis so that the standard of products can be developed and improved upon via awareness and promotion, which could increase customer base and profitability level..*

**Keywords:** *Developmental Training Programmes, Business Expansion, Finance, Profitability Levels and SMEs*

### 1.0 Introduction

Small and Medium Enterprises (SME's) play an important role in industrialization process and economic growth for both developing and developed countries. Apart from increasing per capita income and output, SMEs create employment opportunities,

enhance regional economic balance through dispersal and generally promote effective resource utilization which is considered for engineering economic growth and development.

Some studies have attempted to show the relevance of small and medium enterprises (SME's) in the growth and development processes of the developed economies, and emphasize that SMEs are very relevant as engines through which the growth and development objectives of developing countries can be achieved. Among the areas of relevance is employment, contribution to gross domestic product (GDP) and export commodities (Oni and Daniyan, 2012). cited by (Oku, Obiakor and Obiwuru, 2013)

In Nigeria, SMEs account for fifty percent of employment on average and also fifty percent of its industrial output. SMEs represent about ninety percent of the industrial sector in terms of number of enterprises or firms, and however they contribute a meager one percent of GDP. With these, it is inappropriate when we are talking about countries or comparing countries like Thailand, India and Indonesia where SMEs contribute almost forty percent to GDP (Ariyo, 2004). Industrial and economic developments are flourished by SMEs in the country through efficient utilization of local resources; production of intermediate goods and services; transformation of rural technology. SMEs are the backbone, and there play a significant role in the business landscape of any country, but there are also faced with a lot of obstacles that make the sector not to contribute optimally to the economy. In this regard, Aregbeyen (1999) argues that the industrial development of Nigeria depends, to a large extent, on the growth and development of SME potentials. Although Nigeria witness reasonable but fluctuating

growth in the industrial sector, in 1957 the manufacturing sector account only two percent of the GDP and it rose to ten percent in 1972 and it further increase to sixteen percent in 1981. The industries helped to reduce unemployment, and provided a base for Agro based industrial take-off and helped the Nigerian economy to grow.

Consequently, in order to facilitate access to credit facilities of the above mentioned institutions, a technical support agency called small and medium enterprises development agency of Nigeria (SMEDAN) was also set up in 2003. The establishment of the agency is informed by the need to trigger the development of Nigeria's SMEs in a structure and efficient manner.

Similarly, the United Nations Conference on Trade and Development (UNCTAD) (2005) notes that small and medium-scale enterprises (SMEs) are important agents of development throughout the world, and that promoting a country's SME sector is vital for sustainable high employment rate and income generation and, as such, critical for achieving sustainable growth. UNCTAD, (2005) observes that, unfortunately, despite the general acceptance that SMEs are important contributors to the domestic economy, not many governments have framed policies to enhance their contribution or increase their competitiveness. Most governments do not even have reliable statistics on SMEs. It explains that the reasons for poor statistics on SMEs include lack of a uniform definition, high cost of an industrial census, and the fact that many SMEs do not register and remain outside the formal economy. This may have contributed to the less emphasis on SMEs sector development in Nigeria and, thus, the neglect of its relevance. It is against this background, the paper accessed the impact

of SMEDAN on the growth of SMEs in Lokoja, Kogi State, Nigeria.

Over the years, the federal government of Nigeria has set –up various programmes /measures to overcome some of the challenges facing the Small and Medium Scale Enterprises in Nigeria with a view to tackle them. Among these are:- the establishment of Small Industries Credit Funds (SICF) in 1971, Nigeria Bank for Commerce and Industry (NBCI) in 1973, Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) in 2003 to support SMEs operations in Nigeria.

In spite of the fact that SMEDAN has been in active operation since 2005, though established in 2003, with its establishment act empowering it to perform certain functions which are taken as the objectives and include providing management skills, entrepreneurial skills, access to finance and provision of adequate and efficient infrastructural facilities among others; SMEDAN seems not to have been able to assist SMEs effectively by carrying out the functions.

Today, these groups of enterprises (SMEs) are still confronted with several drawbacks and challenges which they have to overcome in order to operate and grow successfully. These challenges for example, lack of developmental training programme and access to finance is an obstacle which could hinder the growth of SME's in Lokoja, Kogi State, in terms of profitability levels and business expansion.

Therefore, this study covered the aforementioned managerial problems facing the Small and Medium Scale Enterprises (SME's) in the country, perhaps which prompted Nigeria's government to establish small and Medium Enterprises Development Agency of Nigeria (SMEDAN) for the

growth and development of Micro, Small and Medium Enterprises in the country.

### **Research Questions**

In order to actualize the objectives of this study, the following research questions were observed:

- i. To what extent does developmental training programme relate with profitability levels of SMEs in Lokoja, Kogi State?
- ii. To what extent does access to finance relate with business expansion of SMEs in Lokoja, Kogi State?

### **Methodology**

In this study, multiple regression method of generating relevant data from the field was used. The survey method investigates both the staff and management of the populations whose samples were chosen and studied in order to determine the relative incidence, distribution, and inter-relationship of variables in the study. This kind of survey, by definition, is a sample survey and is found more appropriate in describing and interpreting existing situations, questionnaire administration. The population of this study includes the employees of the selected 7 SME's within Lokoja Metropolis that are registered with SMEDAN, they are: Mosala Communication Enterprises, Samsalang Ventures, Emon Ventures, MosCom Enterprises, Golden Quarry Limited, Mahfist Resource Limited and B.B. Umar Livestock Market in Lokoja, Kogi State. The entire population was pegged at 500. Purposeful sampling technique was used in selecting the staff because they are the ones that actually have a direct contact with the management of SMEDAN. The purposeful sampling technique is a strategy in which particular settings, persons or activities are deliberately selected in order to provide information that

cannot be gotten from other sources. Also, the sample size was determined using the Taro Yemane (1967) sample size determination technique, which is:

$$n = \frac{N}{1+N(e)^2}; \quad n = \frac{500}{1+500(0.05)^2};$$

$$n = \frac{500}{1+500(0.0025)} \quad n = \frac{500}{1+1.25}$$

$$n = \frac{500}{2.25} \quad n = 222$$

Where; n= sample size, N= population size, e=error of margin 5% and 1= constant

The study collected data through primary sources, and the primary data used was a questionnaire administered to the staff of various SME's in Lokoja, Kogi State, based on SMEDAN and the growth of SMEs in the state. The instrument used for collecting data for the purpose of the study is a well-structured questionnaire. In addition, 5-point Likert scales ranging from 5(strongly agree) to 1(strongly disagree) were used to save the staff's time. The data collected was analyzed using regression analysis in SPSS programme.

The relationship among the study variables is captured as follows:

- SMEDAN - Developmental Training Programmes (DTP)
- Access to Finance (AF)
- SME's Growth - Profitability Levels (PL)
- Business Expansion (BE)

**Models:**

Hypothesis 1:

$$PL_i = \alpha_0 + \beta_1(DTP_i) + \beta_2(AFi) + e_i$$

Hypothesis 2:

$$BE_i = \alpha_0 + \beta_1(DTP_i) + \beta_2(AFi) + e_i$$

Where  $\alpha$  = Intercept

$\beta_1$  &  $\beta_2$  = coefficient of the independent variables

$e_i$  = Error Term, Stochastic Variable.

**Reliability Test of the Instrument**

In testing the reliability of the instrument, Cronbach's alpha was used. Cronbach's alpha is a good reliability coefficient that indicates how well items in the questionnaire set are positively correlated to one another, and it is the most widely used measure of internal consistency and reliability in management science. The result of the reliability test is shown below:

**Table1: Reliability Test**

Variables	Cronbach's Alpha
PL	0.75
BE	0.82
DTP	0.70
AF	0.87
Total	3.14

Source: SPSS output

Table 1 shows the reliability assessment of the indicator variables using Cronbach Alpha. The Cronbach coefficients of the items in the instrument are above the rule of thumb cut-off mark of 0.70 (Hatcher, 1994) and, therefore, the items are internally related to the factors they are expected to measure. The results of the Cronbach's alpha generated indicates that all the items for each dimension are high.

In this study, the survey research method of generating relevant data from the field was used. The survey method studies both staff and management staff of the populations whose samples were selected and studied in order to obtain the relative incidence, distribution and interrelationship of variables in the study, (Kerlinger 1999; Obasi 2000, Osuala, 2005). According to Osuala (2005: 255), this type of survey is a sample survey by definition and is more appropriate for describing and interpreting

existing situations through face-to-face interviews and questionnaire administration.

### Results and Discussion

A total of one hundred and fifty one (222) copies of the questionnaire were administered to the employees of the selected SME's of which 185 copies were properly filled out and returned for analysis while the remaining 37 copies were not returned. The collected data were presented and analyzed using correlation, ANOVA and simple linear regression. However, the hypotheses were tested at a 5% level of significance. The total number of

questionnaires returned shows that about 83.3% of the total administered were properly filled and returned by the employees of the selected SME's in Lokoja Metropolis. This shows a higher percentage rate among the respondents.

### Test of Hypotheses

#### Hypothesis One

**H<sub>01</sub>:** Developmental training programmes have no significant impact on the profitability levels of SMEs in Lokoja, Kogi State.

$$\text{Model 1: } PL_i = \alpha_0 + \beta_1(DTP_i) + \beta_2(AF_i) + e_i$$

**Table 2: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.782 <sup>a</sup>	.664	.012	.61310

a. Predictors: (Constant), DTP, AF

b. Dependent Variable: PL

Source: Author's computation, (2022)

From model summary table, the overall coefficient of multiple regression coefficients of multiple determination and adjusted form are 0.782, 0.664 and 0.012 respectively. This shows that about 78.2% of variations in the dependent variable were explained by changes in the explanatory

variables of the estimated model therefore the estimated model exhibits good fit. It further shows that 21.8% of the fluctuations in the profitability levels are caused by random disturbances or exogenous variables outside the regression therefore  $R^2$  is significant.

**Table 3: ANOVA<sup>b</sup>**

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	92.426	2	46.215	228.752	.000 <sup>a</sup>
Residual	29.149	183	.213		
Total	121.577	185			

a. Predictors: (Constant), DTP, AF

b. Dependent Variable: PL

Source: SPSS Output

From the table above, the analysis result of ANOVA showed F-test (228.752) and its

probability value (P-value) of 0.000 which is lower than 0.05 (that is 5% level of



significant). However, this effect is statistically significant due to the low probability value of the parameter of 0.000 which is lower than 0.05 (that is 5% level of significance). Therefore, the null hypothesis

( $H_{02}$ ) is rejected, and this illustrates further that developmental training programmes significantly impact on the profitability level of SMEs in Lokoja, Kogi State.

**Table 4: Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-.711	.212		-3.369	.000
DTP	.376	.055	.315	6.821	.000
AF	.041	.049	.007	2.137	.001

a. Dependent Variable: Variable: PL  
Source: Author's Computation (2022)

From the regression result table above, the following interpretation can be inferred; a unit change in DTP on the average, holding other independent variables constant will lead to an increase in PL by .376 units. However, this effect is statistically significant due to the low probability value of the parameter of 0.000 which is lower than 0.05 (that is 5% level of significance).

A unit change in AF on the average, holding other independent variables constant will

lead to an increase in PL by 0.041 units. However, this effect is statistically significant due to the low probability value of the parameter of 0.001 which is lower than 0.05 (that is 5% level of significance).

### Hypothesis Two

**H<sub>02</sub>:** Access to finance has no significant impact on the business expansion of SMEs in Lokoja, Kogi State.

$$\text{Model 2: } BE_i = \alpha_0 + \beta_1 (DTP_i) + \beta_2 (AF_i) + e_i$$

**Table 5: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.804 <sup>a</sup>	.756	.701	.31196

a. Predictors: (Constant), DTP, AF  
Source: Author's computation, (2022)

This shows that about 80.4% of variations in the dependent variable were explained by changes in the explanatory variables of the estimated model therefore the estimated model exhibits good fit. It further shows that

19.6% of the fluctuations in the business expansion are caused by random disturbances or exogenous variables outside the regression therefore  $R^2$  is significant.

**Table 6: ANOVA<sup>b</sup>**

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	95.625	2	47.813	227.681	.000 <sup>a</sup>
Residual	30.297	183	.210		
Total	125.922	185			

a. Predictors: (Constant), DTP, AF

b. Dependent Variable: BE

Source: SPSS Output

From the table above, the analysis result of ANOVA showed F-test (227.681) and its probability value (P-value) of 0.000 which is lower than 0.05 (that is 5% level of significant). However, this effect is statistically significant due to the low probability value of the parameter of 0.000

which is lower than 0.05 (that is 5% level of significance). Therefore, the null hypothesis ( $H_{02}$ ) is rejected, and this illustrates further that access to finance significantly impact on the business expansion of SMEs in Lokoja, Kogi State.

**Table 6: Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-.526	.229		-2.290	.009
DTP	.457	.024	.215	9.784	.000
AF	.520	.063	.392	8.250	.000

a. Dependent Variable: BE

Source: SPSS Output

Form the regression result table above, the following interpretation can be inferred; a unit change in DTP on the average, holding other independent variables constant will lead to an increase in BE by .457 units. However, this effect is statistically significant due to the low probability value of the parameter of 0.000 which is lower than 0.05 (that is 5% level of significance).

A unit change in AF on the average, holding other independent variables constant will lead to an increase in BE by 0.520 units. However, this effect is statistically significant due to the low probability value of the parameter of 0.000 which is lower than 0.05 (that is 5% level of significance).

### Major Findings

**H<sub>01</sub>:** Developmental training programmes have no significant impact on the profitability levels of SME's in Lokoja, Kogi State.

From model one, the probability value of developmental training programmes is 0.000 which is lower than 0.05 (5% level of significance). This implies that developmental training programmes are statistically significant, thus we reject the null hypothesis.

**H<sub>02</sub>:** Access to finance has no significant impact on the business expansion of SMEs in Lokoja, Kogi State.

From model two, the probability value of access to finance is 0.000 which is also lower than 0.05 (that is 5% level of significant). Therefore, the null hypothesis ( $H_{02}$ ) is rejected, and this illustrates further that access to finance significantly impact on the business expansion of SMEs in Lokoja, Kogi State.

### **Discussion of Findings**

From the outcome of the data analyses, it is obvious that SMEDAN responsibilities (developmental training programmes and Access to finance), if properly carried out, has significant impact on the growth (profitability levels and business expansion) of SMEs in Lokoja Kogi State and Nigeria at large. The responses from the administered questionnaire to the staff of the selected SMEs in Lokoja, Kogi State have reviewed the impact of SMEDAN on the growth of SMEs in Nigeria: –profitability levels and business expansion of SME's in Nigeria.

The tested hypotheses showed that there is a significant relationship between the independent variable (SMEDAN) and the dependent variable (SME's Growth) and these findings are in tandem with the findings of Osotimehin, Charles, Babatunde, and Olajide (2012), Oluchukwu, (2012), Kadiri, (2012) and Obamuyi, (2007). The study is also in conformity with the system theory. The Systems theory was used for this study because of the input through the output components. SMEDAN as an organization was established and given resources to act and produce result in the SMEs sector. Through the application of the Systems theory, we shall see the output in terms of changes in the SMEs sector and feedback accordingly. SMEDAN is to facilitate SME's access to all they need in terms of financial and non-financial needs to be able to achieve this, the system must

function effectively. There must be synergy among the various component units. The input into SMEDAN include the management staff, the consultants SMEDAN involve in carrying out its development programmes, the vehicles and equipments such as infrastructural facilities. These things are provided to aid SMEDAN in carrying out its functions, funds allocated to SMEDAN and data it collects on SME's.

### **Conclusion**

Based on the findings above, it is clear that SMEDAN support programs, when used wisely, have a significant impact on the growth of SME's in Lokoja, Kogi State, and Nigeria as a whole. The establishment of the agency in 2003 was informed by the need to trigger the development of Nigeria's SME's in a structured and efficient manner in order to facilitate access to credit facilities and offer a technical support programmes. The study found that developmental training programmes have a significant impact on the profitability levels of SME's in Lokoja, Kogi State, Nigeria. With its functions and power, SMEDAN should organise developmental training programmes and access to finance, which influence growth variables such as profitability levels and business expansion for SMEs. Therefore, various skills learned, if put into practice, will have a positive impact on the profitability levels of registered SME's in the Country. Finally, the study also revealed statistically that access to finance has a significant impact on the business expansion of SME's in Lokoja Kogi State. This is because finance is needed for diversification of business and the establishment of new production plants which translates to business expansion.

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# The Relationship of Organizational Commitment and Internal Audit on Performance of Bauchi State Board of Internal Revenue Service (BIRS)

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## Abstract

*Many financial institutions are experiencing serious service delivery issues. There are a number of factors that contribute to these problems, so every organization strives to improve its performance. This study examines the Relationship of Organizational Commitment and Internal Audit on Organizational Performance. To achieve the overall objective of the study, a field study was conducted at the BIRS. A purpose-designed questionnaire was prepared and administered to participants. 138 individuals participated in the survey and questionnaires were compiled and statistically analyzed using Pearson Product Moment Correlation (PPMC), through the aid of IBM SPSS Statistics® software package version 17. The results of the study have generated successful understanding of the overall Relationship between Organizational Commitment, Internal Audit and Organizational Performance. The study concluded that Organizational commitment and internal audit have a positive relationship with organizational performance. To depict the real situation across sectors, a study on the challenges that are affecting organizational commitment and internal auditing practices in both the public and private sectors is also recommended in the study.*

**Keywords-** *Organizational Commitment, Internal Audit, Internal Revenue, Organizational Performance*

## 1.0 Introduction

Every company strives to improve its performance. The most basic definition of organizational performance is the company's performance in relation to its goals and objectives (Groysberg et al., 2018). The concept of organizational performance is based on

the notion that an organization is a voluntary association of productive assets, including capital, human capital, and resources, with the goal of achieving a common goal (Song, *et al.*, 2018). There has not been any study conducted on Bauchi State Board of Internal Revenue Services to check its performance. The internally generated revenue of Bauchi state stood at 9.5bn (NBS, 2021). This has made the state to stand far behind other states in the country.

One of the most important aspects of the organizational environment is the organizational commitment, which is regarded as a critical factor in the organization's success. The value placed on commitment stems from the fact that it helps organizations retain more employees, resulting in higher achievement, productivity, and effectiveness (Yousef, 2017). Organizational commitment as an attitudinal component of the relationship has received a lot of attention recently. The reason for using organizational commitment is that it is thought to be a relatively stable employee attitude that can reveal reliable attitudes and behavior links (Almatrooshi, *et al.*, 2016). As a result, no organization can achieve high levels of performance unless each employee is dedicated to the organization's goals and works as a team player (Hayat, 2016).

Internal auditing (IA) is a time-honored function that is still widely used as a management tool in almost all businesses (Cai, & Jun, 2018). In both the public and private sectors, it is regarded as a crucial aspect of organization. Internal auditing is viewed as an all-encompassing monitoring and evaluation function, with responsibility for assigning effective and efficient control mechanisms to the entire management team (D'Onza, & Sarens, 2018). Internal auditing's purpose is to assist organizations

in carrying out their duties. A good internal audit is seen as a way to help a company's board of directors and other executives focus on their responsibility to ensure that proper and efficient internal controls are in place (Li, *et al.*, 2018).

Employees who are dissatisfied suffer physical and emotional harm. As a result, organizational performance may deteriorate further, as more production time may be lost as disgruntled employees seek solace elsewhere. However, if steps are taken to improve employee delight, average company satisfaction improves, and the results may be mulled over through happier employees, increased worker profitability, fewer workdays, and higher profits. Furthermore, in light of the fact that people are the promoters of excellent organizational performance, this embodies the essentials of people in organizations. Misrepresentation, poor bookkeeping, and the failure of internal controls are all examples of serious flaws in corporate administration structures (Albkour & Chaudhry, 2017). This provided episodic support for conclusions about insufficient evaluating skills in observing danger and controls in businesses, as well as their steadfast commitment to management (Alflahat, 2017).

Many financial institutions are experiencing serious service delivery issues, as number of factors contribute to these problems, including unethical practices, high labor turnover, poor financial performance, and so on (Orij, *et al.*, 2021). Fewer professionals are available to manage the institutions' activities in this sector (Phulia and Jamwal, 2021). The Bauchi State Board of Internal Revenue Services has never been the subject of any study, nor does it ever identify some of the draw backs it faces, leading to low revenue generation as compared to other states. This study may stimulate HR

practitioners to contribute a fresh perspective to their scholarly thought, practice, and research more in this sector, all of which are critical for an organization's superior performance, long-term viability, and growth. The study aims to investigate the relationship of organizational commitment and internal audit on organizational performance of Bauchi State Board of Internal Revenue Services.

### **1.1 Research Objectives**

The objectives of this study are stated as thus;

- i. To evaluate the relationship between organizational commitment and BIRS performance.
- ii. To examine the relationship between internal audit and BIRS performance.

## **2.0 Literature Review**

### **2.1 Organizational Commitment and Organizational Performance**

Employee attitudes and attachment to their organizations have been classified in the literature using terms like loyalty, devotion, and commitment. The term "commitment" was originally used in literature to describe "a single mechanism that produces consistent human conduct." The most often referenced study in the related literature was conducted by Ahmed, & bin Lebai, (2017), who looked at the relationship between organizational commitment, work satisfaction, and turnover intentions among a group of psychiatric technicians. Because it includes the first organizational commitment questionnaire in the literature, this study retains its significance.

Morrow later argued in 1983 that personal values, profession, job (characteristics), and union all play a part in determining worker commitment (Kurniawan et al., 2018). Reichers first proposed the concept of

organizational commitment in 1985, describing it as "a collection of multiple obligations to distinct groups that make up the organization." (Hayat, 2016). Meyer and Allen, who established the three-component model of organizational commitment in 1991, took a different approach (Kurniawan et al., 2018). "Affective" (AC), "Continuance" (CC), and "Normative" (NC) commitment, according to Frago, Chambel, and Castanheira (2021).

Personal characteristics, organizational structure, tenure, rewards, training, and work values were found to be the most common antecedents in a recent review of literature on the antecedents and consequences of organizational commitment, with the most common consequences being increased employee performance, motivation, and lower turnover intentions (Kurniawan et al., 2018). In the health sector, occupational motivation is a precursor to organizational commitment. Intrinsic motivation leads to affective and normative commitment, while extrinsic motivation leads to normative commitment.

### **2.2 Internal Auditing and Organizational Performance**

Internal auditing has become a critical management tool for achieving effective control in both public and private organizations (Chen, *et al.*, 2017). Internal auditing connects the business and financial reporting processes of partnerships and non-profit organizations. Inner inspecting's goal is to improve hierarchical proficiency and adequacy by providing constructive feedback. Checking written records, investigating strategy, assessing the rationale and fulfillment of methods, internal administrations and staffing to ensure they are competent and appropriate for the organization's strategies; and reporting suggestions for improvements to



management are the four main segments of internal auditing (Abdolmohammadi, *et al.*, 2017).

The majority of internal audit experts believe that effective internal auditing is linked to improved financial execution. According to Desmedt, *et al.*, (2017), an effective internal review administration can reduce overhead, identify ways to improve effectiveness, and expand exposure to potential losses from inadequately protected organization resources, all of which can have a significant impact on an organization's execution. Internal control frameworks enhance administrative adequacy and the corporate directorate's critical responsibilities (Sunyoto, *et al.*, 2017). In the same way, bookkeeping writing emphasizes the importance of a company's respectability and moral values in maintaining a strong control.

The management mindset should be centered on upholding ethical business practices and following established control procedures. This is where all other internal controls, such as grant requests and structure, are established. Integrity and good values; commitment to wellness; organization hypothesis and working style; and the way the organization distributes power and commitment, deals with, and develops its family are some of the components that sharpen the inside environment control components (Cai, & Jun, 2018). The establishment of the five components in the inner control system is what the internal environment control practices are about. The venture's overall action, as well as the other four components, is influenced by its assignment and operation. As a result, the impact of the execution of the interior control system is influenced by the control environment, and advanced ventures should establish a

reasonable internal environment control system (Kurniawan *et al.*, 2018).

## 2.4 Research Framework

The research model for this study is depicted in Figure 1, which shows the inter-relationship between the study's dependent variable (Organizational Performance) and independent factors (Organizational Commitment and Internal Audit).

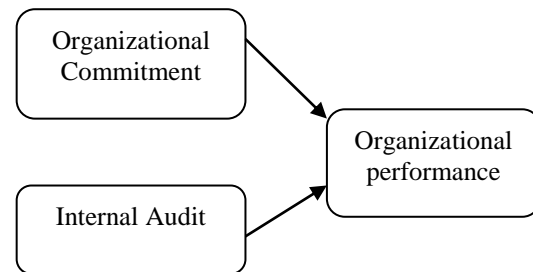


Figure 1: Framework of dependent and independent variables

## 3.0 Research Methodology

The target population of this study consists of 296 employees of the Bauchi Board of Internal Revenue Service. The sampling technique used in this study is stratified and simple random sampling. The staff were divided into four strata comprising of Management, Senior, Middle and Junior Cadre staff. Thereafter, the sample size for each stratum was calculated to ensure the adequacy of the population, and random sampling was used to carry out the survey. Data were collected by the use of a questionnaire from 138 individuals. Pearson Product Moment Correlation (PPMC) was used to test the hypotheses, through the aid of Statistical Packages for Social Sciences (SPSS) version 17.

#### 4.0 Results and Discussion

**Table 1: Correlations on hypothesis one**

Variables		Organizational Commitment	Organizational Performance
Organizational Commitment	Pearson Correlation	1	.667**
	Sig. (2-tailed)		.053
	N	138	138
Organizational Performance	Pearson Correlation	.667**	1
	Sig. (2-tailed)	.053	
	N	138	138

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

Source: Researcher's Field Survey Result

From Table 1 above, the data analysis revealed positive relationship (.053) between Organizational Commitment and Performance of BIRS. This was affirmed by the p value which is above the significant level (0.05) as indicated in the table, hence the hypothesis was accepted. The finding supports the earlier finding of Hayat (2016), which concluded that individuals with high affective commitment are supposed to deliver high organizational effectiveness (Hayat, 2016). This study also indicated that commitment contributed the most to organizational performance. This is supported by Ali, *et al.*, (2016), who found that commitment helped to promote faculty's performance and effectiveness in higher education institutions in China, while affective and choice commitment tend to be dysfunctional in faculty's work. This can be explained by academics' self-expectations, dedication in their work, and priority of job over other activities in resource allocation. Faculty members with stronger commitment tend to think that it was their responsibility to act as effective teachers and productive researchers both independently and as team members (Manoharan & Singal, 2019). The result obtained from this study is consistent with the result obtained from study

conducted by Groysberg *et al.*, (2018). The study agrees that affective commitment is the most important component, which is not the case in this study. They believe that individuals with high affective commitment will identify with the organization's goals and vision. In other words, they are committed to the organization because they want to. It is further suggested that affective commitment seems to have a close relationship with job satisfaction and performance as it puts an emphasis on the congruence between the vision and mission of the individual and the company's.

**Table 2: Correlations on hypothesis two**

Variables		Internal Audit	Organizational Performance
Internal Audit	Pearson Correlation	1	.599**
	Sig. (2-tailed)		.074
	N	138	138
Organizational Performance	Pearson Correlation	.599**	1
	Sig. (2-tailed)	.074	

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

Source: Researcher's Field Survey Result

From Table 2 above, it has been established that there exists positive relationship between Organizational Performance and Internal Audit. This was also affirmed by the p values at 0.05 significant level as indicated in the table above, hence the Hypothesis is accepted. Therefore, it can be concluded that Organizational Performance is significantly and positively related to Internal Audit. The finding of this study is consistent to agency theory and resource dependence theory and their proponents, who provide that qualified persons help to improve firm performance because they have a clear insight about how to deal with operation and achieve their work with high quality. The finding of the study is also similar to that of Li, *et al.*, (2018), who explored the association between internal (audit experience and accounting qualification) audit and firm performance (ROA) with growth opportunities and audit committee independence. The significant relationship is clear manifestation that determinants of internal audit department quality in relation to the performance have been duly cater for and are interwoven. Determinants such as competence which cover knowledge and skills enable internal audit department's staff to prepare and report audit outcome to relevant authorities with adequate professionalism (Cai, & Jun, 2018). Therefore, competence of internal audit staff

significantly influences the outcome of the relationship between timeliness and organizational performance in organization.

## 5.0 Conclusions and Recommendations

The study found that there is positive relationship between Organizational commitment, internal audit and Organizational Performance of BIRS. The study also found that, Internal audit practices helps an organization to achieve its goals by bringing an orderly, trained way to deal with assess and enhance the adequacy of control and administration forms. The study also concluded that the commitment is widely believed to be crucial to the success of the organization since it acts as a powerful brake on the possible deviations from the predetermined objectives and policies.

The study recommends that, on control environment, management attitude should be committed to ethical practices and follows the established control procedures. Additionally, the study recommends that organizations should have separate audits conducted by someone other than internal audit; but internal audit should be in a position to provide this service to the organization and to take account of work done by others that contribute to meeting this objective. Employees should be openly

communicating with their supervisors and receiving feedback and support when needed.

### **5.1 Limitations of the Study**

The research also has some flaws. This study was conducted solely at BIRS, so it may not be representative of other organizations' relationships. However, given the sample size, dynamism, and increasing importance of performance management, it could well serve as a model for causal relationships in other organizations.

### **5.2 Recommendations for future Studies**

Despite some limitations, the current study has opened up a new avenue for future research in this field. The study suggests that a study be conducted on the role of internal auditing in organizational performance, with a focus on the private sector, to depict the real situation across sectors. A study of the challenges that are affecting internal auditing practices in both the public and private sectors is also recommended for future studies.

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## The Contribution of TETFund towards Training Academic Staff in Federal University Gashua, Nigeria: An Empirical Review

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### **Abstract**

*Tertiary Education Trust Fund (TETFund) has been very instrumental in the area of funding higher education in Nigeria. Public tertiary institutions have been benefiting in several ways through TETFund. Study on Tertiary Education Trust Fund (TETFund) is very significant in the sense that the fund since its establishment has been contributing immensely to academic staff training and development in Nigeria. Few and not many are able to understand and appreciate the contributions of TETFund toward academic staff training and development in the country. Method adopted in this paper is content analysis using mainly secondary data such as books, journals, conference papers, and other related documents. The choice of this method of data collection and analysis was however informed by the focus of the study; that is An Assessment of TETFund Contribution toward Training University Academics in Federal University Gashua, Nigeria, which is very difficult to access quick and reliable data from the respondents to use in analyzing the work. This among others informed the adoption of secondary sources and use of content analysis in analyzing the paper. The paper revealed that TETFund has contributed fairly toward academic staff training and development; and that; university management support had significant relative effects on academic staff training and development in Federal University Gashua. The study therefore recommended that TETFund should do more in the area of human resources development via proper funding, monitoring and evaluation of academic staff training and development programme in Federal University Gashua, Nigeria.*

**Keywords:** *The Contribution, University Academics, TETFund, Staff Training, Empirical review*

## **1.0 Introduction**

The importance of education in the overall development of an individual cannot be over emphasized. This is because education serves as an avenue for removing individuals from the shackles of ignorance, unemployment and poverty. It is the bedrock for every development that occurs in the society. This perhaps might be the reason why the Federal Republic of Nigeria (2014), averred in the National Policy on education that education is the greatest investment that the nation can offer for the quick development of her economic, political, sociological and human resources. In a related development, Akomolafe, et al (2016), contended that education as an essential virtue and necessity of the society is a process of acquiring knowledge, skills and values needed to aid personal and professional growth of individuals.

The contribution of Federal University Gashua to the socio-political, economic and technological advancement of a nation cannot also be over emphasized. This is because it is the peak in the three levels of education and also one of the various tertiary educational institutions with a different mission and visions in the area of teaching, research and community services. In order to effectively perform these roles, it thus become imperative that its academic staff be engaged in continuous training and researches so as to facilitate the production of manpower (students) that would effectively key into the professions of their choice. Ajayi, et al (2006) cited in Comfort et al (2019) noted that the Nigerian government over the years have not been meeting the United Nation Educational Scientific and Cultural Organization (UNESCO) recommendation of 26% of the local budget allocation to education sector.

Similarly, Agha, and Udu (2019), noted that a general decay in human and material resources in Nigerian tertiary institutions is due to poor funding which according to them have contributed to poor teacher quality, poor academic performance of students, low rating of institutions and recruitment of unqualified teachers among others. Udu, and Nkwede, (2014), equally affirmed that university education in the contemporary Nigeria has focused itself at the crossroads of continuous lack of funding from the traditional sources despite the fact that it is explicitly clear that education is one of the most viable and biggest industries in almost every modern economy. A peep into the country's university system shows that over the years, university education have been bedevilled with different problems ranging from financial, human to insufficient material resources.

The degeneration of University education led to the federal government embarking on various measures of repositioning the University system. Corroborating on the above, Bogoro, (2015), in his words affirmed that the lecturers are their priority in TETFund's intervention policy because they are the drivers of communication and knowledge. He added that if you take away the lecturers, you have created a gap that you cannot fill in educational development. He thus concluded that the Federal Government of Nigeria therefore set up Tertiary Education Trust Fund in 2011 to serve as a relief in funding academic staff training among other objectives in tertiary institutions so as to alleviate the problem of stagnation. Going by Bogoro's assertion, it could be said that the primary aim of establishing TETFund was the training of academic staff in order to boost their personal and professional development

which could in turn enhance their productivity in the University system.

One of the objectives of TETFund is the provision and maintenance of academic staff training and development in order to enhance the accomplishment of University goals. Observation has shown that some academic staffs are not productive due to their inadequate participation in trainings where they could acquaint themselves with modern pedagogies and skills that could enhance their personal and professional development. This problem has been of concern to stakeholders in the University system because often times, most of her academic staff cannot afford self- sponsorship and the challenges inherent in accessing TETFund usually discourage the academic staff from applying for the fund for training.

The study is an attempt to assess the contribution of TETFund toward academic staff training and development in Federal University Gashua. In particular the paper examines the difficulties inhibiting TETFund intervention in academic staff training and development programme in Federal University Gashua. The time frame of this study is from 2013- 2022 respectively.

### **Statement of the Problem**

With the federal government interventionist measures, people still complain about inadequate infrastructure, materials, as well as poor staff development and researches in Nigerian tertiary institutions. This is exemplified by the view of Eze (2014) cited in Keneth (2019) that there is decay in human and material resources in Nigerian tertiary institutions due to this poor funding. The implication of inadequate funding is that it results in poor infrastructural facilities, teaching/learning facilities;

library, research, training etc. The questions one could ask are: is TETFund performing their duties or not? Could the tertiary institutions function well to meet up the quality/standard expected of them by the society without adequate fund, facilities, researches and staff development programmes

Tertiary Education Trust Fund (TETFund) has been very instrumental in the area of funding higher education in Nigeria. Public tertiary institutions have been benefiting in several ways through TETFund. Study on Tertiary Education Trust Fund (TETFund) is very significant in the sense that the fund since establishment has been contributing immensely to the development of higher education in Nigeria. Few and not many are able to understand and appreciate the role of TETFund in academic staff training and development in the country. Numerous studies have been conducted on the development of higher education in the country with non-examining the contribution of the TETFund in academic staff training and development in Federal University Gashua, Nigeria. A study on TETFund contributions to academic staff training and development in Federal University Gashua will serve as an eye opener to both the federal government of Nigeria and the international community in realizing efforts been made by TETFund in the area of academic staff training and development in Federal University Gashua, Nigeria.

Many Doctoral studies and scholarly journals on academic staff training and development have been conducted. These studies, some were conducted in Universities: Comfort et al (2015), Academic Staff Training and the Challenges of Accessing TETFund in Southwest Nigerian Universities; Clement Lutaaya Nabutto (2015), staff training and



development in Ugandan private chartered university libraries; Benjamin Ogwu Ezeali et-al (2018) An assessment of tertiary education trust fund scholarship award to academic staff for postgraduate studies on the academic performance of higher educational institutions in south-eastern Nigeria; In the same vein, Agha and Udu (2019) quality and relevance of TETFund intervention researches in tertiary institutions in South-East Nigeria; Menwoukechiosigwe et-al; (2020), staff development and academic staff output at the universities in south-south geo-political zone of Nigeria and Korikiye et al (2021) the role of Tertiary Education Trust Fund (TETFund) visa-vis the development of tertiary education in Nigeria. It is the desire to bridge gaps created in knowledge by previous studies which have failed to assessed the contribution of TETFund to the training and development of academic staff in Federal University Gashua, and the failure to incorporate IBM Statistical Package for Social Science SPSS 22 and Descriptive statistics such as mean and standard deviation to analyze the research questions; Analysis of Variance (ANOVA) and Regression Analysis to analyze the statements of relationship among the study variables justified the basis for this study.

Though, staff training and development in Federal University Gashua is timely and important, it is not well represented in Nigerian literature. Few studies on staff training and development were carried out some years ago. Due to global changes in technology, their finding might be obsolete for an existing practice in the organizations. This is an important gap created in knowledge which the research work intend to fill by establishing the contributions and challenges of academic staff training and development via TETFund intervention which are often overlooked in efforts to

improve academic staff training and development in Federal University Gashua

There appears to be scarcity of existing literature on Academic Staff Training and Development. The study is therefore necessary to fill the gap in this area

### **Research Questions**

This study was guided by six main research questions.

- i. To what extent do TETFund contributed in academic staff training and development in Federal University Gashua?
- ii. What is the impact of TETFund intervention on study fellowship in Federal University Gashua?
- iii. How does TETFund contribute toward Conference attendance in Federal University Gashua?
- iv. Does study fellowship and conference attendance have combine effect on academic staff training and development in Federal University Gashua?
- v. Why are there set back to academic staff training and development in Federal University Gashua?
- vi. What strategies could be adopted to improve on academic staff training and development in Federal University Gashua?

It is therefore, pertinent to know that these problems could be of a negative consequence, if they are not adequately addressed considering the important role and mandate of the university. If those that are expected to train or produce talented young graduates are not well trained and knowledgeable, there would definitely be a problem. Obviously the achievement of the objectives for which the university was established might be affected.

## **Literature Review**

Onyeizugbe, Obiageli, & Igbodo (2016), reported that TETFund was originally established as Education Tax Fund (ETF) by the Education Tax Act No. 7 of 1993 and amended by Act No. 40 of 1998. They explained that the fund had a mandate to operate as an intervention fund to all levels of public education and that the pressures on ETF made it practically impossible for her to meet up with University needs. Hence, it was thereafter repealed and replaced with Tertiary Education Trust Fund Act 2011 that was charged with the responsibility of providing supplementary support to all public tertiary institutions with the main objective of rehabilitating, restoring and consolidating tertiary education in Nigeria.

Bogoro (2019), explained that TETFund was established as a result of the deteriorating infrastructure in the country's education sector which according to him was evidenced by poor training, poor staff quality and poor resources, rapid personnel turnover, unrest in the form of student riots and Universities staff strike action combined with falling standards of education, the increase in illiteracy and low-level numeracy which paved the way for negotiations on educational crises in Nigeria in the 1980s. He explained that TETFund was established based on the outcome of a series of negotiation between the federal government of Nigeria, representatives of the Academic Staff Union of Universities and the private sector. He concluded that the Academic Staff Union of Universities of Nigeria had an agreement with the federal government, part of which led to the introduction of a 2% education tax on assessable corporate profit. It could be inferred from Bogoro's assertion that irregular staff training and degeneration of University education is not a new

phenomenon in the academic parlance. In realisation of the importance of academic staff training in tertiary institutions, the federal government of Nigeria therefore established TETFund to act as succour to the academic staff.

TETFund Act (2011) empowers the Federal Inland Revenue Service (FIRS) to collect 2% as education tax on the assessable profit of all registered companies in Nigeria. The act was empowered with the management, disbursement and monitoring of education tax to Nigerian public tertiary institutions with the intent of improving the quality of higher education which could be obtained through improved staff productivity. The mandate of TETFund as provided in section 7(1) (a) to (e) is to administer and disburse fund to Federal and State public tertiary institutions specifically for the provision and maintenance of the following; Essential physical infrastructure for teaching and learning; Instructional materials and equipment; Research and Publication; Academic staff training and development; and, any other need which in the opinion of the board of trustees is critical and essential for the improvement of quality and maintenance of standard in higher educational institutions TETFund Act (2011)

It could be inferred from the above that the main focus of TETFund was to generate additional income to support tertiary education in a bid to strengthen staff productivity which would in turn improve the quality of higher education. However, some challenges are inherent in the assessment of the fund by academic staff in Federal University Gashua.

Staff training and development forms the backbone of any healthy organization. Different organizations provide training with different objectives at various levels. Staff

Training and Development are provided to give staff the knowledge and skills required to perform particular tasks. There is no doubt that organizations worldwide are striving for success and out-competing others in the same industry. In order to do so, organizations have to obtain and utilize their human resources effectively. In so doing, managers need to pay special attention to all the core functions of human resource management as this plays an important role in different organizational, social and economic related areas among others that are influential to the attainment of the organizational goals and thus the organization's successful continuation in the market. This study, therefore, goes on to discuss one of the core functions of human resource which is training and employee performance, and how the earlier affects the latter (Keneth, 2019)

Most people come to the job with limited knowledge, skills and experience for that particular job, therefore Training and Development is designed to ensure that they perform well. Thang (2009) gives an explanation on how productivity, wages and labor mobility are related to human capital investment. Human capital investment creates opportunity for improvement in technology, knowledge and skills of employees which enhance performance (Salas and Cannon-Bowers 2001) cited in (Clement, 2015). Organizations have realized that benefits such as enhanced market share, sales, productivity, quality and reduced employee turnover are a result of investment in staff training. Staff Training and Development therefore is crucial for improvement of service delivery among academic staff in university of Jos and other related higher institutions of learning in Nigeria.

Training may be defined as an organized and coordinated development of knowledge, skills and attitudes needed by an individual to master a given situation or perform a certain task within an organizational setting.

In his own way, Stones (1982) as cited in Atiomo (2000) corroborated that training is any organizational planned efforts to change the behaviour of employees so that they can perform to an acceptable and standard result on the job. In analyzing the concept of training as submitted by Glueck (1986), Stones (1982), Flippo (1980) and French (1974) above, it can be seen and understood that they examined training from both conceptual and operational viewpoints. Therefore, training helps employees to improve their work performance in order to ensure the standard and quality of work required by the organization to achieve both organizational and individuals predetermined objectives.

Ngu (1994) sees training and development to be the process of behavioral modification or molding of workers to integrate organizational needs with their characteristics. Oribabor (2000) as cited in Kulkarni (2013) added that training and development aims at developing competencies such as technical, human, conceptual and managerial for the furtherance of individual and organization growth. So, training is a systematic process of changing the behavior, knowledge and/or motivation of present employees to improve the margin between employee characteristics and employment requirement.

As cited in Umar (2021) training as the systematic process of altering the behavior and or attitudes of employees in a direction to increase organizational goals and development as programme generally aimed at educating supervisory employees above and beyond the immediate technical

requirement of the job and have a main objective of the improvement of the effective performance of all managers. Punia & Saurabh (2013) stated that training is the application of gained knowledge and experience. In a similar line, Appiah et al. (2013) defined training as an organized activity aimed at imparting information and/or instructions to improve the recipient's performance or to help him or her attain a required level of knowledge or skill.

From the definition above, we can opine that training is an activity which is planned systematic and it results in enhanced level of skill, knowledge and competency that are necessary to perform work effectively. The inference that can also be made from the submissions above is that training is to equip academic staff in Federal University Gashua with the knowledge required to qualify them for a particular position of employment or to improve their skills and efficiency in the position they already hold. Hence, training now, become the formal procedures which federal University Gashua uses to facilitate its academic staff learning for effective and efficient service deliveries.

### **Methodology**

The method adopted in this paper is content analysis using mainly secondary data. The secondary data includes existing literature on topic such as books, journals, conference papers, TETFund official record, newspapers, and other related documents. Rossman (1989) cited in Keneth (2019), opined that collection of data and analysis in a qualitative research is a simultaneous process. The choice of this method of data collection and analysis was however informed by the focus of the study; that is an assessment of the contributions of TETFund toward academic staff training and development in Federal University Gashua: An Empirical Review which is very difficult

to access quick and reliable information to use in analyzing the work. This among others informed the adoption of secondary sources and use of content analysis in analyzing the paper.

### **Empirical Review**

Staff training and development is one of the fundamental objectives of the personnel policies of Federal University Gashua. However much research has not been conducted in the field, as a result, there is dearth of literature on this subject. Nevertheless, the few available and accessible ones would be reviewed.

Rahmat (2017) conducted a study on the topic: In-Service Training Needs of Colleges of Education Business Teachers for job Performance and Sustainable Development in North-West Geo-Political Zone, Nigeria. The study investigated the influence of in-service training needs on the job performance of lecturers in colleges of education for sustainable development in North-west Geo Political Zone, Nigeria. Two research questions were answered and two null hypotheses were tested at 0.05 level of significance in order to determine the influence of conferences and workshops on the job performance of lecturers in college of education in north-west geopolitical zone, Nigeria. The study used survey research design. The population was ninety lecturers (90) of the Department of Business Education in colleges of education in north-west geo-political zone, Nigeria. The whole population was used for the study and therefore, no sampling was made for the study. The instrument used for data collection was questionnaire. The research questions were answered using mean and standard deviation. The null hypotheses were tested using regression analysis at 0.05 levels of significance. The findings of the research revealed that there are significant

influences of lecturers' conferences and workshop on their job performance. Based on this, it was concluded that in-service training improves lecturers' job performance in colleges of education in north-west geopolitical zone Nigeria, thus there is need for in-service training for colleges of education teachers. The research recommended that in-service training should be given to every staff in colleges of education so as to improve their job performance and for sustainable development as far as teaching and learning process is concerned. The study is related to the present study because both studies focused on academic staff training and development programmes but differed from the former which assessed the influence of in-service training needs on the job performance of lecturers in colleges of education for sustainable development in North-west Geo Political Zone, while the present study focused on the contribution of TETFund toward Academic staff training in Federal University Gashua, Nigeria.

In the same vein, Agha and Udu (2019) in their study on the quality and relevance of TETFund intervention researches in tertiary institutions in South-East Nigeria, from 2010-2015 revealed that the extent of the impact of TETFund intervention at 5.28 percent had no significant impact on quality and relevance of educational research in Universities in South-East, Nigeria. The authors' argument was hinged on the fact that during the period under study, only 5.28 percent of TETFund intervention funds were accessed and utilized by academic staff of all the Universities in the region, while 94.72 percent of the funds were not accessed. In their conclusion, they assert that despite the fact that TETFund has immensely improved tertiary institutions in terms of trained qualified staff since its inception, there is still need for

improvement in the area of research development in the study area.

Similarly, Nagbi and Micah (2019) studied TETFund and the development of higher institutions in Nigeria. The study adopted Pearson product moment correlation analysis and simple linear regression analysis to determine the relationship between the creative accounting and shareholders' wealth with the aid of statistical package for social sciences (SPSS) version 25.0. According to the findings of the study, the role of the Fund has been positive in terms of library development, staff training as well as journal publications. Thus, the study averred that TETFund is positively related to research and journal publications, library development, and staff training among Federal Universities. However, they argued that its interventions have no significant relationship with the development of Federal Universities in Nigeria during the period under study. The study is related to the present study because both studies focused on the contribution of TETFund toward the development of higher institutions in Nigeria but differed from the former which assessed TETFund and the development of higher institutions in Nigeria, while the present study assess the contribution of TETFund toward training and development of university academics in Federal University Gashua, Nigeria.

Keneth (2019) conducted a study on the topic: Academic staff training policy in Federal University Gashua: An interrogation. The study examines the effectiveness and adequacy of the academic staff training and development programmes in Federal University Gashua, towards achieving its mission as contained in its 2014-2019 strategic plan: "providing timely, relevant and transformational academic

programmes through focused teaching and research that are responsive to the needs of the local, national and global communities in rapidly changing world”; assessed the extent to which the university has been able to achieve her manpower needs through staff training and development policy via the Tertiary Education Trust Fund. A retrospective design through indirect observation was adopted. The researcher used Secondary data from TETFUND academic staff training and development, 2015-2018 sponsorship, text books, journals, periodical and official reports. Frederick Taylor’s Scientific Management Approach on Training was adopted as a framework for the study. The study recommends that Tertiary Education Trust Fund should improve on its training policy in, hence, in recent times academics are being faced with new innovations and techno- scientific developments so as to meet up with the changing trends and circumstances. However, the former study examine academic staff training policy in Federal University Gashua, While the present study assess the contribution of TETFund toward academic staff training and development in Federal University Gashua respectively. The present study is related to the former, hence, both study centered on academic staff training and development in Federal University Gashua.

Menwoukechiosigwe et-al; (2020) carries out a research on the topic: Staff development and academic staff output at the universities in south-south geo-political zone of Nigeria. The study dealt with staff development and academic staff output at the universities in South-South geo-political zone of Nigeria. It was an Ex-post facto design study, carried out specifically in three federal universities in the area of study. These were: University of Port Harcourt, Choba; University of Uyo, Uyo and

University of Calabar, Calabar. Two hypotheses based on the variables were formulated to guide and direct the study. These were: staff in-service training and staff ICT training, respectively. Two self-constructed questionnaires called staff development questionnaire (SDQ) and academic staff output questionnaire (ASOQ) were used for data collection. The first instrument was administered to 800 academic staff. The second instrument, three copies were administered one each to three students to assess each individual academic staff. Data collected were analyzed using one-way analysis of variance (ANOVA) and independent t-test. The results revealed among other things that; there existed an influence of in-service training on academic staff output, which is not significant. Statistically, there existed a difference between output of staff who received ICT training and that of those who had not; but the difference is not statistically significant. The study is related to the present study because both studies focused on staff development of higher institutions in Nigeria but differed from the former which assessed Staff development and academic staff output at the universities in south-south geo-political zone of Nigeria, while the present study assess the contribution of TETFund toward training and development of university academics in Federal University Gashua, Nigeria.

Mary Vincent (2020) conducted a study on the impact of training and development on employee job performance in Nigeria. This study focused on the impact of training and development on employee’s job performance in Nigeria. Training and development is a critical process, which seeks to improve the performance of workers in an organization. The study defined the concept of staff training and development; it identified stages in

organizing staff training and development such as orientation, in service programmes, job rotation and in-house training. The study establishes the importance of staff training and development in organizations which include rapid economic development, promotion of political stability and poverty alleviation. The challenges of staff training and development are poor political leadership and poor staff training. In conclusion, training has been invaluable in increasing productivity of organizations. It does not only enhance employees resourcefully, but also provides them with an opportunity to virtually learn their jobs and perform more competently. It is recommended that training programmes of the organization should be on a continuous basis and not only when the organization is confronted with difficulties. This study is related to the present study because both studies centred on staff training and development in an organization. However, the former study focused on the impact of training and development on employee job performance in Nigeria while the present study assess the contribution of Tetfund toward training and development of university academics in Federal University Gashua, Nigeria.

Korikiye et al (2021) conducted a study on developing tertiary education in Nigeria: an evaluation of the role of the tertiary education trust fund (TETFund). The study examined the role of the Tertiary Education Trust Fund (TETFund) visa-vis the development of tertiary education in Nigeria. Specifically, it seeks to determine factors that precipitated the establishment of the Fund by the government and to examine the core areas of intervention as well as evaluate the impact of the Fund on tertiary education development in the country. The descriptive method was adopted for the analysis of the findings. The data for the

study was obtained from secondary sources. Both studies are related in the aspect assessing the role of the tertiary education trust fund (TETFund) in Nigeria but differed from the former which evaluate the role of the tertiary education trust fund (TETFund) visa-vis the development of tertiary education in Nigeria. While, the present study assess the Impact of TETFund Intervention in Training and Development of University Academics in Federal University Gashua, Nigeria.

Umar and Keneth (2021) conducted a study on the topic: An assessment of academic staff training policy in Gombe State University. The study appraised the effectiveness and adequacy (or otherwise) of academic staff training and development programmes of Gombe State University. The method adopted is content analysis using mainly secondary data. The secondary data includes existing literature on topic such as books, journals, conference papers, and other related documents. The paper revealed that, staff training help to improve the availability and quality of academic staff in Gombe State University. However, it was recommended that Gombe State University, to improve on its staff training, should emphasized on both on-the-Job and off-the-Job training for staff of the university, also staff training should be seen as right of every staff, not a privilege as presently been practices in the university. Added to this, effective strategies should be adopted so as to properly evaluate the effect and impact of result of whatever training undergo by staff of the university. Both studies are related in the aspect assessing the role of the tertiary education trust fund (TETFund) in Nigeria but differed from the former which assess academic staff training policy in Gombe State University. The study appraised the effectiveness and adequacy (or otherwise) of academic staff training and development

programmes of Gombe State University. While, the present study assess contributions of TETFund Intervention in Training and Development of University Academics in Federal University Gashua, Nigeria.

Matthew and Keneth (2022) conducted a research on the topic: In-Service and Off-The-Job Training and Workers' Performance in Federal University Gashua, Yobe State, Nigeria: The Nexus. This study investigated the impact of in-service training and staff development on workers job performance and optimal productivity in Federal University Gashua, Yobe State, Nigeria. The study used survey research design. Three research questions and three hypotheses were generated and tested using questionnaire items adapted from Raja, et al (2014) but subjected to manipulation by the researchers which contained closed-ended type of questionnaire based on the research questions and hypotheses and was structured on a four point Likert scale. The instrument was administered using a simple random sampling to draw a sample size of 152 respondents from a population of 244 while 134 questionnaires were returned. Data generated were analyzed using Analysis of Variance (ANOVA) and Multiple Regression Analysis to test the hypotheses at 0.05 level of significance. The result of the findings showed that in-service and off-the-job training had non-significant combined effects but significant relative effects on workers' optimal job productivity. The study therefore recommended that Federal University Gashua should design proper and functioning in-service and off-the-job training of staff development programmes for their workers to boost their morale, enhance their performance and in addition ensure that workers' training are conducted frequently to ensure they cope with changing technological environment and organizational climate in the University and

the entire society at large. This study is related to the present study because both studies centred on staff training and development in Federal University Gashua. However, the former study focused on In-Service and Off-The-Job Training and Workers' Performance in Federal University Gashua while the present study assess the contribution of TETFund toward training and development of university academics in Federal University Gashua, Nigeria.

Few others called for adequate funding of the training programmes of the organization they studied. One major problem most of the works highlighted was the quantitative aspect of training outcomes. Most of the researchers are basically agreed on the correlation between staff training and staff motivation and productivity, but, none of the works reviewed adduced any empirical evidence to prove or disprove the correlation. Most of the studies reviewed relate in substantial ways to this research. Therefore, the recommendations in the works reviewed are relevant to this study. Hence, they would serve as guidelines when drawing conclusions on this study.

#### **Factors affecting the contribution of TETFund toward academic staff Training and development in Federal University Gashua.**

The followings are some of the challenges militating against the contribution of TETFund toward academic staff training and development in Federal University Gashua

**Insufficient fund:** The two (2%) percent education tax imposed on the assessable profit of companies operating in Nigeria which is the main source of funding TETFund proves inadequate to satisfy the growing needs of public tertiary institutions in Nigeria. Unarguably, the incessant



industrial action by the Academic staff Union of Universities (ASUU), tells articulately that insufficient funding is a key issue of TETFund contribution toward academic staff training and development in Federal University Gashua.

**Unfavorable government policy:** Being a government agency, TETFund is answerable to the government and is under obligation to comply with the decisions and policies of the government. To this end, the Fund is demanded to accommodate both State and Federal tertiary institution in its intervention activities. This has become the major reason for insufficient funding. Also, it is within the discretion of the government to influence what percentage of funding or project goes to which institution, state, or geopolitical zone. This clearly is an acute challenge to the contribution of TETFund toward academic staff training and development in Federal University Gashua.

**Delay in conducting audit:** In Nigeria, it has been seen as a norm that audit of financial records, site and operational activities especially in the public services sectors are never conducted in a timely manner. As such, it is difficult to identify areas where problems are imminent. This has made way for avoidable losses to be suffered by the Fund which could have helped bring about the renaissance of quality contribution of TETFund toward academic staff training and development in Federal University Gashua.

**Lack of supervision:** There exist irregular monitoring and evaluation of projects and programmes sponsored by the Fund. Cases abound where institutions get funds for staff development, but many years after, such is not executed. And for some executed, there are cases of delay in release of fund, yet, these culprits go scot-free. In some other instances, recipients receive grants to pursue

further studies but never embark on such and nobody questions. Some secure the grant to pursue a particular program in a designated country and/or institution, but divert to another. This poses serious challenge to the renaissance of quality academic staff training and development by TETFund.

**Absence of programme defense:** Allocation of intervention grants to institutions by the Fund lacks defense by the benefiting institutions to justify the need for such expenditure to be incurred. This has often time led to spending on projects that lacked direct impact on the felt-needs of institutions and academic staff in Federal University Gashua.

**Uncooperative attitude by benefiting academic staff:** Observations and reports has revealed that some academic staff undergoing study fellowship in Nigeria and abroad have constantly defaulted to use their financial grant appropriately.

It is clear evidence that TETFund has a herculean task to perform in the tertiary education sector. Here comes the question on whether TETFund has the capacity to actually perform its role in developing the tertiary institutions for national development in Nigeria? Sincerely, it thus has the capacity, but may be constrained by several factors. The Executive Secretary of the Fund,

Professor Suleiman Bogoro shared this view when in his report he identified some challenges facing the agency to include:

- i. The constraints of the Fund's enabling law which limits her from exploring other possibilities of expanding its sources of revenue to education tax collections and investments in safe securities;

- ii. Inconsistencies in education tax payments by companies resulting in low EDT collections;
- iii. Interference by some State Governments in the deployment of funds for projects;
- iv. Low capacity utilization of disbursements by some of the beneficiary institutions;
- v. The country's dependence on oil and gas as its main source of revenue is a great challenge to the Fund' as any drop in price affects the collection of EDT negatively;
- vi. The frequency of establishing tertiary public institutions by Governments at all levels puts enormous pressure on the Fund in the face of dwindling and competitive resources;
- vii. There is a preponderance for the political establishment of many universities by State Governments only to abandon them to their fate or make them rely mostly exclusively on TETFund;
- viii. The lack of harmonization of modalities for granting tax holiday to companies by relevant arms of government has been a major cause for concern;
- ix. Misinterpretation of TETFund guidelines on its interventions by beneficiaries, overtly and covertly;
- x. The perception of the general public that intervention funds are to be misapplied; and
- xi. The interference of State Governments in the Procurement Processes of TETFund allocations to State tertiary institutions is worrisome and have

slowed down project projection (Bogoro, 2019).

### **Conclusion**

Based on the findings made, the study arrived at the conclusion that, TETFund contributes to training and development of academic staff in Federal University Gashua of Nigeria to some extent, though, not excellent enough. The study also reached the conclusion that, TETFund contributions to the development of training and development of academic staff in Federal University Gashua of Nigeria is bellow average. Also, the study came to conclusion that, there is the need to improve TETFund contribution to training and development of academic staff in Federal University Gashua of Nigeria.

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# The Mediating Effect of Financial Inclusion in the Relationship between FinTech and MSMEs Performance in Nigeria: A Conceptual Framework

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## Abstract

*The world has no doubt dive so much into the era of technology that businesses especially Small and Medium Enterprises must adopt in other to survive. However, Small and Medium Scaled Enterprises (SMEs), if government at all levels gives necessary attention will alleviate poverty through job creation. The MSMEs sector employs about 84.02% of the labour force in Nigeria who are predominant youths comprises the productive segment of the population. Similarly past studies have shown that finTech has a significant effect on SMEs performance. However, the role of financial inclusion in understanding the medium through which finTech influences SMEs performance has not receive attention. Therefore this paper proposes a conceptual framework where financial inclusion to mediate the relationship between the dimensions of fintech and SMEs performance. If this is achieved, it will help in better explaining and understanding the effect of fintech on SMEs performance.*

**Keywords:** *financial technology, financial inclusion, SMEs performance, conceptual framework*

## 1.0 Introduction

The world has no doubt dive so much into the era of technology that businesses especially Small and Medium Enterprises must adopt in other to survive. However, Small and Medium Scaled Enterprises (SMEs), if government at all levels gives necessary attention will alleviate poverty through job creation. The government will benefit from the SMEs through generate taxes

and other revenue, as well as assist in bridging financial stability in the polity of a country (Etuk, Etuk & Michael, 2014).

According to the SMEDAN and NBS survey 2013, the MSMEs sector employs about 84.02% of the labour force in Nigeria, who are predominant youths that constitute the productive segment of the population. Furthermore, MSMEs contribution to the Nation's Gross Domestic Product (GDP) in nominal terms as at 2013 stood at 48.47%. As evidenced from the above contribution of MSMEs, the sector is not only responsible for employment opportunities but it serves as an indicator of the overall performance of the economy. The number of SMEs in Nigeria have been growing and employing more people from 37million in 2013 to 39 million in 2020 employing more than 61 million people. It was reported that 92.4% of MSMEs Nigeria are battling with major challenges of access to finance, infrastructure (SMEDAN & NBS survey, 2020).

Therefore, it is imperative to find out essentially what will influence MSMEs in the area of access to finance to perform optimally to maintain stable economy, negate unemployment and must importantly provide goods and services to the populace across all industry. There is consensus that financial technology has provided an ease of access and convenience to SMEs in the area of money transfer, mobile payment, internet banking, loans requisition, savings and deposits, payment platform gateways (Nasution, 2021; Pathrose, Priyanka, 2021; Almomani & Alomari, 2021).

Fintech is widely referred to an innovation in the financial service sector where businesses leverage on modern technology to enjoy services, which include payments, investments, lending money, transfers and insurance. According to Lubis, Dalimunthe,

Situmeang (2019) fintech is considered capable of reaching people who cannot yet be reached by banks. The existence of fintech aims to make people more easily access financial products, facilitate transactions and increase financial inclusion.

In view of the above therefore, this paper proposes a framework to test the mediating effect of financial inclusion on the relationship between financial technology (finTech) and SMEs performance. A quantitative approach would be used to study the proposed conceptual framework by use of a questionnaire. This makes the study unique as most researches on fintech and financial inclusion use panel data to measure the variables.

### **1.1 Objectives of the study**

The proposed conceptual framework is aimed at establishing the mediating effect of financial inclusion on the relationship between fintech and SMEs performance. More specifically, the framework is finding out whether there is a relationship between;

1. Perceived usefulness and financial inclusion.
2. Perceived ease of use and financial inclusion.
3. Perceived trust and financial inclusion.
4. Responsiveness and financial inclusion.
5. Perceived usefulness and SMEs performance.
6. Perceived ease of use and SMEs performance.
7. Perceived trust and SMEs performance.
8. Responsiveness and SMEs performance.
9. Financial inclusion and SMEs performance
10. The mediating role of financial inclusion on perceived usefulness and SMEs performance.

11. The mediating role of financial inclusion on perceived ease of use and SMEs performance.
12. The mediating role of financial inclusion on perceived trust and SMEs performance.
13. The mediating role of financial inclusion on responsiveness and SMEs performance.

### **2.1 Small and Medium Enterprises (SME) Performance**

As the name implies, small and medium enterprises are globally acclaimed to be classified into categories based on number of employees, amount investment, sales turnover etc. In Nigeria, the Small and Medium Enterprise Development Agency of Nigeria (SMEDAN) who is mandated by the act establishing it to promote the development of the MSMEs sub-sector in its 2013,2022 reports, have provided a clear definition of MSMEs based on dual criteria – employment and assets (excluding land and buildings). The agency categorized MSMEs into micro, small and medium enterprise. Micro enterprises are those that employs between one to ten persons and have less than N5 million naira in investment. Small enterprises are those that have from N5 million and up to N50 million invested in the enterprise and employ from 10-49 persons. While medium enterprises controls over N50 million to N500 million in assets with a workforce of 50 to 200 employees.

Attention have been given by scholars on MSMEs success and performance and findings indicate that external environmental factors of infrastructure and institutions matter for SME success, though they were constraining variables to SMEs' performance. Marketing practices indicated a negative and insignificant relationship with SMEs' profitability (Effiom & Edet,

2018). The performance and survival of SMEs depends on the favorable policy that can drive and develop the SME in Nigeria (Eniola, 2014).

In a general term, Krause (2005) defines performance as the degree of the achievement of objectives or the potentially possible accomplishment regarding the important characteristics of an organization for the relevant stakeholders. Literatures have concentrated on defining performance based on financial perspective i.e. efficiency, growth and profit (Mahmudova, Kovacs, 2018).

### **2.2 Financial Technology**

Currently financial technology is a new research area that is gaining attention from researchers. It is a term that originates from “financial” and “technology which means the leveraging by businesses on technological advancement to provide financial services. Digital finances have become responsible for providing new financial services via the Internet, mobile phones, and other digital solutions, which have significantly changed the existing business models of banks, other financial and non-financial institutions and SMEs (Łasak, 2022). Fintech provide a platform where huge payments, money transfers are done with ease electronically.

It has been established that fintech created start-ups that provide for the under-banked and unbanked thereby making them financially inclusive. Several researches have found fintech to improve financial inclusiveness of people (Ashenafi & Dong, 2022; Firdaus & Aryanti, 2019; Rosyadah, Budiandriani, & Hasrat, 2021, Nurohman, Kusuma, & Narulitasari; 2021). Some factors have been identifies to be affecting fintech development globally namely; low internet penetration, bank accounts, financial

literacy, absent of hardware, lack of funds etc. (Kandpal & Mehrotra, 2019). This paper proposes a multi-dimensional measure for financial technology developed by Singh, Sahni, Kovid (2021), a modification of the Technology Acceptance Model (TAM) namely; perceived useful, perceived ease of use, perceived trust and responsiveness.

### 2.3 Financial Inclusion

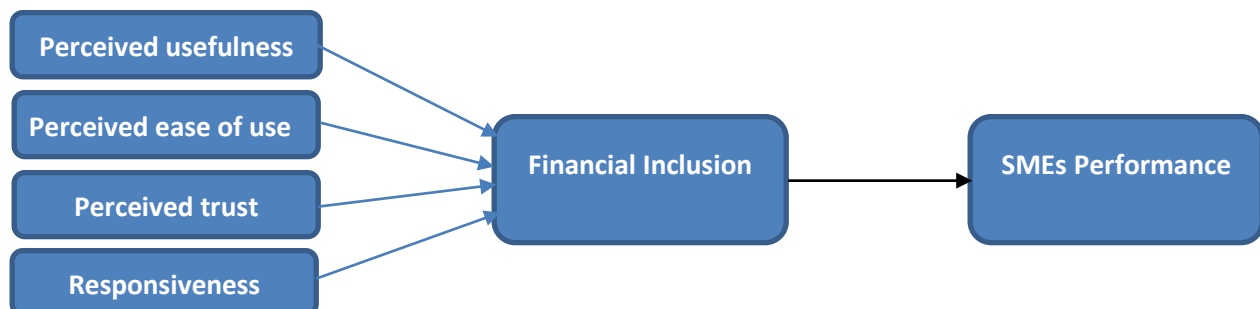
Financial inclusion has become the interest of government all over the globe. There is a dramatic shift in the global scene of using cash for financial transactions to cashless economy for the past two decades. Even though Nigeria is still part of the globalization of trend, the phenomenon is yet to gain serious acceptability. This is making large segment of the economy financially excluded thereby hampering the performance of SMEs in Nigeria. People need to be financially included to perform financial transactions and the businesses themselves required financial inclusiveness to get access to loans and grants. Also important is the financial services needs to be available to the businesses to access.

Sarma and Pais (2008) defined financial inclusion as a process that ensures accessibility, availability, and usage of

formal financial services. Le, Chuc and Taghizadeh-Hesary (2019) and Inoue (2018) are of the view that financial inclusiveness means all adult population of the society are granted access to financial service tailored to their desire at affordable price. Formal financial inclusion begins with having a deposit or transaction account, at a bank or other financial service provider, for the purpose of making and receiving payments as well as storing or saving money (Demirguc-Kunt, Klapper, & Singer, 2017). Studies have found financial inclusiveness to have a negative significant effect on poverty reduction in India (Inoue, 2018). This indicates as more people become financially included, the level of poverty reduces. Moreso, research has also proven that as more people become financially inclusive, it increases the tax revenue of the government (Oz-Yalaman, 2019). Financial inclusion has been considered as a multi-dimensional construct, it has been to measured as; access to financial services, use of financial and quality of services provided by financial institutions in literatures. This proposal is considering financial inclusion as a one-dimensional construct i.e. access to financial services to measure it.

### 2.4 Proposed conceptual framework

#### Financial Technology



Source: Usman and Ibrahim, 2022



## 2.5 Hypothesis

Based on the proposed framework, the following hypothesis are developed. There is a significant positive relationship between;

**H1:** Perceived usefulness and financial inclusion.

**H2:** Perceived ease of use and financial inclusion.

**H3:** Perceived trust and financial inclusion.

**H4:** Responsiveness and financial inclusion.

**H5:** Perceived usefulness and SMEs performance.

**H6:** Perceived ease of use and SMEs performance.

**H7:** Perceived trust and SMEs performance.

**H8:** Responsiveness and SMEs performance.

**H9:** Financial inclusion and SMEs performance

**H10:** The mediating role of financial inclusion on perceived usefulness and SMEs performance.

**H11:** The mediating role of financial inclusion on perceived ease of use and SMEs performance.

**H12:** The mediating role of financial inclusion on perceived trust and SMEs performance.

**H13:** The mediating role of financial inclusion on responsiveness and SMEs performance.

## 2.6 Conclusion

Fintech has been evolving rapidly over the years in Nigeria and the world over. Numerous evidences have shown its positive impact to the growth and development of SMEs through innovative endeavours by tech companies. This have made financial

inclusion possible to the under-banked and unbanked population to be part of the financial system for economic prosperity. Fintech have contributed immensely to SMEs and the public in providing a platform for easy financial transactions. It would also promoted the cashless policies of government and easy regulation of the financial ecosystem in the country. Certainly, fintech would provide inclusive finance to SMEs that will improve the performance of SMEs in Nigeria if adequately researched.

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# The Impact of the Efficiency of Advertisement and Selling Electronically on Sales Volume in Makay Supermarket Gombe State, Nigeria

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## Abstract

*The study investigates the impact of efficiency of advertisement and selling electronically on sales volume in Makay Supermarket Gombe state, Nigeria. The indicators for independent variables are trust and product variety. The population of this study constituted the total number of customers and the employees of Makay supermarket, which is thirty three (33). The sample size was determine using Taro yamane and arrived at thirty (30) samples. The sample size for the study is thirty (30) respondents and was sufficient as stated by Roscoe (1975), rule of thumb that thirty (30) to five hundred (500) respondents are adequate for sample size. Questionnaires were employed as the major instrument of data collection. Regression analysis was used as an analytical tool used to examine the relationship of the variables under investigation. The analysis was also done using SPSS (25.0) package. The result shows a positive relationship between trust and product variety and the dependent variable which is sales volume. The study address the direction for further study*

**Keywords:** *Advertisement, Online Shopping, Product Variety, Sale volume and Trust*

## 1.0 Introduction

Internet is becoming a new way to shop different products or services online. Although, it is a desire situation for everyone to touch the products that he/she wants to buy. However, Internet is playing a wider role in making the shopping more easily as it is never before. The role of information in promotion however is too restricted to new product because buyers differ in state of

their relationship with a product. Even product that have been in the market for years need information support. Also advertising and selling electronically are sale tools which have acquired a wide range of acceptance as functional form of promoting sales and increasing the sales volume of a product. Firms therefore, still adopt it so as to enable them set an objective, selection of tools, effective implementation and channeling of resources as well as profit maximization through increased sales (Omotunde, 2013). The idea behind the electronic sales does not refer to outright absence of physical sales movements in the economic terms, but one in which a larger percentage and volume of sales transactions are not based on hand to hand, interpersonal exchange of product. The improvements in the effort towards an e-commerce has made it possible to make payments and a few other bank transactions over the mobile phones with or without internet connectivity. As a new era of technological revolution beckons, countries are beginning to compete and battle over the control of information rather than natural resources. The vogue today is the use of the e-platform which implies offering financial services through electronic media to various customers irrespective of time and location (Basweti, 2013).

### **1.1 Statement of the Problem**

Many relevant studies were conducted by different researchers about advertisement and selling electronically on sales volume showed mixed results, some of the studies are as follow; (Basweti, 2013 & Jaenab et al. 2022) proved a positive link between advertisement and sales volume. While others like (Karmeli et al. 2021) prove negative link between the variables. However, these shows some proxies were ignored by the researchers such as; trust and

product variety. None of the researcher combine the stated components. Also Most of the studies conducted at different geographical location, but this was conducted in Makay supermarket Gombe. This showed the uniqueness of the study. Hence, the aforementioned studies do not cover the research on the impact of efficiency of advertisement and selling electronically on sales volume in Makay Supermarket Gombe state, Nigeria, that create a gap the study want to fill.

The main aim of this study is to investigate the impact of efficiency of advertisement and selling electronically on sales volume in Makay Supermarket Gombe state, Nigeria. However, the specific objectives of the study are as follows: To examine the relationship between trust and sales volume in makay supermarket Gombe State. To examine the relationship between product variety and sales volume in makay supermarket Gombe State.

## **2.1 Literature Review and Development**

### **2.2 Trust and Sales Volume**

The concept “trust” is defined as the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustier, irrespective of the ability to monitor or control that other party (Khyzer et al., 2015). Another study was conducted on e-commerce trust and they viewed the main predictors of trust to be intention to take a risk and perception towards the trustee’s characteristics (Bashir et al., 2015). Customers’ willingness to buy from online store is greatly affected by consumer’s trust in giving their personal particulars and security for paying through credit card online. In the study of Karmeli et al. (2021) this research is field research that aimed to determine the effect of e-commerce on the

selling value of study MSMEs on 100 creative economy-based MSMEs in Sumbawa Regency. The samples were determined using the accidental sampling technique. The data used are quantitative in the form of respondents' perceptions of e-commerce and the selling value of MSMEs which were collected directly by researchers from the source using a research instrument in the form of a questionnaire measured using a Likert scale in 5-point intervals. The data that has been collected will be analyzed using a simple linear regression analysis method and statistical t-test. The results of this study indicated that e-commerce has a positive effect on the selling value of MSMEs in Sumbawa Regency. The ability of e-commerce in explaining variations in the change in the selling value of MSMEs in Sumbawa Regency is 40.7%, while the remaining 59.3% is influenced by other variables outside of this study. An easy way, an online seller can reduce the concerns customers have regarding risk is to carry brand name products on their websites. It is also a good idea to have your own brand name, like Amazon. Holding and also selling products from a brand can improve the trust quotient. The brand name also greatly affects the final buying decision of the customer (Bashir et al., 2015).

### **2.3 Product Variety and Sales Volume**

There is a continuous rise in online shopping in the US and there has been an increasing influence in the total amount of retail sales as well, thus calling for more extensive exploration of spending patterns per person. In order to buy more products online, the products and services that they have already purchased must first satisfy customers. To be able to understand what consumers want in a website, it is important that researchers develop and then validate metrics that can capture the feelings and attitudes of

customers that shop online comprehensively (Khyzer et al., 2015). According to the study by Jaenab et al. (2022) describes how the cost of raw materials and promotional costs affect the sales volume generated by the company. His research aims to find out that the cost of raw materials and promotion costs can increase sales volume. His study uses secondary data, obtained from the annual reports of each company with the years published 2018, 2019 and 2020. The number of observations is 105 data determined by the purposive sampling method. Multiple linear regression is an analytical tool in this study. The results showed that the cost of raw materials partially affects sales volume, the promotion also costs partially affect sales volume. Simultaneously the cost of raw materials and promotion costs affect sales volume. The raw material costs incurred by the company are used to produce products that follow market demand both in terms of quality and quantity, and the company can use promotional costs appropriately. A product factor can be any quality of the product or service that is for sale. More often, products bought online are the same as those purchased from brick-and-mortar stores. Customers make the decision of buying from either place based on factors like who is offering the best value for the product (Bashir et al., 2015). Also another study conducted by Oladimeji et al. (2010) examined the trends of advertisements of information technology (IT) products, and found that the number of advertisement on IT products increased significantly over the years and the quality of the adverts also improved significantly. The Study was limited to only the advertisement for a period of ten years 1999-2008, and suggested the need to investigate the trends in some advertisement from the period she reviewed.

## 2.4 Methodology

The study used Survey research approach for the data collection. The population of this study constituted the total number of customers and the employees of makay supermarket. hence, the actual numbers of the people that are patronizing the supermarket will not be ascertain, since customers are trooping day in day out to buy their product, purposive method of sampling was employed to select the participants with diverse characteristics where definite information are stated as well as providing some security towards the contingencies of the research process (Vullnetari & King, 2008). The study carried the entire staff,

which are sixteen (16) in number and seventeen (17) customers were chosen, this form the population of the study thirty three (33). The sample size was determine using Taro yemani and arrived at thirty (30) sample. The sample size for the study is thirty (30) respondents and was sufficient as stated by Roscoe (1975), rule of thumb that thirty (30) to five hundred (500) respondents are adequate for sample size. Questionnaires were employed as the major instrument of data collection. Regression analysis was an analytical tool used to examine the relationship of the variables under investigation. The analysis was also done using SPSS (25.0) package.

## 2.5 Results

**Table 2.1: Descriptive Statistics**

Items	Mean	Std. Deviation	N
Y	4.4867	.53223	30
X1	4.6333	.45207	30
X2	5.0067	2.23544	30

Table 2.1 above clearly show that the means and standard deviation of the dependent variable Sales Volume is 4.4867 and 0.53223 respectively. This indicate that standard deviation is low. While the means and standard deviation of the indicators of

independent variables are; Trust 4.6333 and 0.45207, Product variety is 5.0067 and 2.23544. This indicate that standard deviation is low on trust and high on product variety.

**Table 2.2: Correlations**

	Items	Y	X1	X2
Pearson Correlation	Y	1.000	.590	.306
	X1	.590	1.000	.401
	X2	.306	.401	1.000
Sig. (1-tailed)	Y	.	.000	.050
	X1	.000	.	.014
	X2	.050	.014	.
N	Y	30	30	30
	X1	30	30	30
	X2	30	30	30

Table 2.2 above clearly depict that there is correlation between dependent and

independent variables. There is also significant relationship between them.

**Table 2.3: ANOVA<sup>a</sup>**

Model		Sum of Square	Df	Means Square	F	Sig.
1	Regression	2.855	1	2.855	14.914	.001 <sup>b</sup>
	Residual	5.360	28	.191		
	Total	8.215	29			
2	Regression	2.902	2	1.451	7.373	.003 <sup>c</sup>
	Residual	5.313	27	.197		
	Total	8.215	29			

Looking at table 2.3 above the sum of square in model one is 2.855 with difference of 1 and the mean square is also the same as the sum of the square with F value of 14.914, lastly the level of significance is 0.001 which below 95% level of significance, we therefore accept null

hypothesis otherwise do not. The second model also show 2.902 as the sum of square and the difference of 2, where the mean square is 1.451 with F value of 7.373, therefore, we also accept it since the level of significance is still below 95%, that is 0.003.

**Table 2.4: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	Df1	Df2	Sig. F Change
1	.590	.348	.324	.43752	.348	14.914	1	28	.001
2	.594	.353	.305	.44360	.006	.238	1	27	.630

R, the multiple correlation coefficients, is the linear correlation between the observed and model-predicted values of the dependent variable. Its large value indicates a strong relationship. Looking at the value of R in model, that is 0.590 this indicate a strong relationship between the variables. Also in model 2 the value of R is still large even larger than that of model 1. This depicts a strong relationship between the variables.

## 2.5 Conclusion

It's obvious that this study has revealed trust and product variety as primary tool in the marketing decision variables of a firm are effective in the marketing of consumer's

products. Makay supermarket in particular has answered the question on how does trust affect the sale volume of a product. Therefore every marketing variable of any business concern must be evaluated in terms of the contribution it makes to the growth of the business.

By virtue of this study, it has been discovered that advertisement and selling electronically shapes a consumers perception about a product. As the business environment is becoming more challenging and risky, business organizations are failing as a result of poor decision and low patronage, it is no doubt therefore, to say that advertisement and selling electronically



could help increase the demand of a product or company's patronage by making it popular in the minds of the consumers both existing and potential's consumers.

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