



The Nigerian

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APRIL/JUNE, 2014

Vol.47, No.2



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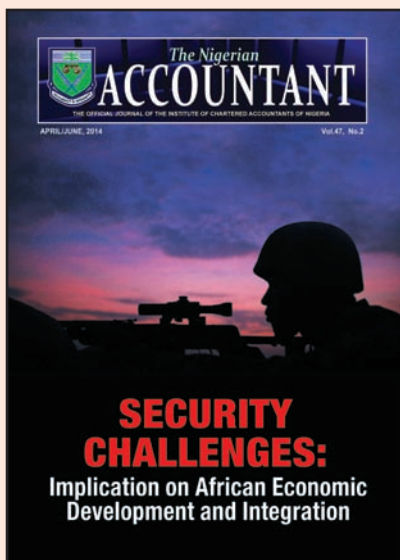
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THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA

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To produce world-class chartered accountants, regulate and continually enhance their ethical standards and technical competence in the public interest.

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From The Editor

The security situation in Africa in recent times, calls for worry. Insecurity is a great obstacle to economic development and integration in any given society and this has generated much concern to Africans.

After years of independence, significant development had been elusive to most African countries partly owing to palpable insecurity pervading the continent. In view of this, our cover article entitled “**Security Challenges: Implication on African Economic Development and Integration**” could not have been more timely due to the bane of lack of security in most African countries.

Recently, the 8th Western Zonal Conference of the Institute took place in Lagos, with the theme: “**Transforming the Nigerian Economy: Issues, Challenges and Opportunities for the Accounting Professions**”. The proceeds of the conference and its communiqué are reported in this edition for our readers.

In response to the yearning of members, the Council has approved the circulation of the paper copy of your journal to all financial members of the Institute. Please ensure that your address is up to date so that you can receive your copy of your informative journal.

News items about happenings in the Institute form a major part of the journal so as to keep you abreast of the activities of Council and Secretariat. In the development section, the “**Significance of Tax Incentives and Infrastructural Development on Entrepreneurship in Nigeria**” is a must read.

Therefore, sit back and enjoy this serving. Send us your articles too, we will publish all those that pass our litmus test.

Your comments on this edition are welcome.

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ICAN Collaborates With Higher Institutions in Kwara State

In its bid to encourage students and youths to embrace the study of accounting and become Chartered Accountants in future, the Institute of Chartered Accountants of Nigeria (ICAN) has taken its campaign to higher institutions in Kwara State where the authorities signified their readiness to work with ICAN in this direction.

During his tour to Ilorin and District Society of ICAN, the 49th President of the Institute, Alhaji Kabir Mohammed paid courtesy visit to all the higher institutions in the state viz: Al-Hikma University, University of Ilorin, Kwara State University and Kwara State Polytechnic.

Addressing the Vice Chancellors and students of the Institutions, the ICAN President explained that it was the intention of ICAN to collaborate with willing higher institutions by signing a Memorandum of Understanding (MoU) with them on how to incorporate ICAN syllabus in their curriculum. He explained further that in doing this, the students of accounting in such schools would be qualifying as a chartered accountant at the same time with their degree programmes.

The ICAN President also spoke on the Students Special Project (SSP) that culminated in the partnership between ICAN and New Nigeria Development Company (NNDC). According to him, the Institute observed that there was dearth of Chartered Accountants in some parts of the country due to lack of tuition houses and decided to help such regions. It therefore collaborates with governments of such areas to produce counterpart funds for the project, which is aimed at preparing students for ICAN examinations that will qualify them as chartered accountants. He explained further that since inception, the project had yielded the expected results in folds.

Alhaji Mohammed also spoke about the scholarship scheme for students who make first class or distinction in either University or Polytechnic respectively. He said such students would be granted scholarship to write all stages of ICAN examinations and qualify within three years, free of charge.

Meanwhile, the Vice Chancellors of Al-Hikma University, Kwara State University, University of Ilorin – Professor Sulaiman Abdulkarim, Professor AbdulRasheed Na'Allah and Professor AbdulGaniyu Ambali with the Rector of Kwara State Polytechnic, Alhaji Moshood Elelu signified their readiness to partner with ICAN to realise the set goal.



ICAN President, Alhaji Kabir Mohammed with the Vice Chancellor of Kwara State University, Prof. AbdulRasheed Na'Allah during Mohammed's visit to the University



Mr. Chidi Ajaegbu receiving souvenir from the Managing Director, Nigeria Liquefied Natural Gas (NLNG) Mr. Babs Jolayemi Omotowa

Don Applauds ICAN's Contribution to Accounting Department

The Vice Chancellor of University of Port Harcourt, Professor Joseph Ajenka has commended the Institute of Chartered Accountants of Nigeria (ICAN) for its immense contribution to the vibrancy of the Accounting Department of the University.

The Vice Chancellor stated this while receiving the 49th President of ICAN, Alhaji Kabir Mohammed who was represented by the Vice President of ICAN, Mr. Chidi Ajaegbu, in his office.

The University don who acknowledged ICAN's mentorship programme and capacity building said he was satisfied with the work of over twenty ICAN members who were currently in the service of the university.

His words: "We are quite happy with the internal auditor of the University as well as other members of your Institute engaged in the service of the university who through their hard work have contributed to the university's vibrant

accounting department. Your quality of Accountants is superb.”

Professor Ajenka expressed the University’s willingness to partner with the Institute in capacity building, and offer support in whatever way possible in its programmes.

In a related development, ICAN was extolled for its high standard and best service delivery over the years. This commendation came from the Managing Director of Nigeria Liquefied Natural Gas Limited (NLNG), Mr. Babs Jolayemi Omotowa when he played host to the ICAN team that paid him a courtesy visit.

While addressing the ICAN team, the NLNG boss said, “ICAN is second to none in maintaining high standards and capacity building” and added that as a company contributing to sustainable development initiatives in host communities and beyond, NLNG has quite a number of qualified chartered accountants in its employment.

He therefore pledged to support the Institute’s activities by sponsoring staff who were ICAN members to most of its trainings including the forth coming annual accountants’ conference.

Earlier, the president had explained that it was mandatory for presidents of the Institute during their one year tenure to visit district societies of the Institute spread all over the country and abroad, to see how members fared. He added that companies and organisations which use the services of ICAN members as well as other stakeholders were visited to get a feedback from them.

Education is the Best Legacy, says ICAN President

There is no legacy as good as education but a better legacy is a sustainable educational career, capable of transforming and equipping the young ones for the tides and turbulences ahead, particularly in the world we are today.” These were the words of the 49th President of the Institute of Chartered Accountants of Nigeria (ICAN), Alhaji Kabir Mohammed at the 2nd *Catch Them Young* programme organised by Ikorodu District & Society of ICAN.

The programme was designed to provide professional guidance to students in Secondary Schools and Colleges of Education within Ikorodu axis, to enable them make right choice in their professional career in future.

Addressing the students, Alhaji Kabir explained that “Accountancy is a profession that deals with the systematic gathering, recording, classification, analysis and interpretation of data of financial nature and communication of information needed to take economic decisions by individuals, organisations and the nations of the world”. This procedure, he expatiated, is the same everywhere and requires the use of skill and intellect which only trained or inducted minds



ICAN Vice President, Mr. Chidi Ajaegbu (left); Chairman of Port Harcourt & District Society of ICAN, Mrs. Josephine Obua; and Vice Chancellor, University of Port Harcourt, Prof. Joseph Ajenka during ICAN’s visit to the University

like chartered accountant can do.

Six students who wrote and passed the Accounting Technician Scheme West Africa (ATSWA) examinations in Ikorodu centre in September 2013 diet were awarded scholarship. They are Akinyosoye Oluwaseun, Kuforiji Wuraola, Ibrahim Tobiloba, Awesu Moses, Oladiran Adetoro and Duyile Joy.

While congratulating the students, the ICAN President implored them not to rest on their oars in order not to disappoint their parents and sponsors who counted them worthy of the scholarship.

In his own speech, the Immediate Past Chairman of the District, Rev. Samson Disu disclosed that human civilisation is a product of human intellect which is propagated by the social need and requirement for older generations to pass knowledge to the younger ones.

According to him, education of children begins with their parents who pass on knowledge to equip them for survival and make them

respectable members of the society and ultimately an object and subject of change to immediate community and the society at large.

ICAN Takes ‘Catch Them Young’ Programme to Port Harcourt

In its drive of producing world-class chartered accountants, the Institute of Chartered Accountants of Nigeria (ICAN) is leaving no stone unturned to encourage and provide a solid professional guidance to young secondary school students all over the country to make right choice in their professional careers.

The catch them young initiative of the Institute commenced in Port Harcourt recently where over 250 students from over 12 secondary schools were addressed by various paper presenters and speakers, including the President of the Institute, Alhaji Kabir Mohammed who was represented by the Vice President, Mr. Chidi Ajaegbu.

In his keynote address, the President mentioned that the objective of the programme include creating awareness among students about the opportunities available to them through ICAN as well as taking ICAN to the grassroots with a view of catching them young and promote sense of belonging, future prospects and personal interest among the students.

Highlighting the benefits of becoming an accountant, the ICAN boss said that “as a chartered accountant, one has the chance of playing a crucial role in the economic development of a nation, as it is practically impossible not to have a chartered accountant in an organisation”.

In his presentation, Mr. Henry Wobo, an Associate member of the

Institute who addressed the students on 'the road map to becoming a chartered accountant', articulated the processes of becoming a chartered accountant through the Institute's platform of two types of examinations – the Accounting Technician Scheme for West Africa and Professional Examinations.

In his own address, Alhaji Rasak Jayeola, Chairman of the Students Affairs Committee told the students that the keys to their success in becoming chartered accountants are hard work, determination and perseverance.

Quiz Competition Earns Two Students ICAN Scholarship

Two students of Sacred Heart College, Ijebu-Ode, Ogun State, Miss Cynthia Ekebere and Miss Anuoluwa Timehin have been awarded scholarship to study accountancy in the University, after their secondary education.

The scholarship award was announced recently by the 49th President of the Institute of Chartered Accountants of Nigeria (ICAN), Alhaji Kabir Mohammed during presentation of prizes to students of secondary schools, who participated in the grand finale of the 3rd edition of Future, Accountants, Managers & Entrepreneur (FAME) Secondary Schools Quiz Competition in which the two students came first. The competition was organised by the Governing Council of the Institute in conjunction with Ijebu-Ode & District Society of ICAN.

In his speech, the Chairman of Ijebu-Ode & District Society, Mr. Olufemi Stephen Sowunmi stated that the competition which commenced in 2011 has continued to grow bigger. He explained further that the objectives of the programme include taking ICAN to the grassroots; creating sense of commitment to excellence among students and teachers of commercial department in secondary schools; showcasing the quality of commercial education in Nigerian secondary schools; and promoting a platform for socio-academic interaction among commercial secondary school students, etc.

The ICAN President, Alhaji Kabir Mohammed in his own words posited that there's no legacy as good as

education, adding that the best gift parents or guardians could give a child is education, upon which all other successes depend.

He also corroborated the Ijebu-Ode and District Chairman by saying that the scheme was to create awareness among students about the opportunity available to them through ICAN and provide professional guidance to young students to enable them in future make right choices of their professional career.



A training session on ICAN new syllabus for trainers, committee members and staff of the Institute



Tayo Phillips, Council Member/World Bank Project Implementation Committee Chairman (left); Nick Blackwell, Director, Emile Woolf; Abel Aig. Asein, Deputy Registrar, Technical Services/World Bank Project Manager; Stephen Lamdin, Consultant, Institute of Chartered Accountants in England and Wales; Chief Abiodun Ajomale, Council member/Deputy Chairman, ATSWA; and Alh. Razak Jaiyeola, Council Member/Chairman Students Affairs Committee; at the ICAEW/ICAN training on new syllabus

Disciplinary Tribunal: Henry Oronsaye Ceases to be an ICAN Member

Mr. Henry Oronsaye with membership number **022083** has ceased to be a member of the Institute of Chartered Accountants of Nigeria (ICAN), as his name was struck out from the Institute's register. The withdrawal of his membership followed his infamous conduct contrary to paragraph 13.4 of chapter 13 of the Rules of Professional Code of Conduct and Guide for members of the Institute and punishable under the said Rules and Section 12 (1) (a) of the Institute of Chartered Accountants of Nigeria Act Cap 185 Laws of the Federation of Nigeria 1990.

Mr. Oronsaye was accused of perpetrating fraud running into millions of naira, out of which the sum of N200million had been established, when he was the Senior Accounting Officer in the Financial Control Unit of Ecobank's subsidiary, Ecobank Development Corporation.

When the offence was reported to ICAN, Mr. Oronsaye was contacted several times between December 2008 and May 2009 by the Institute's Investigating Panel, to respond to the allegations made against him by Ecobank Nigeria Plc. But Mr. Oronsaye instead of heeding the request willfully disregarded the Panel's instruction.

Also, when the matter came up for the first time at the Tribunal sitting of 28th March, 2011, Mr. Oronsaye was absent and was not represented by a Counsel. An advertorial was later made in The Guardian newspaper of Monday April 11, 2011 to serve as a notice to him for the next tribunal sitting, which he also rebuffed.

At the Tribunal sitting of May 5, 2011, his trial commenced and Oronsaye was also absent and unrepresented. After many adjournments without him or his Counsel, the Tribunal considered all the evidence before it in respect of the matter and posited that Oronsaye's continued absence from the sittings of the Investigating Panel and Disciplinary Tribunal is an admission of guilt.

The Tribunal therefore ruled that Mr. Oronsaye's name be removed from the membership of the Institute while he was ordered to return his membership certificate to the Institute immediately.

Examination Malpractice: ICAN Blacklists Professional Student

In line with its discipline and zero tolerance for examination malpractices, the Institute has blacklisted a student caught cheating during November 2013 professional examinations.

The student, **Mubarak Balqees Abayomi** was caught on 20th November 2013 at Abuja Centre, with pre-jotted inscriptions related to "Advanced Audit and Assurance" paper he was writing, at the back of his docket.

He was made to write his own statement which upon investigation found him guilty. The exhibit and the invigilator's report were also evidences against him.

After due investigations, the Council of the Institute decided that the student be blacklisted and banned from all the Institute's examinations. He was deregistered as candidate of the Institute and have all the papers taken during the November 2013 diet professional examination cancelled.

Award of Knighthood:



Agbebiyi

Sir Herbert Adewole Agbebiyi, KJW, FCA, Past President of ICAN, was awarded the Knight of John Wesley (KJW) at the 43rd/8th Biennial Conference of Methodist Church Nigeria. His nomination was ratified at the Church's August 2012 Conference and the Award was conferred on him during the service of Recognition and Award of Merit held on Sunday 7th July 2013 at William's Memorial Methodist Cathedral, Ago-Ijaiye, Ebute Metta, Lagos.

Award of Honorary Doctorate:

Dr. Francis Okereke Okoronkwo was awarded Doctor of Philosophy (*Honoris Causa*) in Business Administration by Pacific Western University, Denver State of Colorado, United State of America. Dr. Okoronkwo is the Lead Consultant of Frontini Consulting Limited, a Banking, Finance, Risk, Management consulting and organisational development firm based in Lagos.

Appreciation:

The newly appointed *High Chief Lisa of Ondo Kingdom* and Past President of The Institute of Chartered Accountants of Nigeria (ICAN), **Sir Simeon O. Oguntimehin**, OON, has expressed the appreciation of his family to the Council, Members, Management and Staff of the Institute for their congratulatory messages and moral support given him on his appointment as Lisa-Elect of Ondo Kingdom. While calling on the ICAN family for further support during the official installation ceremony later this year, the High Chief promised not to let the Institute and Ondo people down, but to perform the functions of his office with dignity, responsibility and credibility it entails.



Oguntimehin

Died:

* The death has been announced of **Mr. Gbolahan Ayodeji Odunlami** (Membership No. 1052). He died on Sunday, February 8, 2014 after a brief illness.

* Former Managing Partner of KPMG Consulting and Chairman of PM Global Consulting, **Otunba Alfred Sunday Gbodimowo** died on Friday, January 17, 2014. He was aged 65 years.

Ilaro and District Society of ICAN Inaugurated

The Institute of Chartered Accountants of Nigeria (ICAN) added a new feather to its cap on Wednesday, January 29, 2014 when its 49th President, Alhaji Kabir Mohammed inaugurated the Ilaro and District Society of the Institute.

Alhaji Mohammed explained that the reason for the creation of District Societies in all the states of the federation and beyond was to open an avenue for members to interact, exchange ideas and discuss issues of professional and international interests.

Speaking further, he said creation of District Societies also help to galvanise members to form common positions on matters of peculiar relevance to their host communities. The President implored the executives and other members of the newly inaugurated district society to adhere to the ethics of the accounting profession while making accuracy and integrity their watchword.

He also urged them to further propagate the cause of the accountancy profession by organising seminars for secondary schools with a view to bringing into the fold, younger individuals who are desirous of pursuing a career in accounting.

After administering the oath of office on him, Alhaji Mohammed decorated the new Chairman of the District Society, Deacon Ogijo Flavius Yamusa with the insignia of office, after which other members of the executive took the oath of office administered on them by Yamusa.

Earlier in the day, the ICAN President paid a courtesy call on the Plant Director of Dangote Cement, Ibese Plant, Mr. Jagat Rathee who alongside the organisation's Finance Manager Mr. Kola Ajayi received him.

The ICAN President also paid courtesy call on the Olu of Ilaro, His Royal Majesty, Oba Kehinde Gbadewole Olugbenle and other traditional rulers in Yewa Land. In his brief remarks at the palace, Mohammed spoke on the professional status of the Institute in the comity of professional bodies in Nigeria and abroad and reeled out the services offered by its members.

Responding, Oba Olugbenle credited the Council and members of the Institute with professionalism by their ethical conduct to issues. He also acknowledged the impact of the Mandatory Professional Education on the quality of professional service delivery of members in the nation and beyond. While rounding off the visit to the palace, the Kabiyesi conferred the title of *Turaki Yewa Land* on Alhaji Kabir Mohammed.

As part of his tour of the district, the President paid a courtesy call on the Rector of the Federal Polytechnic, Ilaro Dr. Raheem Adisa Oropo. He informed the Rector of the Institute's scholarship programme for students of tertiary institutions, especially those who graduated with a first class degree in the case of University graduates or a distinction in the case of Polytechnic graduates.

2014 Forum of Firms Holds

As part of his tour of the district responsibilities of keeping its members informed about current issues unfolding since the adoption of the International Financial Reporting Standards (IFRS) in January 2012, the Faculty of Audit, Investigation and Forensic

Accounting of the Institute, organised its 2014 Forum of Firms' technical session for members of the faculty who are in public practice.

The programme was held on Tuesday, January 28, 2014 at the Lagos Airport Hotel, Ikeja, with the theme "**IFRS Implementation: The Journey So Far – Auditors' and Regulators' Perspectives**".

The technical session was declared open by the 49th President of the Institute, Alhaji Kabir Mohammed who said that the forum was necessary in order to ensure that Chartered Accountants in Nigeria were up to par with the global standards in the implementation of the International Financial Reporting Standards.

The ICAN President reiterated the fact that subsequently, audit report, apart from expressing the true and fair view opinion, must comply with the provisions of the Financial Reporting Council (FRC) Act and other audit standards. In addition to this, practitioners are expected to declare any conflict that may arise in the accomplishment of audit assignment to the Financial Reporting Council of Nigeria.

In his paper, a Partner in charge of IFRS Advisory Services, Akintola Williams Deloitte, Mr. Oduware Uwadiae spoke on issues concerning the Overview of IFRS Reporting Framework, Journey of IFRS in Nigeria, IFRS Implementation and Entities' Business. He commented on the benefits derivable from IFRS Implementation as well as the Challenges of implementing IFRS without losing sight of the key success factors for its implementation. He made participants at the forum realised that the submission of his paper were from the Auditors' perspectives.

In the second paper presented, Chief Executive of the Financial Reporting Council, Mr. Jim Obazee analysed his points from the regulators' perspective which dealt extensively on the Roadmap to IFRS Conversion.

ICAN Members Are Masters of Financial Skills – River Basin MD

The Managing Director of Anambra-Imo River Basin Development Authority, Engr. Patrick Allen Okereafor has described members of the Institute of Chartered Accountants of Nigeria (ICAN) as masters of financial skills that had sustained the meagre resources of the Authority towards meeting its responsibilities to both its internal and external publics.

Okereafor made the remarks while receiving the 49th President of ICAN, Alhaji Kabir Mohammed and his entourage during a courtesy visit to his office. He expressed satisfaction at the professional manner by which members of the Institute in the employ of the Authority discharged their duties.

He however promised to avail the professional services of members of the Nigerian Society of Engineers, Imo State Branch, to the Institute, at zero cost, whenever the need arose.

In his remarks the ICAN President thanked Engr. Okereafor for the warm reception accorded him and his entourage. He reminded him of the relevance of capacity building for members of the Institute in his employ. These capacity training programmes, he said, are available through the Institute's Members Continuing Professional Education (MCPE) Programmes, Faculty Programmes and many

others. He called on the Managing Director to endeavour to provide ICAN members in his organisation the needed opportunities to attend such trainings.

We Shall Contribute Immensely to ICAN's Growth – Fidelity Chapter

Members of the recently inaugurated Fidelity Bank chapter of the Institute of Chartered Accountants of Nigeria (ICAN) have promised enormous contribution to the growth of the Institute. The promise was handed down by the chairman of the chapter, Mr. Emeka Obiagwu at the inauguration of the chapter at the Institute of International Affairs, Victoria Island, Lagos.

He expressed delight that the bank was approved by the Council of the Institute as the first commercial bank in the Country to have an ICAN Chapter. He said that though the tasks before the new executives were enormous, the chapter would succeed. Speaking further, Mr. Obiagwu reeled out the list of some activities outlined for chapter to include, symposium, syndicate sessions, workshops, social activities.

Also speaking at the event, the Managing Director/Chief Executive of Fidelity Bank, Mr. Nnamdi Okonkwo who was represented by an Executive Director Mr. I.K. Mbagwu, praised the leadership of the Institute for approving a chapter for the bank. He pledged to contribute to the growth of the chapter in order to enable its members contribute their quota to the economic growth of the nation.

In his speech at the ceremony, the 49th President of ICAN, Alhaji Kabir Mohammed said the inauguration of the chapter was in respect of clear adherence to laid down rules and objectives governing the establishment of a chapter by its members.

He urged members of the newly inaugurated chapter to unite professionally for the common good and success of the Institute. He equally admonished them not to make the chapter a forum for the promotion of individual selfish interest but for effective interactive platform where they are expected to share ideas and consider issues of national and international interest.

Put Pressure on Investors in Energy Sector, FG Urged

The federal government has been called upon to put greater pressure on investors that recently acquired the energy generating and transmission companies in the country to commence work immediately. This call was made by the 49th President of the Institute of Chartered Accountants of Nigeria (ICAN), Alhaji Kabir Mohammed at the just concluded 8th Zonal Western Districts' Conference of ICAN held at Lagos Airport Hotel, Ikeja.

The theme of the conference was *"Transforming the Nigerian Economy: Issues, Challenges and Opportunities for the Accounting Profession"*.

He said time was of essence as Nigerians are desirous of feeling the impact of the energy companies, adding that average Nigerians

are anxious to have significantly improved power supply. He noted also that fledgling Small and Medium Enterprises (SMEs) need energy and other facilities to thrive.

"The time to call for the citizens' patience and understanding, in my own view, is over. The government needs to revisit the timelines for the deliverables agreed with the investors. Secondly, the government needs to improve on its project monitoring mechanism. The nation deserves and must receive value for money for its huge investments in capital projects", he added.

The ICAN President also advised government that the task of transforming the Nigerian economy requires urgent, progress and altruistic actions on the part of the government.

He said that as the nation is set to celebrate centenary, a Marshall plan should be developed that will propel Nigeria not only to its next best level but also reposition it as commendable sprinter in the global economic race.

"As professionals, we Chartered Accountants have the capacity to make Nigeria great again through the renewal of our commitment and compliance to the ethics of our profession. Only then can our public interest mandate have meaning to Nigerians", he enthused.

He maintained that the timeliness and strategic choice of the theme of the Conference could not be over-emphasised, not only because the focus of the federal government of Nigeria is economic transformation, but also because there is benefit in constantly reviewing what government plans to accomplish and the strategies put in place to take the nation to the Promised Land.

He also added that this would facilitate the evolvement of measures that will reduce negative variances in the set performance metrics. Furthermore, Kabir Mohammed recalled that the vision of President Goodluck Jonathan as embedded in his transformation agenda was to create a strong, healthy and well diversified economy that could favourably complete with others in the world.

He however lamented that although, the pace of reported inflow of foreign direct investments has continued to increase in the wake of legislative and regulatory reforms, the impact of the resultant economy growth on the citizenry has been minimal.

New ExcOs for District Society

JOS

Egegwu , Emmanuel Unogwu, ACA	– Chairman
Gyang , Pam Yakubu, ACA	– Vice Chairman
Kutus , Martins Oloruntoba, ACA	– Secretary
Tile , Terhemba, ACA	– Asst. Secretary
Ekechukwu , Nkiruka Lovina, ACA	– Treasurer
Takon , Loretta Eric, ACA	– Financial Secretary
Dooiyor , Julius Teryila, ACA	– Technical Secretary
Soephding , Bernard Alkali, ACA	– P.R.O
Suhunshak , Clement James, ACA	– Ex-Officio Member
Famoroti , Isaac Olajide, FCA	– Ex-Officio Member
Adedokun , Rotimi Adetayo, ACA	– Ex-Officio Member

FROM OTHER BODIES

IFAC Launches Global Knowledge Gateway

The International Federation of Accountants (IFAC) has launched a global hub for accountancy news, views, resources, and thought leadership tagged the Global Knowledge Gateway. The Gateway is the result of a nearly year-long project to answer the call to better leverage of IFAC position as the global accountancy organisation.

The hub has been designed to serve IFAC member organisations by allowing them to showcase and share their valuable resources with a broader, global audience of professional accountants and to help them serve their members better.

The Gateway is a place for professional accountants to:

- Access resources from around the world;
- Learn about emerging areas of the profession like sustainability and integrated reporting;
- Stay connected to the most pressing accountancy issues and news of the day; and
- Interact by exchanging views, making recommendations, and sharing what they find with their own social networks.

Why The Gateway?

The impetus for the Gateway actually started several years prior to initiating the project. A 2009 review of IFAC's service delivery emphasised the importance of sharing knowledge, ideas, and experiences to serve, in particular, member organisations' professional accountants in business (PAIBs) and practitioners in small- and medium-sized practices (SMPs). The Gateway will initially focus on key PAIB topic areas.

Since 2005, IFAC's custom search engine, IFACnet, has provided results from IFAC, participating member bodies, and other organisations around the world. By searching a custom group of websites, IFACnet helps find relevant results and cut through the information overload from the vast array of online resources.

The Global Knowledge Gateway takes this concept a step further by creating a single global hub for aggregating news, views, resources, and thought leadership from around the world and bringing it all together in an accessible way.

Key Components

- **Viewpoints** – These are thought-provoking pieces that will share perspectives and opinions from thought leaders and influential voices in the global accountancy and business communities.
- **Accountancy News** – From major news outlets as well as online press rooms of IFAC and its members, this curated newsfeed features general accountancy news on the Gateway landing page and topical accountancy news on the corresponding topic pages.
- **Resources** – Featured on each topic page, this aggregated list includes resources from IFAC, members, and related international and national bodies, with descriptions and links to both source and resource (hosted on source/third-party site). Resources can be filtered by sub-category, source, and type.
- **Discussions** – Featured on each topic page, these discussion starters also serve as highlights of significant developments in each topic area.
- **Search** – Search boxes (found on the Gateway landing page

and each topic page) can help one to find what he's looking for. One can toggle to find results from the specific topic or from the entire Gateway. In addition, filters on each topic page can be used to narrow down the resources displayed.

- **Upcoming Events** – This list on the Gateway landing page highlights future events happening around the world that professional accountants may wish to attend or follow.

- **Keep Updated** – Log in or register from each topic page to receive the Gateway newsletter to stay updated on current news, discussions, and resources for the topics that you select.

- **Suggest a Resource, News Item, Event, or Discussion Topic** – Featured on each topic page, these fields encourage visitors to the Gateway to suggest links and content to add to the site.

Where Do I Start?

We invite you to explore, read, search, and engage. We hope that you'll gain some knowledge and insights, and that you'll share the Gateway and the useful resources you've discovered with your colleagues and social networks. If you haven't already, we recommend that you **register** on the IFAC website. This will allow you to get the most out of the Gateway – join discussions, pose questions, and contribute your perspective; suggest resources, news items, or events; and subscribe to receive updates on the topics that matter most to you.

(Culled from www.ifac.org)

IFAC Issues Proposed Guidance on Supplementary Financial Measures

The Professional Accountants in Business (PAIB) Committee of the International Federation of Accountants (IFAC) has issued proposed International Good Practice Guidance, *Developing and Reporting Supplementary Financial Measures*, for public comment. This guidance seeks to establish a benchmark for the use of supplementary financial measures, in order to improve understanding of an organisation's performance among management, investors, and other stakeholders.

The proposed guidance provides principles regarding the qualities measures should have and disclosures that should accompany them if reported externally. Building on the qualitative characteristics of useful financial information, the guidance recommends that professional accountants should consider a number of attributes when developing and reporting supplementary financial measures. The guidance also provides a number of tips for disclosure of supplementary financial measures. The guidance is meant for all organisations that want to use supplementary financial measures, regardless of size or structure, private or public. Many such measures are widely used in both internal and external reporting, for example, Earnings Before Interest, Taxes, Depreciation, and Amortisation (EBITDA); Underlying Profit; and Free Cash Flow.

"High-quality information is crucial for well-informed decision making about an organisation, both internally and externally," said Charles Tilley, chair of the PAIB Committee. "Well-developed supplementary financial measures increase users' understanding of an organisation and its performance."

Supporting the profession and accountants in business is a key objective of the PAIB Committee. This type of principles-based guidance is an important aspect of achieving that objective. "This

guidance will help professional accountants in business and their organisations improve communications with their stakeholders,” said Karyn Brooks, chair of the PAIB Committee’s Business Reporting Task Force. “It will enable organisations to provide their stakeholders with improved financial and non-financial measures.”

Professional accountants, their organisations, and other interested parties are encouraged to respond to the proposed guidance to help improve its applicability in organisations of all sizes.

How to Comment

The PAIB Committee invites all stakeholders to comment. To access the Exposure Draft and submit a comment, visit the IFAC website. Comments are requested by **May 26, 2014**.

IFAC, ICAS Highlight Financial Reporting Challenges for IASB

As the International Accounting Standards Board (IASB) undertakes work that has the potential to shape the future of financial reporting across the globe, the International Federation of Accountants (IFAC) and the Institute of Chartered Accountants of Scotland (ICAS) have collaborated to encourage engagement and debate.

The joint IFAC/ICAS paper, *Do We Need a Roadmap for Financial Reporting?*, seeks to align the theoretical considerations with the practical ones and generate debate and discussion that can assist the IASB as it begins to consider revisions to the existing conceptual framework.

The IASB issued a discussion paper exploring possible changes to the IASB’s *Conceptual Framework for Financial Reporting* in July 2013. The comment period ended on January 14, 2014 and an exposure draft is expected to be published later this year. The IFAC/ICAS paper has been prepared to complement the individual comment letters that both IFAC and ICAS submitted to the IASB.

In the paper, IFAC and ICAS raised some fundamental questions and issues that should be considered by the IASB, including:

Who are financial statements for?

What is the purpose of financial statements?

What role should the conceptual framework serve?

What items should be included in assets and liabilities?

What does ‘financial performance’ mean?

“These questions get right to the heart of how companies communicate with the financial markets. The basic building blocks of financial statements have existed for decades and it is important to undertake a serious assessment of whether they remain fit for purpose, Faye Choudhury, CEO of IFAC said. The paper aims to stimulate the debate and encourage those with a stake in financial reporting to engage and assist the IASB with its endeavour.

(Culled from www.ifac.org)

IAESB Publishes New Standards on Content of Professional Accounting Education Program

The International Accounting Education Standards Board (IAESB) has published three new International Education Standards (IESs). These are:

IES 2, *Initial Professional Development-Technical Competence*; IES 3, *Initial Professional Development-Professional Skills*; and IES 4, *Initial Professional Development — Professional Values, Ethics, and Attitudes*.

These three IESs will replace the educational requirements of the three extant standards:

IES 2, *Content of Professional Accounting Education Programs*;

IES 3, *Professional Skills and General Education*; and

IES 4, *Professional Values, Ethics, and Attitudes*.

The content of a professional accounting education program supports the aspiring accountant in developing the appropriate professional competence. Professional competence is the integration and application of (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes.

Each of the new IESs specifies competence areas and learning outcomes that describe the professional competence required of aspiring professional accountants. These new standards, which are effective from July 1, 2015, aim to assist professional accountancy organisations, as well as educational organisations, employers, regulators, government authorities, and any other stakeholders who support the learning and development of professional accountants.

“These three education standards form the content of the professional accounting education program. The learning and development that is demonstrated within a professional accounting education program by aspiring professional accountants remain one of the fundamental pillars in achieving high-quality financial reporting,” explained IAESB Chair, Peter Wolnizer.

Highlights of each new IES include:

IES 2 prescribes the learning outcomes for technical competence that aspiring professional accountants are required to demonstrate by the end of Initial Professional Development (IPD). Technical competence is the ability to apply professional knowledge to perform a role to a defined standard.

IES 3 prescribes the learning outcomes for professional skills that aspiring professional accountants are required to demonstrate by the end of IPD. Professional skills are the (a) intellectual, (b) interpersonal and communication, (c) personal, and (d) organisational skills that a professional accountant integrates with technical competence and professional values, ethics, and attitudes to demonstrate professional competence.

IES 4 prescribes the learning outcomes for professional values, ethics, and attitudes that aspiring professional accountants are required to demonstrate by the end of IPD. Professional values, ethics, and attitudes are defined as the behavior and characteristics that identify professional accountants as members of a profession. These include the ethical principles generally associated with, and considered essential in defining, the distinctive characteristics of professional behaviour.

As part of its initiative to improve the clarity of its standards, the IAESB has redrafted and revised IESs 1–6 to prescribe the requirements for IPD. In addition, IES 7, *Continuing Professional Development*, has been redrafted in accordance with its new drafting conventions. IES 8, the remaining standard in the suite of eight IESs, is expected to be redrafted and revised by the fourth quarter of 2014. ●

(Culled from www.ifac.org)

Ogun State's Tax Payers



The Tolbooth Bridge at Sagamu, Ogun State



AT 100th Anniversary of the Ogun State



Tractor to assist the Agriculture Extension in the State



Police cars on duty in the State



Provision of medical services in the State



Provision of medical services in the State



State School children receiving textbooks in the State



Small scale business in the State



Small scale business in the State



Small scale business in the State



Small scale business in the State



Provision of medical services in the State



Provision of medical services in the State



Provision of medical services in the State



Provision of medical services in the State

are Partners in Progress



Significance of Tax Incentives and Infrastructural Development on Entrepreneurship in Nigeria

By **SHAKIRAT ADEPEJU BABATUNDE**

This study aims at bringing tax incentives to the heart of the development discourse in order to spur entrepreneurship through an empirical evidence to back up the proposition. It examines the significance of tax incentives and infrastructural development on entrepreneurship in Nigeria. A sample of two hundred and fifty-five (255) respondents drawn from entrepreneurs in manufacturing, agriculture, oil and gas, telecommunication and services sectors were used to conduct this study. This study employs Kendall's tau_b"τ" non-parametric statistical correlation coefficient for analysis. Findings from this study evidenced that tax incentive has a not significant and negative relationship on entrepreneurship in Nigeria and that infrastructure has a not significant relationship with entrepreneurial development in Nigeria. The implications of these findings necessitated the need to address entrepreneurs' yearnings for infrastructural development in Nigeria in order to harness the gains of tax incentives towards the achievement of sustainable economic development.

1. INTRODUCTION

Tax incentives are tools for macro-economic development. Tax incentives are described as all measures that provide for a more favourable tax treatment of certain activities or sectors compared to what is granted to general industry. Under this description, a general cut in the tax rate or a generous depreciation scheme applicable to all firms would not be considered tax incentives (Klemm 2009: 3).

Many low-income countries, even those with high public debt and those in which the majority of the population live below the poverty line (less than one US dollar a day), have embraced tax incentives. Their spending in tax expenditures has decreased the revenue received, reducing these countries' capacity to assist the needs of the poor members of the society. Ironically, the poor members of the society do not benefit from tax incentives because

their income is usually below the tax thresholds (Swift 2006).

Transitional nations such as Nigeria also use tax incentives, but in most cases they have not taken sufficient steps to make tax incentives accountable for economic development such as entrepreneurship. Nigeria is endowed with natural resources for meaningful entrepreneurship. It has engaged in many macro-economic reforms such as National Economic Empowerment Development Strategy (NEEDS) (2004) and National Poverty Eradication Programme NAPEP (2001). These have not yielded the desired effect, for instance, a setback identified in the literature is the lack of enhanced cooperation between the government and the public (Litwack 2013; Gberevbie, Duruji and Bankole 2009). Tax incentives are created by government to encourage a stable macro- economic development, but this has failed (Klemm 2009; Bazo 2008). Randle 2000 argued that the lack of success of tax

Table 1:
Sampling of Entrepreneurs in Four Industrial Clusters of Lagos Metropolis

Description	Ikeja	Oshodi/Agege	Akoka/Yaba/Surulere	Lagos Island	Total
Population	114	100	107	79	400
Sample & copies of questionnaire distributed	80	70	75	55	280
Copies of questionnaire returned	72	76	65	60	273
Copies of questionnaire rejected	5	8	1	4	18
Copies of questionnaire analysed	67	68	64	56	255

Source: *Field Survey 2010*

incentives is due to the poor state of infrastructure.

Empirical literature suggests that incentives work only if certain pre-conditions are met, and provided the correct design is chosen. However, the benefits remain doubtful if their costs are taken into account (Klemm 2009; Bazo 2008). Tax incentives are not enough benefits to investors without a conducive business environment especially infrastructure. According to Bazo (2009), tax policies are expected to be beneficial from a tax stand point, but sometimes they are not, though they favour the nation's economy through the creation of jobs, environmental investment, construction, infrastructure and creating an overall improvement in the economy which may help to reduce poverty.

"A proactive preventive approach to the problem requires a critical evaluation of existing tax incentives available to pioneer companies to determine the growth of entrepreneurship in the nation to ensure that tax activities are carried out in accordance with established goals, policies and procedures" (Valenduc 2009:4).

The main argument of this study is based on the pressures caused by unemployment, and tax incentives are mainly analysed as one tool of entrepreneurship attraction to reduce the pressure of unemployment. Empirical analysis is used to illustrate the effects of the tax incentives, highlighting pioneer tax incentives. The new and old arguments are combined to produce a set of criteria that can be used to evaluate tax incentives. As an additional innovation, this study inevitably repeats many well-known points in the area of study in order to provide a self-contained discussion of the issue.

Therefore, a research focusing on an empirical analysis of the significance of tax incentives and infrastructural development on entrepreneurship in Nigeria is desirable. It is expected that tax incentives and infrastructure would not have a significant effect on entrepreneurship development, in the absence of infrastructure in Nigeria.

1.1 STATEMENT OF THE PROBLEM

Concerns about how the connection between tax policy and state aid policy might distort investment were central to the European Union's code of conduct, on business taxation initiated by the European Council in December 1997. Despite numerous studies the economic debate over the impact of tax incentives remains controversial,

beside economic issues, there are other problems like poverty, lack of education, inadequate health care, low employment, lack of infrastructure and corruption (Adejimola and Olufunmilayo 2009; Gurtner & Christensen 2008; Bazo 2008; Abolo 2001).

Litwack (2013) argues that seventy million Nigerians are poor. According to World Bank (2012) Nigeria country profile statistics indicates an income inequality of 0.49; this is correlated with differential access to infrastructural amenities. Poverty remains significant with GDP growth rate of 7.4%, <http://www.worldbank.org/ng>

Nigeria has not taken full advantage of globalisation as it relates to trade liberalisation. It trades only two products crude oil and agriculture. Gberevbie, Duruji and Bankole (2013) argue that high unemployment rate requires that personal income needs to be self-achieved through entrepreneurship because unemployment results in poverty. Litwack (2013) argues that the oil revenue contributes only about 15% of GDP whereas entrepreneurial agriculture contributes about 45% of GDP.

This problem of high poverty rate due to youth unemployment may be solved by the influence of local and foreign direct investments to some extent but the question is whether or not tax incentives are the right approach to solve them, when there is no model for measuring the influence of tax incentives in investments.

"Developing countries do not have the guidance to implement a certain established system in order to achieve the economic goals intended. Most of the time the tax policies implemented in developing countries are based on "trial and error" (Bazo, 2008:7). This study fills this gap.

"Indeed, the government reforms have failed the nation there

Table 2:
Respondents Job Sector

	Frequency	Percent	Cumulative Percent
FORMAL	71	27.8	27.8
INFORMAL	184	72.2	100.0
Total	255	100.0	

Source: *Field Survey 2010*

remains a wide gap between the rich and the poor. Fair and equitable distribution of wealth is a problem. Nigerian youths who hold the key to achieving the reform agenda are unemployed. Unemployment rate soared from 5.3% in 2006 to 24.9% in 2013" (Adedokun 2013:1).

The unemployment rate is as shown in **Figure 1**.

1.2 AIMS AND OBJECTIVES

The aim is to investigate the value relevance of tax incentives towards improved productivity for job creation. The focus is on tax incentives as a tool considered as one of the basic necessity for entrepreneurship development in Nigeria. In achieving this, the study identifies two objectives which are:

- i) To examine the level at which entrepreneurship is sustainable in Nigeria through tax incentives;
- ii) Evaluate the level at which infrastructure enhances tax incentives to support entrepreneurship development in Nigeria.

1.3 RESEARCH QUESTIONS

The objectives of the study raised two questions which are:

- i) To what extent does tax incentive affect entrepreneurship in Nigeria?
- ii) To what extent does infrastructure affect entrepreneurship development in Nigeria?

1.4 SIGNIFICANCE OF THE STUDY

This study is of immense value to pioneer companies and entrepreneurs because it highlights the effect of tax incentives on their businesses. It affords investors with potentials to create job. It promotes knowledge sharing among Nigerian youths. This study is also of benefit to students, and researchers in the face of dearth of empirical literatures available in this area of study. The outcome of this study shall provide reference to taxation stakeholders for information and policy makers for policy formulation.

2. LITERATURE REVIEW

Tax is a compulsory levy imposed by government on consumption and income of corporate bodies and individuals. Taxation, over time, has been a veritable tool by which government at its various levels has generated revenue. This is in order to enable the financing of the huge responsibility of government such as the personal cost in respect of government workers, the financing of dams, roads and education (Auru 2008). However, in order to grow the economy, taxation is waived in some areas as an incentive, otherwise referred to as tax incentives. Tax incentive is a taxation system of tax concession. Tax incentive is to reduce the burden on business enterprises and promote entrepreneurship. (Gurtner & Christensen 2008).

Entrepreneurship demands that the individual should be prepared to assume a reasonable degree of risks. An entrepreneurs in business management is regarded as the "prime mover" of a successful enterprise just as a leader in any organisation must be the change agent. Some approaches have been used for entrepreneurship development in Nigeria (Onwubiko 2008). Tax incentives are some of these approaches.

Okauru (2009) explains that tax incentives are one of the approaches to encourage small scale development in Nigeria. Entrepreneurship and pioneering are difficult process that come

with hardship and unexpected situations, therefore; intending investors sometimes tend to fall, by the way, side and in order to ameliorate the sufferings, government introduced tax incentives to encourage investors and boost production (Garba 2010; Adejimola and Olufunmilayo 2009; Onwubiko 2008; Bazo 2008).

2.2 TAX INCENTIVES

Tax incentives are used to encourage the acquisition of new technology or to avail the economy of its benefits. They may be used for stimulation of consumption; encouragement of research and development for the purpose of finding solution to problems and for the discovery of new wealth guarantee of food production and for social security; inhibitions of desired economic culture as savings and investment and increase in foreign exchange earnings. Tax incentives can sometimes be used to discourage activity such as overproduction, especially in the agricultural sector.

According to Klemm (2009); Gurtner & Christensen (2008) tax incentives have been described as all measures that provide for a more favourable tax treatment of certain activities or sectors compared to what is granted to general industry. Under this description, a general cut in the tax rate or a generous depreciation scheme applicable to all firms would not be considered tax incentives.

2.3 PIONEER STATUS

A pioneer company is a company established in pursuance of the Industrial Development (Income Tax Relief) Act, Cap 17, LFN 2004. – Pioneer status. It is also referred to as the pioneer legislation. Sections 1a & b of the Act explained that the pioneer legislation was set up to encourage indigenous and foreign investors to set up companies where the National Council of Ministers referred to as the council in the Act is satisfied that:

(a) "Any industry is not being carried on in Nigeria on a scale suitable to the economic requirements of Nigeria or at all, or there are favourable prospects of further development in Nigeria of any industry;" or (b) "It is expedient in the public interest to encourage the development or establishment of any industry in Nigeria by declaring the industry to be a pioneer industry and any product of the industry to be a pioneer product".

Pioneer businesses enjoy some tax incentives such as tax holiday which refers to a period when a company is exempted from the payment of tax, perhaps to allow the company a chance to accumulate profit which can be ploughed back into its operation or to allow the company recovers from losses resulting from teething problems. In most cases, companies are freed from tax obligations in this period as shown in **Appendix 1** of this paper.

2.3 UNEMPLOYMENT AND SUSTAINABLE ECONOMIC DEVELOPMENT IN NIGERIA

Sustainable economic development is about meeting the basic needs of citizenry with dignity, growth and development. It is a conscious effort to help a community to appreciate its potentials and use it with the aid of the provision of technical, infrastructure and an enabling environment to develop a nation (Inyang & Simon 2012; Yusuff & Soyemi 2012).

Nigeria is endowed with resources in oil, water, land, agriculture and human capital, but notwithstanding these resources, the Nigerian people are still poor due to lack of entrepreneurship. Considerable agitation for infrastructure especially power

Table 3:
Correlations Between Entrepreneurship, Tax Incentives and Infrastructure

			ENTRE- PRENEURSHIP	TAX INCENTIVE	INFRASTRUCTURE
Kendall's tau_b	ENTREPRENEURSHIP	Correlation Coefficient	1.000	-.028	.029
		Sig. (2-tailed)	-	.570	.576
		N	255	255	255
	TAX INCENTIVE	Correlation Coefficient	-.028	1.000	-.063
		Sig. (2-tailed)	.570	-	.218
		N	255	255	255
	INFRASTRUCTURE	Correlation Coefficient	.029	-.063	1.000
		Sig. (2-tailed)	.576	.218	-
		N	255	255	255

Source: *Field Survey 2010*

has worsened the matter. This has resulted into poverty. It is regrettable that despite various government reforms such as the enactment of Industrial Development (Income Tax Relief) Act, Cap 17, LFN 2004. – Pioneer status, youth unemployment is perpetually increasing as shown in *Figure 1*.

2.4 IMPLICATIONS OF TAX INCENTIVES ON ENTREPRENEURSHIP INVESTMENT

Tax incentives by their nature represent a revenue cost for the government and may be a drain on the revenue of the government if it is not well focused. This is because the government would have deprived itself of the revenue that it would have generated if the incentives had not been granted. The logic of the sacrifice is that the reduction would yield higher, social, economic and political dividends in the long run through increased output, lower prices and employment generation (Stanley, Surrey & McDaniel 1985).

Although standard international tax policy advises caution in the use of tax incentives for investment, many developing and transitional countries, as well as many industrialised countries continue to operate and use them. According to Stanley, Surrey and McDaniel (1985) tax expenditure is a spending program and must, therefore, be analysed in spending terms. To attempt to discuss the program as if it were a normative tax provision is to disregard this fact. The main categories of tax incentives are shown in *Appendix 2* of this paper.

3. RESEARCH METHODOLOGY

3.1 RESEARCH DESIGN

This research work is focused on entrepreneurs in Lagos metropolis. The focus of the research in terms of study area is Lagos State. According to Nigeria business directory index (2013), Lagos is the nation's economic nerve centre where 65% of the country's commercial activities are carried out.

The structure of the process and procedure of this study is descriptive and this belongs to the generic family research design

type called survey design. Research design is “the structuring of investigation aimed at identifying variables and their relationships to one another” (Asika 2008: 27). In view of the descriptive nature of this study which involves perception of a large population of participants, survey design is adopted for the study.

According to Vconnect.com (2010) there are one thousand, nine hundred and twenty-five (1925) small scale entrepreneurial industries in Lagos State. This constitutes the population. The sample size was three hundred and thirty-one (331). Cluster random sampling was used to select them from the population. The sample size was determined using the Slovin's formula:

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

where *n* is the sample size, *N* is the population size, and *e* is the margin of error. Unam (2012) used it. Therefore the sample size for this study was determined as follows:

$$N = \text{Population} = 1925$$

$$e = \text{Margin of error of } 5\%$$

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

$$n = \frac{1925}{1 + 1925(.005)^2}$$

$$n = \frac{1925}{1 + 4.8125}$$

$$n = \frac{1925}{5.8125}$$

$$n = 331.$$

Random cluster sampling is adopted because it yields a sample that represents the universe with respect to the proportion in each cluster ‘in the population’, with greater accuracy and greater geographical concentration (Gupta 2009; Asika 2008). This sample was drawn from four industrial clusters of Lagos metropolis as shown in *Table 1*. They are Akoka/Yaba/Surulere, Ikeja, Agege/Isolo/Oshodi and Lagos Island where there are clusters of entrepreneurs. This was considered a good representation of the respondents group since the ultimate is how representative the sample is of the population (Gupta 2009; Asika 2008). Copies of the questionnaire

were distributed to three hundred and thirty-one respondents. Two hundred and seventy-three (273) copies were retrieved and two hundred and fifty-five (255) were adequately analysed.

3.2 RESEARCH INSTRUMENT

Research instrument is a device for collecting the data or measuring the variables used for answering the research questions and testing the hypothesis. For the purpose of this study, a questionnaire in five-point Likert scale form was adopted. The questionnaire was designed in such a way as to provide vital answers for the research questions and hypotheses testing. The questionnaire contained a set of questions classified into two major sections; section 'A' and section 'B'. Section 'A' featured seven questions on bio-data of the respondents. This includes job sector and line of business. Section 'B' comprised of fourteen statements of assertion and open-ended questions in the Likert scale form. These are designed primarily to provide information for testing the hypotheses. A Likert scale normally measures the intensity of agreement by the respondent to a statement that asserts a phenomenon.

The categories being tested are strongly agree, agree, undecided, disagree and strongly disagree. Therefore, the questionnaire is outlined and interpreted with points of degree of agreement as Strongly Agree (5), Agree (4), Undecided (3), Disagree (2) and Strongly Disagree (1).

The research instrument was subjected to content validation to ensure that the content of the instrument measures the variables investigated in the study. The first draft of the questionnaire was given to two Ph.D accounting students, based on their suggestions, improvements were made; the improved copy was given to two post graduate lecturer who also made positive input. The input was incorporated in the final copy, which was used in carrying out the study.

3.3 METHOD OF DATA ANALYSIS

In order to analyse the primary data obtained from the administered questionnaire comprehensively, both descriptive and inferential statistics were applied. Understanding and analysing the overall tax incentives and infrastructure systems are critical to this study; therefore, the validating procedures are review of responses to the questionnaire. The profiles of respondents outlined in section 'A' and the Likert scale questions featured in section 'B' were analysed through the use of quantitative descriptive statistics in the form of frequency and percentages (%).

With respect to the hypothetical statements asserted in section 'B' of the questionnaire, a combination of the descriptive and parametric in the form of the Kendall's tau correlation coefficient " τ " which is regarded as a simple measure of correlation for analysing differences between sample means. It is a more accurate gauge of what the population would be (Field 2006). It is adopted because the study is about the strength of the relationship between tax incentives and entrepreneurship on one hand and infrastructure support for entrepreneurship development on the other hand. The formulated hypotheses were tested with the aid of Statistical Product and Service Solutions (SPSS) version 17.0.

3.4 HYPOTHESES FORMULATION

This study is guided by two hypotheses which are hypothesis 1 and hypothesis 2. They are stated in the null form as follows:

Hypothesis 1:

Ho: Tax incentive does not have a significant relationship with entrepreneurship development in Nigeria.

Hypothesis 2:

Ho: Infrastructure does not have a significant relationship with entrepreneurship development in Nigeria.

4. DATA PRESENTATION AND ANALYSIS

4.1 PRESENTATION OF DATA

Completed copies of the questionnaire were used for the analysis from two hundred and fifty five (255) valid respondents out of the three hundred, and thirty one (331) distributed. The response rate represents about 77% of the total sample. 72.2% of the respondents were in the informal sector and 27.8% in the formal sector as shown in **Table 2**.

4.2 ANSWER TO RESEARCH QUESTIONS

4.2.1 Answer to Research Question 1

Figure 2 shows that 55.4% of respondents either strongly disagree, disagree or undecided that there is adequate tax incentives towards research development for entrepreneurship development in Nigeria. Also, **Figure 3** indicates that 67.2% of respondents strongly disagree and disagree that pioneer status tax incentives support entrepreneurship in Nigeria. Therefore, the answer is that tax incentive does not affect entrepreneurship to a large extent in Nigeria.

4.2.2 Answer to Research Question 2

Figure 4 indicates that 77.3% of respondents strongly disagree and disagree that there is adequate infrastructure to support entrepreneurship in Nigeria. Therefore, infrastructure does not adequately support entrepreneurship to a large extent in Nigeria.

4.3 RESULTS OF TESTS OF HYPOTHESES

4.3.1 Hypothesis 1

Table 3 predicts a not significant and negative correlation between the tax incentive and entrepreneurship in Nigeria at a correlation of -0.028 at $.570$ level of significance, two-tailed. Therefore, this study accepts the null hypothesis and concludes that there is no significant relationship between tax incentives and entrepreneurship in Nigeria. This result supports the findings in Klemm (2009); Valenduc (2009); Gutner and Christensen (2008); Gupta and Hofmann (2003).

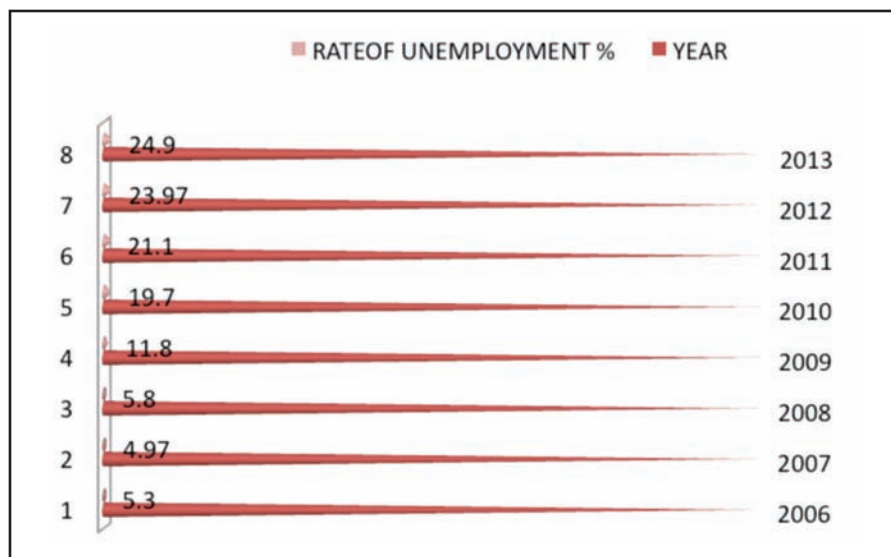
4.3.2 Hypothesis 2

Table 3 evidences a not significant and positive relationship between infrastructure and entrepreneurship development in Nigeria at a correlation of 0.029 at $.576$ level of significance; two-tailed. Therefore, this study accepts the null hypothesis and concludes that there is no significant relationship between infrastructure and entrepreneurship in Nigeria. This results supports the findings in Adejimiola and Olufunmilayo (2009); Bazo (2008).

4.4 RESULT DISCUSSIONS

This result is robust and interesting; this result is not

Figure 1:
Unemployment Rate in Nigeria for 2006-2013



Source: <http://www.tradingeconomics.com/Nigeria/Unemployment>

disappointing, and it is because respondents are helpless in their entrepreneurship efforts. They have to express their dissatisfaction with the level of assistance that they are receiving from Nigeria in the area of tax incentives and entrepreneurship which are not supportive to a large extent.

This result evidenced that entrepreneurship development requires infrastructure benefits in Nigeria. This result evidenced that the objective of Industrial Development (Income Tax Relief) Act, Cap 17, LFN 2004 – Pioneer status is not achieved. This result calls for concern in view of the fact that it points out that developmental reforms such as National Economic Empowerment Development Strategy (NEEDS) 2004 has not contributed much to the deployment of entrepreneurship in Nigeria. Despite its oil riches, Nigeria is ranked 80th in the human poverty index amongst 108 developing countries, making it one of the poorest countries in the World. Over 70% of the population is classified as poor (<\$2 a day) and 35% leaving in abject poverty (<\$1 a day) with high unemployment rate. It is a common experience that about 80% of the graduates from Nigerian universities find it very difficult to get employment every year. It is regrettable that in spite of government efforts, socio-economic indicators continue to point at youth unemployment as shown in **Figure 1**.

Our idle youths are angry, they now kill our children in cold blood, one of the possible causes is that tax incentive initiative in Nigeria addresses only the output end of capacity development solving problem. To address the input end, Therefore, a complementary approach in form of infrastructure and self-employment may be required (Inyang & Simon 2012; Oyedele 2012; Adejola and Olufunmilayo 2009; Bazo 2008).

5. SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY

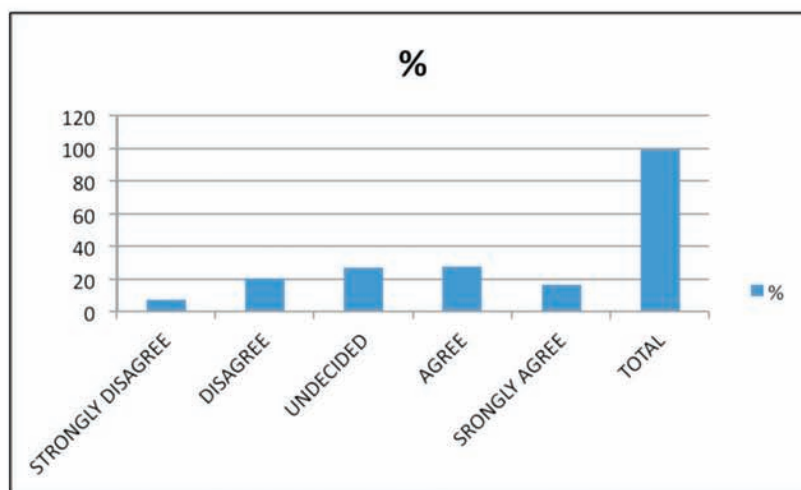
Two objectives are set back up by two research questions and two hypotheses, the first research question bothers on the effectiveness of tax incentives on entrepreneurship; it is backed up by a hypothesis. The result is that tax incentives do not have significant effect on entrepreneurship development in Nigeria and the relationship is negative. It evidenced that the objective of Industrial Development (Income Tax Relief) Act, Cap 17, LFN 2004 – Pioneer status is not achieved.

The second research question bothers on respondents' opinion as to the extent to which infrastructure is in support of entrepreneurial development in Nigeria. The findings from the tested hypothesis evidenced that the infrastructure does not support entrepreneurship development in Nigeria.

5.2 CONCLUSION

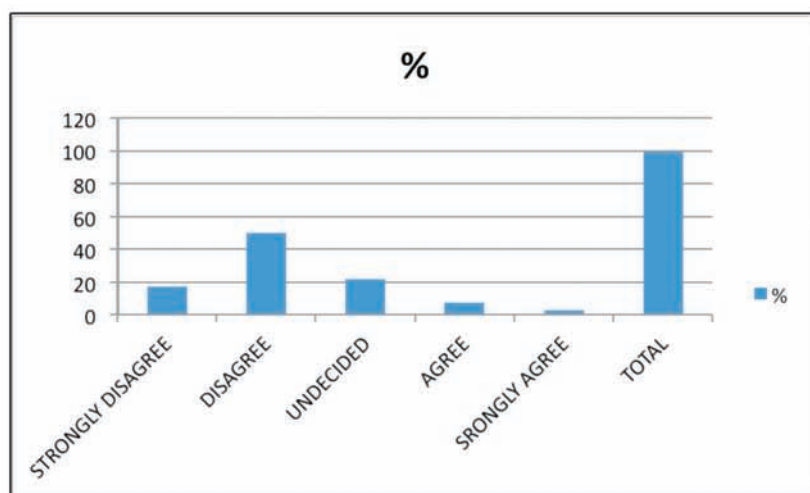
The unique contribution to knowledge in this study is in providing tax incentive framework of what should be rather than what it is, it challenges policy makers on the need to refocus policies in problem identification backed up by appropriate solutions. Nigerian youths are interested in self sustenance, they toil day and night for survival, they hawk wares on our roads, they sweat filling the potholes on our streets, they sleep in the streets hoping for a good life which never materialises. The good life is not approaching because the fundamental necessity is always missing. This study fills this gap.

Figure 2:
There is Adequate Tax Incentive for Research in Entrepreneurship Development in Nigeria



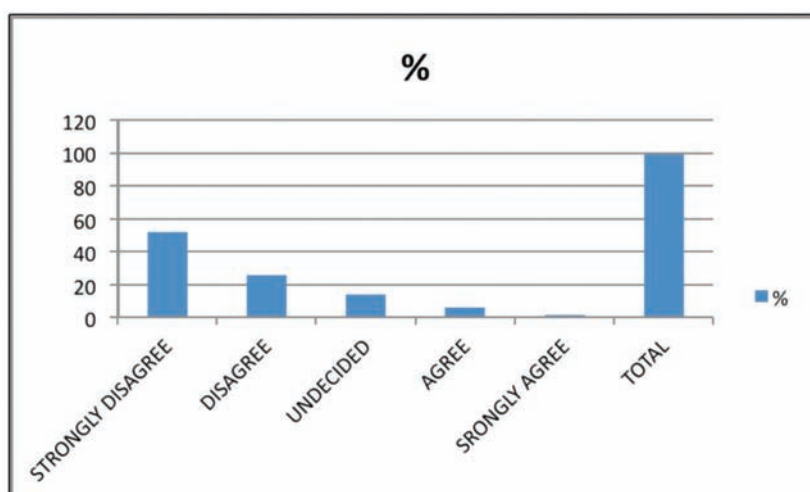
Source: *Field Survey 2010*

Figure 3:
Pioneer Status Tax Incentives Improves Entrepreneurship in Nigeria



Source: Field Survey 2010

Figure 4:
There is Adequate Infrastructure to Support Entrepreneurship in Nigeria



Source: Field Survey 2010

This study evidenced that tax incentives do not represent sound policy in the face of lack of infrastructures. A mixed system of minimum regulatory standards and policies would better harness the power of tax incentives in developing the economy in a cost effective manner with adequacy of infrastructure. In a situation where it is believed that government is powerful and has command of a substantial level of resources, good practice necessitates infrastructural development to compliment tax incentives. The solution to effectiveness of tax incentive lies in a re-invention of the nature and purpose of government to develop a nation in order

to make sustainable economic development a reality in Nigeria.

5.3 RECOMMENDATIONS

Findings from this study call for some recommendations towards a positive effect of tax incentives on entrepreneurship in Nigeria. Specifically, government, public servants and entrepreneurs should implement the recommendations as it affects them as follows:

1. Just like a play or film set, in reality some Nigerian youths have become militants, terrorists, they kidnap and sometime kill even their best friends, they kill our children in cold blood just like the popular saying that “idle hands do the devils work”. The killings across the country must stop. Increasing the number of Micro, Small and Medium Enterprises (MSMEs) can go a long way in reversing the country’s fortunes so that tax incentives policy meets the peoples’ expectation.

2. It is in the interest of good governance to have disciplined approaches to decisions on policy and implementation and a willingness to continue with approaches advanced in this study to provide more ‘open’ government in order for tax incentives to achieve the desired effect on entrepreneurship development in Nigeria.

3. All citizens and organisations should appropriately pay tax according to the existing tax laws in Nigeria in order to contribute to the funding of infrastructure. The expectations from the Infrastructure Concession Regulatory Commission (ICRC) Act 2005 should be pursued with sincerity of purpose.

4. Current national and regional policy thrusts like the National Economic Empowerment and Development Strategy (NEEDS), the New Partnership for Africa’s Development (NEPAD), National Poverty Eradication Programme (NAPEP) and Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) should continue to sensitise the public especially the youths on the need for self-reliance in entrepreneurship towards poverty eradication, employment generation and wealth-creation for self and the fatherland Nigeria.

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APPENDIXES

Appendix 1:

Main Incentives for Pioneer Status in Nigeria

S/N	Specification	Incentives
1.	General Incentives	Preferential tax rates, Tax holidays, Accelerated depreciation allowance, Investment Tax Credits
2.	Export Incentives	100% tax free holiday, Export credit guarantee scheme & Insurance scheme against risks
3	Minimum raw materials importation	Duty drawback/suspension scheme
4	Infrastructure	Investment in infrastructure incentives
5	Research and Development	20% cost on R & D exempted from tax
6	Local raw materials utilisation	5 years tax credit of 20% for commercial industries, 70% for Agro allied, 60% for engineering and chemical
7	Foreign Investors	Protection from double taxation
8	Capital Importation	Business permit for foreign investment
9	Foreign currency domiciliary account	Resident permit and Expatriate Quota

Source: *Industrial Development (Income Tax Relief) Act, Cap 17, LFN 2004 – Pioneer status*

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Appendix 2:
Main Categories of Tax Incentives in Nigeria

S/N	Sector	Specifications	Incentives
1.	Industrial Sector	Manufacturing	Pioneer status: 5-7 years tax holiday
			Up to 120% expenses on Research & Development
			5 years 30% tax concession for local raw materials utilisation
			5 years 15% tax concession for labour intensive mode of production
			5 years 10% tax concession for local
			5 years 2% tax concession for in plant training
			5 years 10% tax concession for industries that export minimum of 6% of their product
			20% of infrastructure cost
			7 years of 100% tax holiday for investment in economically disadvantaged arrears
			Abolition of excise duty
			25% import duty rebate
			Re-investment allowance for expansion of production capacity
			Investment tax allowance
			Investment Guarantees/Effective protection
			Access to land rights
2.	Oil and Gas Sector	Petroleum	30% tax rate, 20% capital allowance rate, 5% investment tax credit
		Gas	Extension of 3 years tax holiday to 5 years
			0% PPT& 0% Royalty on Gas transferred
			15% investment capital allowance
		Oil & Gas Free Zone	100% repatriation of Capital & Profit, Expatriate quota. No foreign exchange regulation
3.	Agriculture		100% capital allowance
4.	Solid Minerals		3-5 years tax holiday
			Deferred royalty payments
5.	Tourism		25% income tax exemption
6.	Energy		Pioneer product: 5-7years tax holiday
7.	Telecoms		Exemption of company profit from tax
			3 years tax holiday for industries in Export Processing Zone
			20% investment tax credit on R&D
			25% investment tax credit on fabrication of tools
			15% investment tax credit for locally purchase fixed asset
8.	Non-Oil Sector		Retained export proceed in foreign currency in domiciliary account
			Setting up of special export development fund and export adjustment fund scheme
			Establishment of Export Processing Zone
			Zero-rated value added tax

Source: *Federal Ministry of Trade & Investment 2013*

Pre-employment Screening and Occupational Fraud in the Public Sector

By **OBAL USANG EDET USANG**

The cost of occupational fraud in Nigeria is enormous and there is need to do more to stem the tide. The Independent Corrupt Practices and Other Offenses Commission and the Economic and Financial Crime Commission are doing their best at chasing offenders. However, it is better to defend public treasures from being plundered in the first place than trying to recover losses later as most victims in organisations including the public sector never recover all the losses. In order to be on the proactive, basic pre-employment screening should be introduced into the recruitment process in the public sector in addition to other government efforts. This process would help weed out potential fraudsters before they have opportunity to hatch their cruel schemes.

Keywords: Occupational Fraud, Pre-employment Screening, Public Sector, Recruitment.

INTRODUCTION

Employees are the most valuable assets of an organisation as they determine to a large extent the continued existence and competitiveness of the organisation (Chin, Lin, Hsiung & Liu, 2006). An organisation that has in its employ persons with the right skills, right attitude and integrity is verily on the path to success. Selecting credible employees for the overall health and continuity of an organisation has received close attention by academics and practitioners in the field (Brody, 2010; Smith, 2012; Wang & Kleiner, 2012). Employing persons with doubtful characters can be the most devastating decision in the long run. Every employee has a motive for joining an organisation and it is the responsibility of every organisation to decipher possible clues to dishonesty at the point of recruitment in order to avert future consequences. Therefore, finding the right kind of employees is important for the continued survival of the organisation.

Engaging wrong persons can be very costly for an organisation especially with the rising wave of occupational fraud across

industries all over the world. In a survey by Association of Certified Fraud Examiners (2012), an organisation losses five percent of its revenues to fraud and most of these fraud cases took 18 months to uncover and were perpetuated by trusted employees. Therefore, organisations owe themselves a duty to protect against internal thieves. The best way to tackle internal fraud is to be on the defensive, and to be on the defensive is to install a very good personnel control mechanism which includes pre-employment screening (background checks).

The Nigerian public sector is in dire need of morally credible persons who will transform the civil service to an enviable place for professionalism, transparency and integrity that all Nigerians could be proud of. The current wave of employee fraud in the Nigerian public sector has reached an alarming rate, hardly a year passes without reported cases of occupational fraud in our media (Sahara Reporters, 2011; *The Nation*, 2013). The anti-graft agencies: Independent Corrupt Practices and Other Offenses Commission (ICPC) and Economic and Financial Crime Commission (EFCC) are

working hard to stem the tide but as Osisioma (2012) puts it, fraud in Nigeria is 'systematic'. Therefore careful planning is required to protect the public sector against internal thieves and other crimes. Courtenay (1998) asserts that pre-employment screening, which holds potentials for deterring fraud is 'often overlooked' by employers.

The purpose of this paper is to highlight the connection between pre-employment screening and reduction of occupational fraud in the public sector. Specifically, the paper examines pre-employment screening as a factor in reducing occupational fraud in the public sector. This paper will benefit policy makers in the public sector charged with the responsibility of recruitment. Also, other human resource practitioners will find the paper helpful in decisions bothering on recruiting credible persons that would contribute to health of their organisations.

CONCEPT OF EMPLOYEE FRAUD

Fraud itself has been variously defined by scholars and various terms have been used to describe the phenomena including white collar crime, occupational fraud, internal fraud, etc. Gottschalk (2011) defines white collar crime as 'crime against property for personal or organisational gain, which is committed by non-physical means and by concealment or deception. It is deceitful, it is intentional, it breaches trust and it involves losses' (p.302). A look at the above perspective pictures white collar crime into two categories; corporate fraud and occupational fraud. Corporate fraud is fraud committed by a corporate body against other corporate bodies and occupational fraud simply means employee fraud. A more specific definition of occupational or employee fraud is as put forward by Association of Fraud Examiners (ACFE) in their 2012 report to the nations. Occupational fraud is 'the use of one's occupation for personal enrichment through the deliberate misuse or misapplication of the employing organisation's resources or assets' (ACFE, 2012 p.6). From the above definition, occupational fraud involves acts of deceit and deliberate concealment to avoid being caught for as long as it takes. This paper focuses on occupational fraud or employee fraud. These two terms are used interchangeably throughout the paper to mean fraud perpetrated by employees of an organisation.

Occupational fraud schemes fall into three categories: asset misappropriation schemes, corruption schemes and financial statement fraud schemes (Wells & Gill, 2007). In addition to occupational fraud schemes, certain characteristics such as employee position in the organisation, tenure, age and gender are predisposing factors in the perpetration of employee fraud. A strong correlation is reported between a perpetrator's position, tenure of employment in an organisation and fraud (ACFE, 2012). Based on ACFE (2012) survey, reported cases of occupational fraud in Africa, based on perpetrator's position show that employee fraud accounted for 46.7 percent, manager 38.1 percent, owner executive 12.4 percent and others 2.9 percent. Fraud cases by tenure of employment showed that the longer an employee spends on the job the more likely he may become fraudulent. The ACFE (2012)

findings also suggest that fraud losses tend to rise with the age of the perpetrator and perpetrators within the age bracket 31-45 years caused the most losses. Also, in terms of gender, a man is more likely to defraud his employer than a woman.

Although it is very difficult to determine who intends to commit fraud, literature suggests that carrying out some basic pre-employment screening could help organisations including the public sector reduce the likelihood of hiring fraudulent persons.

For example, Buckhoff and Colson (2003) in an analysis of three case studies concluded that fraud could have been prevented had the employers carried out some pre-employment screening. This implies that pre-screening applicants can reduce an organisation's susceptibility to employee fraud as it provides an early signal of potential dangers which could be avoided (Schloss & Lahr, 2008; Hollman, Hayes & Mahurin, 2007). Although not empirically proven, Drysdale and Bonanni (2010) assert that the return on investment on pre-screening employees could be up to 26 times. The implication is that more resources would be at the disposal of employers in the long run for making the right hire decisions. Given the many benefits of pre-employment screening, it is imperative that those charged with the responsibility for recruitment into

the Nigerian public sector pre-screen all potential employees before offering them employment as a way of reducing the risk of fraud.

"Pre-screening applicants can reduce an organisation's susceptibility to employee fraud as it provides an early signal of potential dangers which could be avoided"

EMPLOYEE FRAUD: NIGERIA'S EXPERIENCE

A KPMG (2012) Africa fraud survey found that Nigeria had the highest reported value of fraud and the cost of fraud was put at N468 billion (\$3 billion). Employees, government officials, and top executives of private companies were the worst offenders by the report. The report also noted that government was the hardest hit by losses (30 percent) from occupational fraud and corruption. Given the gravity of occupational fraud in the Nigeria, the government must take proactive steps to reduce the negative impact of fraud in the public sector. Occupational fraud robs Nigeria of quality service delivery, quality education, quality infrastructure, quality health care and all the good things you can think of. Although Nigeria's vision 20:2020 has a focus on 'creating disincentives for corruption by addressing structural deficiencies that create the platform for corrupt activities' (National Planning Commission, 2009. p.27), fraud in the public sector remains a challenge. A look at Nigeria's rating on Transparency International Perception index shows that Nigeria's rating on the corruption index has not really improved: 130th, 134th, 143rd and 139th for 2009, 2010, 2011 and 2012 respectively. Given the above pathetic ratings the government needs to take bolder strides in addressing occupational fraud in the public sector in order to remedy the poor image created over the years by employee fraud.

On a global scale, occupational fraud is expected to rise as fraudulent employees keep devising new schemes to circumvent employers innovations aimed at arresting the trend (Hollman *et al.*, 2007). Therefore, the Nigerian government as a matter of urgency should improve its employment processes in order to stay ahead of

potential fraudsters. Many approaches such as installing an effective internal control mechanism among others are steps in the right direction but this paper advocates pre-employment screening of all would-be public sector employees in Nigeria while gradually phasing out the old employees through transfers and retirement.

Currently, evidence of pre-employment screening in the public sector is limited to surface checking of qualifications and employment is mostly based on of ethnicity, religion or political affiliation (who

"Applicants fake information on their resume in order to increase their chances of being hired. Educational and professional certificates should be thoroughly verified by contacting the institutions listed on the resume. This is particularly important because we emphasise too much of paper qualifications and many job seekers have found a way of obtaining cloned certificates"

you know) without other checks on integrity (Gberevbie, 2009). Pre-employment screening has potentials of weeding out fraud prone persons before they have opportunity to hatch their cruel schemes. Also, some private sector firms in developed countries have used pre-employment screening to protect their organisations against occupational fraud (Sims, 2004). Therefore, pre-employment screening (background checks) can benefit the public sector and should cut across all ministries, educational institutions, health, the armed forces and other sectors of the Nigerian economy. In essence, failing to carry out pre-employment screening is 'an open invitation to fraud' (Courtenay, 1998).

PRE-EMPLOYMENT SCREENING PROCESS

It involves an investigation of all information supplied by a job seeker. Information supplied could be verbal or as compiled in the submitted curriculum vitae (CV). Verification can be carried out either prior to or after selection and the main purpose is to give insight into the type of person the organisation is dealing with. It is also intended to streamline the selection process so that efforts could be channeled to more suitable candidates. Pre-employment screening also called background check includes a reference check, employment history check, educational and professional certificate checks, criminal record check and media check (AESC, 2006; Shepard & Duston, 1998).

Most job seekers post very bogus claims about themselves on their CVs to capture the attention of potential employers. However, Griffith, Chmielowski and Yoshita (2007) and Brody (2010) find that applicants fake information on their resume in order to increase their chances of being hired. Educational and professional certificates should be thoroughly verified by contacting the institutions listed on the resume. This is particularly important because we emphasise

too much of paper qualifications and many job seekers have found a way of obtaining cloned certificates. Merwe (2005) revealed that 24 percent of all job applicants carry 'fake identity documents' which belong to other people or are cloned. Also, age could be verified by working backwards to see when the applicant started nursery or primary school and you will be amazed at your discoveries. Therefore, the government must verify all information supplied on CVs and should show zero tolerance for any act of deception.

Brody (2010) stressed that media search can be conducted to have an insight on the would-be employee, especially on how he/she has appeared in the press either in his personal, philanthropic or professional life. This check provides useful information on how previous organisations were managed in terms of financial health and business reputation during the would-be employees' tenure. This is particularly useful for Nigeria in the selection and appointment of top public officials. Only those with impeccable reputation should be hired.

A search on person's credit history gives insight to how financially responsible he is. An illiquid or insolvent individual is more prone to fraudulent schemes to meet his needs when employed and so this search highlights the life style of would-be employees (Brody, 2010). The ACFE (2012) report found a link between a lavish lifestyle and incentive to steal. Hence, excessive financial pressure is sure temptation to steal. The banks would be useful in providing information on the credit history however, the lack of a comprehensive database of all Nigerians could impede this process.

The referees on would-be employees' CVs need to be checked. Although Brody (2010) showed that most referees may be unwilling to give unfavourable reports to questions from employers. However, organisations must check the references because some referees are ignorant of being listed as referees in a CV. They may not even know the persons listing them as referees. Also, referee reports should be verified by contacting the writer as such reports could be forged in order to gain advantage. In addition, past employers should be contacted to report on their experience with the particular job applicant and valuable information could be gathered in the process.

It is important to check the criminal history of a would-be employee to ensure that an ex-convict is not hired. Ignoring criminal history can spell trouble for an organisation that may discover too late that the fraudster was an ex-convict (Brody, 2010). Unfortunately, Nigeria has underutilised her capacity to account for all individuals within its territory. Little wonder you find persons dismissed for wrong doing receiving accolades for smartness from colleagues (Osisioma, 2012) and even finding new jobs.

Furthermore, in developed countries where accurate records of citizens are kept, a person's driving record can tell a lot about him. An applicant's honesty could be verified by getting information on matters relating to any violations of traffic and safety laws, suspension and revocations. It can also provide information on alcohol and drug abuse (Brody, 2010). Again, Nigeria is yet to have a comprehensive database for all persons driving within its territory. You hardly find instances of revocation of licenses for traffic offences.

In event of incomplete and inaccessible past records of applicants, Wiley and Rudley (1991) advocates the use of honesty test. Honesty test are psychological tests designed to identify job applicants tendencies toward workplace counterproductive

behaviours like occupational fraud amongst others.

Another technique available though not yet scientifically proven is graphology (handwriting analysis). Graphology is still considered contentious as scholars are yet to agree on its efficacy. The technique assumes that a person's personality can be revealed through his handwriting and this can assist in weeding out fraudsters or questionable persons (Brody, 2010).

CONCLUSION

Ensuring that people are hired is a necessity for continuity of the Nigerian public sector. However, current employment and placement of persons in the Nigerian public sector on the basis of ethnicity, religion or political affiliation has not done any good for the country. Pre-employment screening (if any) is rarely carried out to ensure that only persons with good moral standing are employed. The fight against corruption in the Nigerian public sector may get tougher if measures to employ the right persons are not explored by the government. The image of an organisation or country is mirrored in the behaviour exhibited by its employees or citizens. Finally, an employee selection process that incorporates an effective screening mechanism remains a formidable initial defense against occupational fraud.

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Predictability and Volatility of Share Prices in the Nigerian Capital Market

By OGBADA E. IKWA and AUSTIN UCHE NWEZE

This study is aimed at understanding the Nigerian Stock Market with regards to predictability and volatility of share prices. To this effect, the month end stock prices of four major companies from the period January 2007 to December, 2012 were used as proxies. The study made use of the Autoregressive Conditional Heteroskedasticity (ARCH) to estimate and find out the presence of volatility. The study found the presence of volatility in all the four stock prices used, while stock price volatility was then regressed against stock prices to determine their predictability. The results however, revealed that out of the four companies, only two companies' stock prices were predicted by volatility in their stock prices, while past stock prices predicted current stock prices implying that the market does not follow a random walk. As a result of these, it is recommended that activities of corporate insiders should be properly checked, to reduce the predictability of stock prices, information should be known and made public to all investors. Also, policy makers are advised to review their economic policies and should be careful in their use of the Nigerian bourse as a barometer to reflect performance in the general economy as our findings suggest that this could be misleading.

Keywords: ARCH Model, Prediction, Random Walk, Stock Prices, Volatility.

1. Introduction:

In recent times, researches have taken turns to unravel the nature of financial market return process, which has always been described as a combination of change and volatility. Volatility may impair the smooth functioning of the financial system and adversely affect economic performance (Rajni and Mahendra, 2007; Mollah, 2009). Stock price volatility is an indicator that is most often used to find changes in trends in the market place. The increase or decrease in volatility results from changes in investors emotions in the market place. Stock price volatility tends to rise when new information is released into the market, however the extent to which it rises is determined by the relevance of that new information as well as the degree in which the news surprise investors. However, economists and financial experts have propounded theories on what causes volatility. Some financial economists see the causes of volatility embedded in the arrival of new, unanticipated information that alter expected returns on a

stock (Engle, 1982). Others claim that volatility is caused mainly by changes in trading volume, practices or patterns, which in turn are driven by factors such as modifications in macroeconomic policies, shift in investors' tolerance of risk and increase uncertainty (Rajni and Mahendra, 2007).

Furthermore, stock market volatility has a number of negative implications. One of the ways in which it affects the economy is through the effect on consumer spending (Campbell, 1996; Star McCluer, 1998; Ludrigson and Standel, 1999; Poterba, 2000; and Rajni and Mahendra, 2007). A fall in stock market prices will weaken consumer confidence and thus drive down consumer spending (Rajni and Mahendra, 2007). Stock market volatility may also affect business investments (Zuliu, 1995) and economic growth directly (Levine and Zervous, 1996). A rise in stock market volatility can often be interpreted as a rise in equity and thus a shift of funds to less risky assets, this move has been known to lead to a rise in the cost of funds to firms and thus

new firms (new entrants) might bear this effect as investors turn to the purchase of stocks in largely, well known firms (Rajni and Mahendra, 2007).

The understanding of volatility in a stock market will be useful in the determination of the cost of capital and in the evaluation of asset allocation decision. Policy makers therefore rely on market estimates of volatility as a barometer of the vulnerability of financial markets (Olowe, 2009). However, the existence of excessive volatility in the stock market undermines the usefulness of stock prices as a signal about the true intrinsic value of a firm, a concept that is core to the paradigm of the informational efficiency of markets (Karolyi, 2001). In Nigeria, activities of the recent past such as the recapitalisation of the banking industry in July, 2004 and the insurance industry in September, 2005 boosted activities through the number of securities listed on the stock market, increased public awareness and confidence about the stock market, (Ajao and Wemambu 2012). The increased trading on the stock market could have affected the volatility of the stock market. However, investors have been worried about the falling stock prices on the Nigerian stock market (Olowe, 2009). Also, the Nigerian stock market is a developing and inefficient one characterised by the time lag between information availability about a stock and its full reflection in the price of the stock, poor infrastructural facilities in the country which makes it virtually impossible for information to flow freely and speedily to actual and potential investors, activities of corporate insiders and insider abuses.

Hence, an evaluation of volatility and stock price prediction in Nigerian stock market will be imperative as it helps in predicting the path of its economy's growth and determines the efficiency of the stock market which will serve as an indicator of economic growth and development in Nigeria and in turn attract foreign portfolio investment.

The scope of this study is limited to the Nigerian capital market with special reference to the stock prices of selected companies in the Banking, Brewery, Food and Beverage and Petroleum Industry. For the study, month end stock prices were analysed for the period spanning January 2007 to December, 2012.

A review of related literatures was carried out in section two. The focus of section three is the research methodology, estimation techniques, analytical tools, data collection and data requirements. Section four is concerned with data analysis as well as the various data presentation techniques used. The summary and conclusion from the study, recommendation offered is covered in section five.

2. Review of Related Literatures

Volatility is simply defined as a measure of dispersion around the mean or average return of a security. It is a measure of the range of an asset price about its mean level over a fixed amount of time (Abken and Nandi, 1996). It follows that volatility is linked to the variance of an asset price. If a stock is labeled as volatile, then the price will vary greatly over time. Conversely, a less volatile stock will have a price that will deviate relatively little over time. Volatility is calculated as the standard deviation from a certain continuously compounded return over a given period of time. It is an important measure of quantifying risk, for example, a security with a volatility of 50% is considered very high risky because it has the potential to increase or decrease up to half its value. Volatility is a measure of risk based on the standard deviation of the asset

return. It is a variable that appears in option pricing formulas, where it denotes the clustering of the underlying asset return from now to the expiration of the option (Karolyi, 2001; Mordi, 2006).

Stock prices are characterised by volatility when significant changes occur, investors tend to panic. Different factors influence the movement in stock prices. Notable among these factors are: arrival and disclosure of new information, demand and supply forces, investor psychology, economic strength of the market, uncertainty about the future economic outlook.

2.1 Stock Price Prediction

Stock price prediction is the act of trying to determine the future value of a company stock or other financial instruments traded on a financial exchange. The successful prediction of a stock's future price could yield significant profit. Some believe that stock price movements are governed by the random walk theory and thus unpredictable. Others disagree and those with this view point possess a myriad of methods and techniques which purportedly allow them to gain future price information. Within the last two decades, a great deal of attention has been focused on the idea of predicting stock prices and price fluctuations (Wojciech, 2007). In this regard, a look at the degree or extent to which already existing theories have effectively succeeded in predicting stock prices will be imperative.

The widely accepted theory of how the stock market works is the Efficient Market Hypotheses (EMH) (Warneryd, 2001) which in its simplest form, states that stock prices always reflect all the available information about the market and companies in question. The theory also assumes that every investor has access to all the required information to value a stock. This problem of "perfect information" is its interpretation while financial statements and economic statistics are widely available, one cannot assume that such information is interpreted by all investors (Dyckman and Morse, 1986). Indeed, this interpretation often depends on how information is framed and where it comes from (Shleifer, 2000). Furthermore, well documented stock market anomalies such as an increase in share prices in January and a continuation of Friday price trends on Mondays run counter to the idea of unpredictable and perfectly efficient markets (Dimson, 1988). In terms of large groups, one of the major problems with the EMH is that the assumptions imply investors act independently of each other: a naive investor making mistake will be taken advantage of by a rational investor. However, it is often the case that investors act in unison as can be seen during periods of irrationally increasing prices (Shleifer, 2000).

Fundamental and technical analyses are other means of predicting stock prices. Whereas, fundamental analysis looks at many different aspects of a company, industry and economy to identify factors that influence stock prices, their behaviour and movements for the purpose of predicting how well a stock will perform in the future. Technical analysis is often defined as "the process of analysing a security's historical data (prices and volume) in an effort to determine probable future prices" (Achelis, 2001; Murphy, 1986). Proponents of the technical factors that influence stock price movements in a market holds that fundamental factors are indeed important and reflected in the price behaviour of stocks in the market. They however argued that psychological and other factors like investors' emotions which epitomised in the sometimes

irrational behaviour of investors are also important in determining the behaviour of stock prices in the market. Thus, it is possible to predict the future of a stock by a diligent and painstaking study of the historical price movements of the stock in the market (Osaze, 2007).

The use of technical analysis within investment decisions has been controversial. According to efficient market hypothesis, investors act completely rational and have access to all required information to value a stock's price during the present as such, a stock's current price reflects its value at that time, and has no connection with past prices. Such assumptions have been criticised and statistical analyses of technical indicators have shown their usefulness in predicting trend reversals and share price fluctuations (Brock, Lakonishok and Le Baron, 1992). One of the problems with technical analysis is that while so many tools exist, many of the details are subjective, it is still up to the investor to choose values for the variables with each tool, and it is the investor's decision to follow a buy or sell signal from a technical indicator.

In spite of the arguments of the technical and fundamental analyses about the price behaviour of stocks in the market rape which profits can be made, there is the major underlying theory of stock price behaviour which contends that the market is efficient that one cannot beat it with any of the techniques discussed so far. This is the Random Walk Theory. The central idea behind the random walk theory is that the randomness of stock prices renders any attempts to find price patterns or take advantage of new information futile. In particular, the theory claims that day-to-day stock price movement is independent of each other because there is no serial correlation between price changes from one period to another, meaning that momentum does not generally exist, and calculations of past earnings growth does not predict future growth (Malkiel, 1973; 2003).

2.2 Theoretical Framework

Prediction of stock prices is generally believed to be a very difficult task if a nation's economy is being affected by inflation and fluctuations of exchange rate. In recent years, the role of information in pricing of stock has attracted wide interest in areas of finance and economic literatures (Okan *et al*, 2009). This attention has been driven by the recent advances in market microstructure literature which greatly enhance our understanding of the incorporation of information into asset price and volume. As documented widely in finance literature, trading volume and price volatility display a positive correlation. Schwert (1989) evidenced a positive relationship between estimated volatility and current and lagged volume growth rates through the linear distributed lag and Volatility AutoRegressive (VAR) model for the monthly aggregates of daily data on Standard and Poor (S&P) index. Lamoureux and Lastrapes (1990) in a seminar work using the individual stocks from the S&P index reported a positive conditional volatility — volume relationship in models with the Gaussian errors and Gaussian AutoRegressive Conditional Heteroskedasticity (GARCH) type volatility specifications. One of the earlier models to explain the positive volume and volatility correlation is mixture of distribution hypothesis that posits a joint dependence of returns and volume of an underlying latent event or information flow variable. That is both trading volume and price respond contemporaneously to new information (Clark, 1973, Epps and Epps, 1976, Tauchen and Pitts,

1983, Harris, 1986).

Many financial time series have been modeled by the use of GARCH model (Bollerslev, 1986). Thus, the GARCH effect is explained by considering the rate of arrival of Information flow as the mixture variable. Accordingly, Brailsford (1996) tested the relationship among the trading volume and conditional return volatility in Australian stock market using the GARCH (1, 1) model. He concluded that for absolute returns, the results provide a strong support to the influences of Lamoureux and Lastrapes (1990). In contrast, some of the latter studies (Chen *et al*, 2001; Aroga and Nieto, 2004) suggest no reduction in the persistence of volatility. Sequential information arrival hypothesis is another framework to explain volume and volatility correlation developed and extended by the studies of Copeland (1976), Jennings *et al*, (1981), Jennings and Barry (1983) and Starks (1985). In this model, new information is disseminated sequentially to investors. Thus, the correlation between trading volume and price volatility arises in a sequential manner.

Akgiray (1989) presented evidence about the time series behaviour of stock prices. Daily return series exhibited significant levels of second-order dependence and they could not be modeled as linear white-noise processes. A reasonable return-generating process was empirically shown to be a first-order autoregressive process with conditionally heteroskedastic innovations. Corhay and Rad (1994) indicated that conditional heteroskedasticity was a prime feature of daily returns behaviour of five European equity indices. They exhibited non-linear dependence that could not be captured by the random walk model. The class of autoregressive conditional heteroskedastic models was generally consistent with the stochastic behaviour of these return series. The evidence presented by them revealed that the GARCH-t (1, 1), i.e. a GARCH model with conditional errors that were t-distributed, fitted the data best. Thus, their results confirmed that this class of models was appropriate for studying the behaviour of stock returns on a small equity market. They also supported that GARCH model could indeed provide better forecasts of volatility than the usual historical estimates and lead to improved valuation models.

While most empirical studies have been limited to the US and European markets, limited number of researchers have applied the literatures by examining trading volume, price (return) and volatility relationships in emerging markets. Moosa and Al-Loughani (1995) used monthly data to examine four Asia stock markets which are Malaysia, Philippines, Singapore and Thailand, while Saatcioglu and Stalks (1998) scrutinised six Latin American stock markets that are Argentina, Brazil, Chile, Colombia, Mexico and Venezuela. Besides, Baklaci and Kasman (2007) examined the 25 individual stocks traded in Istanbul stock exchange in this respect. Furthermore, Olowe (2009) examines volatility in the Nigerian stock market. In brief, it is generally accepted that there is a relationship between trading volume and price volatility indicated by different models and methods.

3. Research Methodology

The longitudinal survey research design was adopted for this study, because stock price movements in the selected companies over time were studied and the data was collected at different points in time without any attempt to influence them. Data obtained

showed changes in the variables (stock prices) of interest overtime. The population of the study comprises all quoted firms in the Nigerian Stock Exchange from January, 2007 to December, 2012. However, four major companies (First Bank, Nigerian Breweries, Nestle Foods and Mobil Petroleum) based on trading volumes and active industrial classification constitutes the sample of this study. The data collected and used for this study were obtained from secondary sources. The data comprises the month end stock prices covering January, 2007 to December, 2012. The data were obtained from the official website of Cash Craft Asset Management (member of the Nigerian Stock Exchange).

3.1 Model Specification

In order to estimate volatility and predict stock prices in Nigeria stock market, two models were adopted:

3.1.1 Model 1: Stock Prices

Following the literature on volatility measurement we used an ARCH (2) model in testing for the presence of volatility in the selected sampled companies' stock prices.

The ARCH (2) model is given as follows:

$$\rho_t = \alpha_0 + e_t \text{-----} (1)$$

Estimating equation (1) using a regression techniques and obtaining the error term (e_t)

$$e_t^2 = \beta_0 + \beta_1 e_{t-1}^2 + \beta_2 e_{t-2}^2 + \mu_t \text{-----} (2)$$

Equation two (2) tests for the presence of ARCH effect and the presence of ARCH effect implies that there exists cluster or volatility in a time series.

In measuring volatility in stock market prices adopted ARCH (1) model and the estimation prices is shown as follow:

$$\rho_t = \beta_2 + \mu_t \text{-----} (3)$$

$$\mu_t = \Delta P_t^r - \Delta P_t^r \text{-----} (4)$$

Thus, μ_t is the mean adjusted relative change in the time series. Now we can use μ_t^2 as a measure of volatility. Being a squared quantity, the value will be high in periods when there are big changes in the price of financial assets and its value will be comparatively small when these are modest changes in the prices of financial assets.

3.1.2 Model II: Prediction of Stock Prices

The stock price prediction model that integrates volatility will be specified as follows;

$$P_t = \Lambda_0 + \Lambda_2 P_{t-2} + \Lambda_2 P_{t-2} + \Lambda_3 U_t^2 + \Phi \text{-----} (5)$$

This model suggests that stock market price prediction depends on past stock prices (i.e. the random walk hypothesis does not hold) and stock price volatility.

Where:

P_t = Current stock prices of selected company

P_{t-i} = Past stock prices such that

P_{t-1} (1 year lag stock prices) and

P_{t-2} (2 years lag stock prices)

U_t^2 = ARCH measure of stock price volatility.

Hypothesis

H01: That there is no significant indication of volatility in Nigerian Stock market.

H02: That there is no significant relationship with the level of volatility and stock price prediction in Nigerian stock market.

3.2 Method of Data Analysis

The focus of this study is to support or refute the volatility of stock prices in the Nigerian stock exchange. To achieve this, the Auto Regressive Conditional Heteroskedasticity [ARCH] models introduced by Engle (1982) were employed. The appeal of the model is that it captures both volatility clustering and unconditional returns distribution with heavy tails.

4. Presentation and Analysis of Results

4.1 Models

Model 1: Stock Prices' Volatility

The mean and standard deviation tends to capture volatility in stock prices and it is a dispersion or variation from the norm. A high standard deviation is indicative of a higher volatility while a lower standard deviation indicates a lower volatility in the prices of stocks. Based on **Table 1**, out of the four companies analysed Mobil oil and Nestle stock prices have higher level of volatility because the estimated standard deviation are 63.01 and 42.05 respectively which are higher than other companies standard deviation. Hence, it can be deduced that the prices of First Bank and Nigerian Brewery stocks are more stable compared to that of Mobil and Nestle during the period under consideration while there is higher degree of dispersion in the price of Mobil and Nestle stocks during the same period.

Following the results in **Table 2**, we can deduce that there is ARCH effect in the stock prices of the four selected companies. This is because the t-values are 7.4662, 3.9916, 4.1981 and 3.5266 respectively and statistically significant at 5% level as each of this value is higher than t-critical value of 2.000. Besides since the value of e_t^2 is not equal to the value of the intercept (α_0), it shows the presence of the ARCH effect.

Model II: Stock Price Prediction

Following the results in **Table 3**, which represent the prediction of stock prices, the result shows that about 67%, 77%, 56% and 65% of the systematic variations in Mobil, First Bank, Nigeria Brewery and Nestle stocks prices respectively are explained by past stock prices (P_{t-1} and P_{t-2}) and stock price volatility. The F statistic in the model shows that the model is generally significant since the F-calculated value for each of the four stocks is greater than their respective F-critical values at 5% level of significance. In predicting the stock prices of each of the four firms under consideration, the result shows that one period lag (past) stock price had positive and significant impact on current prices as the t-values of -7.1376, -7.099, -5.366 and -5.4690 for Mobil, First Bank, Nigeria Brewery and Nestle stocks respectively were all greater than t-critical of -2.000 at 5% level of significance. In the case of the second period lag (past) stock price impact on the current stock price was statistically insignificant for all the four stocks because the t-values of -1.3997, -0.2436, -0.2558 and -0.3509 each is less than the critical value of -2.000 at 5% significant level. However, volatility in stock prices as an explanation of current stock prices was statistically insignificant

for Mobil and Nigerian Brewery stocks as their individual t-value of -2037 and -0.369 respectively is less than the critical value, however, such volatility in stock prices as an explanation of current stock prices was statistically significant for First Bank and Nestle stocks. From the aforementioned, there is therefore empirical evidence to state that random walk hypothesis does not hold in any of the four stocks analysed (which can therefore be generalised for the entire Nigerian stock market). Besides, while stock market price volatility significantly drives First Bank and Nestle stocks prices, it does not drive Mobil and Nigeria Brewery stocks prices during the period under consideration.

4.2 Hypothesis Testing

In testing the hypothesis of the study, the F statistic was used. The study adopted 5% level of significance.

Ho₁: There is no significant indication of volatility in Nigeria stock prices.

The empirical result from ARCH (2) for each of the four stock prices analysed showed that the F calculated values were all greater than their respective critical values. Therefore, the null hypothesis is rejected and the alternative hypothesis is accepted which states that there exists significant indications of volatility in Nigerian stock prices.

Ho₂: There is no significant relationship with the level of volatility and stock price prediction in the Nigerian stock market.

The empirical result from ARCH (1) for First Bank and Nestle stocks showed that their t-calculated value is greater than the t-critical value of 2.000 at 5% level of significance. Therefore, the null hypothesis is rejected and the alternative hypothesis accepted which states that there exist a significant relationship with the level of volatility and stock price prediction in the Nigerian stock market. Whereas for Mobil and Nigerian brewery stocks, the analysis showed that their t-calculated values are less than the t-critical value at 5% level of significance, therefore we reject the alternative hypothesis and accept the null hypothesis which states that there was no significant relationship with the level of volatility and stock price prediction in the Nigerian stock market. In conclusion, it was observed that while volatility could not predict current stock prices of some companies, in other cases volatility predict current stock prices of other companies.

5. Summary of Findings

This study investigates the relationship between the level of volatility and stock price prediction in Nigeria and the presence of volatility in stock market prices. Several findings and implication are derived from the model presentation. It was found that the Nigerian stock market prices show persistence or indicated a high level of volatility (risk). The findings on the relationship between volatility and predicting stock prices were mixed. Based on the fact that Mobil and Nigerian Brewery stock prices volatility could not predict their current stock prices and hence volatility in these two cases, was insignificant and negative. While current stock prices of First bank and Nestle food were significantly predicted by volatility of these stocks thereby indicating a positive relationship.

One major deduction from the empirical result is that the conclusions of random walk hypothesis are, as expected, thrown in doubts. The claim is consequent upon the evidence of past stock

prices predicting current stock prices, as in the case of Mobil stock prices where past stock prices (one period lag) had positive and significant impact on current prices (t-value 7.1376 > t-critical value 2.000 at 5% level). However, this empirical evidence was present in all other three stocks analysed. Primarily the movement of stock market prices may indeed be predicted, contrary to the efficient market hypothesis and random walk theory conclusions. For this reason policy makers in Nigerian stock market may need to re-examine their economic policy.

However, these findings have important policy implications. For individual investors, volatility in a firm's stock price is no longer seen as the true intrinsic value of the firm and thus investors might lose confidence in the stock market. Corporate investors should be well attuned to the development on the stock market and all available information pertaining to their investments because stock prices are very sensitive to this information. Hence a more informed portfolio management and selection should be encouraged for investors. Besides, investors can implement their own investment policy by studying the trend of volatility in the market over time in order to be able to predict stock price movement and gain fair superior advantage far trading actively on the Nigerian Stock Exchange. In essence, volatility in stock prices becomes a tool that can be used to achieve desired economic objectives. However, investors must be aware that, in inefficient stock market (like Nigerian stock exchange), heavy gains are just as likely as heavy losses. Also, these findings are important because they could be crucial in areas such as the design of stabilisation and drafting of economic programmes and policies for the economy as a whole. Since policy makers in the financial sector play major role in influencing the expected return-risk premium and volatility of stock market, the results of this study will help investors and portfolio managers deepen their understanding of volatility (risk) and price relationship as well as diversification implication in Nigerian stock market.

6. Recommendations

From the findings of this study, the following recommendations are hereby suggested for policy implications. **Information disclosure** – availability of information on the attributes of firms is desirable in assessing the viability of these firms. As such, information goes a long way in enhancing the efficient pricing of the securities of firms, companies in disclosing vital information concerning the state of affairs of their firms should also, ensure that they are timely. This will help market participants in evaluating the performance of these firms, and hence the pricing of their securities. Thus, most information about the firms should not be the exclusive reserve of insiders.

The Nigerian Stock Exchange and the Securities and Exchange Commission should encourage the setting up of rating agencies which will be concerned primarily with analysing the performance of firms and which will in turn help in the efficient price adjustment of securities in line with price mechanism.

Institutional investors, government and their agents are known to acquire large number of securities. Because of their buy and hold strategy, there is paucity of such securities. The demand for such security in the market is rarely or never met since there is no adequate supply. The absence of adequate supply negates the establishment of efficient price level(s) by the interaction of the

forces of demand and supply. The market regulators should make a policy that would ensure that only a very small percentage of new issues are acquired by these groups of investors.

There should be more sustained effort on the part of government geared at providing basic infrastructural facilities that aid development and facilitate activities on the stock exchange as this will bring about increased access to new information by investors. The inadequate access to such facilities has hindered the growth and development of the Nigerian stock market thereby affecting the depth and breadth of the market. There is need to create a stable political environment free from terrorism and other vices in order for foreign investments (portfolio and listing) to thrive in the stock market as this will boost the confidence of the international community in Nigerian stock market.

7. Conclusions

Volatility is a widely researched area in the finance literature. The performance of estimation models of varying complexity has been investigated according to a range of measures and generally mixed results have been recorded. The main thrust of this study is the empirical investigation of the indication of volatility and the relationship between volatility and stock price predictability as reflected in the general business and financial conditions in Nigeria capital market.

Despite other studies such as Samuels and Yacout (1981), Ayadi (1984), Olowe (1999) and Okpara (2010) discovered that the Nigerian stock market is efficient in the weak form and stock prices follow a random walk and hence cannot be predicted, suggesting that the opportunity to make excess return on the market does not exist. This study however, contradicted these findings by observing that stock prices, in Nigeria capital market do not follow a random walk and thus are predictable. However, the results and findings of this study discovered that the Nigerian Stock Exchange is not efficient in the weak form.

In conclusion, risk occurs to some degree in all investment markets, and volatility is one reflection of this risk. Contrary to popular opinion, volatility should not be feared; it should be recognised as a necessary part of the risk and return relationship. A reasonable amount of volatility in an investment is the trade off for higher long-term returns expectations. Investors should not alter their asset allocation plan in response to short-term changes in volatility, but should review the reasonable long term expectations for volatility when creating their strategic assets allocation.

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Appendix 1: Stock Prices Statistics

	Mobil	First Bank	Nigeria Brewery	Nestle Nigeria	General
Mean	182.031	32.6765	41.69566667	204.1643333	115014188
St. Error	8.134319704	1.498904173	1.03008 184	5.429394678	5.6421122
Median	172.99	32.67	41.07	201.25	77.455
Mode	180	32	35	190	180
St. Deviation	63.01204248	11.6104610	7.97s979665	42.05591034	87.407227
Sample Var	3970.517497	134.8028231	63.6641165	1768.699594	7640.0233
Kurtosis	2.051442391	-0.51054319	-1.11249349	1.375864943	0.648343
Skewness	1.373475161	004754785	0.141811572	0.626221331	0.614207
Range	263.63	-189	30.99	213.41	341.69
Minimum	92.01	14	26.01	133.73	14
Maximum	355.69	62.9	57	34714	355.69
Sum	10921.86	19605.9	2501.74	12249.86	2763405
Count	60	60	60	60	240

Appendix 2:
ARCH (2) Regression Result Dependent Variables e_t^2

	1	2	3	4
Intercept (α_0)	854.60 (1.375)	64.927 (2.6855))	21.933 (2.4309)*	1168.97 (2.6367)*
e_{t-2}^2	0.9736 (7.4662)*	0.5301 1(3.9916)*	0.5525 (4.1981)*	0.4625 (3.5266)*
e_{t-2}^2	-0.1740 (-1.3352)	0.0036 (0.0265)	0.1240 (0.9429)	-0.1318 (-1.007)
\hat{R}	0.69	0.25	0.38	0.15
N	60	60	60	60

Source: Authors' Computation, 2013

Appendix 3:
Stock Price Predictability and Volatility Results

Dependent Variable P_t				
	1	2	3	4
Intercept (α_0)	45.109 (3.215)*	3.977 (1.831)	15.481 (5.120)*	80.135 (5.865)*
P_{t-1}	0.9312 (7.138)*	0.9431 (7.099)*	0.677 (5.336)*	0.634 (5.496)*
P_{t-2}	-0.1759 (-1.3997)	-0.029 (-0.244)	-0.029 (.256)	-0.036 (-0.350)
U_t^2	0.00040 (0.2037)	-0.035 (-2.575)	-0.004 (0.369)	0.006 (3.580)*
R^2	067	0.77	0.56	0.65
F	41.25	67.89	26.75	38.08
N	60	60	60	60

Source: Authors' Computation, 2013

NB: 1 – Mobil stock prices, 2 – First Bank stock prices, 3 – Nigerian Brewery stock prices, 4 – Nestle Stock prices where the parenthesis represent the t-values, * indicates 5% level of significance.

Appendix 4:
Mobil Stock Prices Volatility Test (i)

REGRESSION STATISTICS	
Multiple R	0.835434555
R Square	0.697950896
Adjusted R Square	0.687352682
Standard Error	4283 701595
Observations	60

Appendix 5:
Mobil Stock Price Volatility Test (ii)

	Coefficients	Standard Error	T Stat	P-value
Intercept	854.5958803	621.6988616	1.374614	0.174631415
RESIDLAG1 2	0.973641853	0.130406224	7.466222	5.31529E-10
RESIDLAG2 2	-0174025751	0.130336614	-1335202	0.187118201

Appendix 6:
First Bank Stock Prices Volatility Test

	Coefficients	Standard Error	T Stat	P-value
Intercept	64.92752363	24.17736575	2.685467238	0.00947002
RESIDLAG1 2	0.530055118	0.13279356	3.991572479	0.0001893
RESIDLAG2 2	0.00356774	0.134404113	0.026544873	0.97891546

Appendix 7:
Nigerian Brewery Stock Price Volatility Test (i)

REGRESSION STATISTICS	
Multiple R	0.637011873
R Square	0.405784126
Adjusted R Square	0.384934447
Standard Error	46.43836812
Observations	60

Appendix 8:
Nigerian Brewery Stock Price Volatility Test (ii)

	Coefficients	Standard Error	t Stat
Intercept	21.93287745	9.02223991	2.430979188
RESIDLAG1 2	0.552569908	0.131622251	4.198149645
RESIDLAG2 2	0.124036619	0.131538421	0.942968739

Appendix 9:
Nestle Stock Price Volatility Test (i)

REGRESSION STATISTICS	
Multiple R	0.426526721
R Square	0.181925044
Adjusted R Square	0.15322066
Standard Error	2871.509557
Observations	60

Appendix 10:
Nestle Stock Price Volatility Test (ii)

	Coefficients	Standard Error	t Stat
Intercept	1168.979785	143.3443105	2.63673122
RESIDLAG1 2	0.462512442	0.131148605	3.526628768
RESIDLAG2 2	-0.131806593	0.1303893562	-1.006975368

Appendix 11:
Nestle Stock Price Predictability and Volatility

REGRESSION STATISTICS					
Multiple R Square	0.819208295				
Adjusted R Square	0.67110223				
Standard Error	0.653482707				
Observations	24.7565142				
	60				
ANOVA					
	Df	SS	MS	F	Significance F
Regression	3	70031.71633	23343.90544	38.08655759	1.50144E-13
Residual	56	34321.55974	612.8849954		
Total	53	104353.2761			
	Coefficients	Standard	T Stat	P-value	
Intercept	80.13520921	13.66412116	5.864644223	2.5213E-07	
PRICE (-1)	0.634319037	0.115413166	5.496071693	9.88053E-07	
PRICE (-2)	-0.035208606	0.103161995	-0.350987846	0.726914501	
VOLATILITY	0.00652323	0.001823446	3.580160228	0.000718343	

Appendix 12:
Nigerian Brewery Stock Price Predictability and Volatility

REGRESSION STATISTICS					
Multiple R Square	0.767462531				
Adjusted R Square	0.588998737				
Standard Error	0.566980812				
Observations	5.250503215				
	60				
ANOVA					
	Df	SS	MS	F	Significance F
Regression	3	2212.386969	737.462323	26.75087	7.23741E-11
Residual	56	1543.795904	27.56778401		
Total	59	3756.182873			
	Coefficients	Standard	T Stat	P-value	
Intercept	15.48115063	3023245804	5.120705241	3.88E-05	
PRICE (-1)	0.67721594	0.12689905	5.336650988	1.77E-06	
PRICE (-2)	-0.028754064	0.112396942	0.255826033	0.799023	
VOLATILITY	-0.004103458	0.011921832	-0.369360826	0.713252	

Appendix 13:
First Bank Price Predictability and Volatility

REGRESSION STATISTICS					
Multiple R Square	0.88564361				
Adjusted R Square	0.784364603				
Standard Error	0.772812707				
Observations	5.534030037				
	60				
ANOVA					
	Df	SS	MS	F	Significance F
Regression	3	6238.339	2079.446	67.89921	1.18918E-18
Residual	56	715.027	30.62549		
Total	59	7953.367			
	Coefficients	Standard	T Stat	P-value	
Intercept	3.977106934	2.171925	1.831144	0.072401	
PRICE (-1)	0.943137218	0.132854	7.09904	2.37E-09	
PRICE (-2)	-0.029600005	0.121497	-0.24363	0.80841	
VOLATILITY	-0.035219419	0.013677	-2.5751	0.01269	

Appendix 14:
Mobil Stock Price Predictability and Volatility

REGRESSION STATISTICS					
Multiple R Square	0.829730457				
Adjusted R Square	0.688465908				
Standard Error	0.671776581				
Observations	36.10009455				
	60				
ANOVA					
	Df	SS	MS	F	Significance F
Regression	3	161280.39	53760.13	41.25187	3.32836E-14
Residual	56	72980.1423	1303.217		
Total	59	234260.5323			
	Coefficients	Standard	T Stat	P-value	
Intercept	45.10962025	14.03121246	3.214948	0.002167	
PRICE (-1)	0.931234222	0.130467133	7.137692	2.05E-09	
PRICE (-2)	-0.175361552	0.125643313	-1.39969	0.167122	
VOLATILITY	0.000403415	0.001980408	0.203703	0.839324	



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8th Western Zonal Conference

ICAN Advises Government to Harmonise Activities of Agencies

The Institute of Chartered Accountant of Nigeria (ICAN) has appealed to the federal government to harmonise the activities of some of its agencies like Corporate Affairs Commission (CAC), Financial Reporting Council (FRC) and Federal Inland Revenue Service (FIRS) that always request for same set of documents from Small and Medium Entrepreneurs (SMEs).

The Institute also called on Financial Reporting Council of Nigeria (FRCN) to reduce penalties and fines imposed on SMEs by employing more of moral suasion and engagement in complying with filing of the financial statements.

The appeal was made in Lagos at the end of the 8th Western Zonal Districts' Conference of the Institute held at Oranmiyan Hall, Lagos Airport Hotel, Ikeja recently. The conference which has its theme as **"Transforming the Nigerian Economy: Issues, Challenges and Opportunities for the Accounting Profession"** was declared open by the Lagos State Governor, Mr. Babatunde Raji Fashola, who was represented by Mrs. Arinola Odulana.

Apart from appealing to the federal government on how to encourage the growth of SMEs, participants also agreed that ICAN should review the existing scale of professional fees to incorporate new areas of opportunities to prevent prevalent under cutting of professional charges.

"The Institute should decentralise the forum of audit firms and replicate it in all the district societies for effective collaboration and exchange of ideas among various practitioners. The Institute should also identify and select into committees and faculties, top ICAN members working in government institutions to be able to get timely information on issues, gazettes, etc which could be of tremendous benefits to members," the participants posited.

While calling on the Institute to always appraise budgets at all



Fellow of ICAN, Hon. Femi Farombi (left); Conference Chairman, Kola Olaitan; ICAN Vice President, Mr. Chidi Ajaegbu; ICAN President, Alhaji Kabir Mohammed; Representative of Lagos State Governor, Babatunde Raji Fashola, Mrs. Arinola Odulana; Senator Jubril Martins Kuye; and ICAN 2nd Deputy Vice President, Deacon Titus Soetan, at the opening ceremony of the 8th Western Zonal Conference of ICAN

levels to promote transparency and accountability in governance, participants advised that the Institute should further enrich the examination system and Mandatory Continuing Professional Education (MCPE) programmes with emerging developments on how to make use of concept such as chaos theory and integrated systems thinking, to manage complexity within the firm.

The Conference also advised ICAN to introduce linguistics as integral part of the professional syllabus and mandatory education programme to acquaint potential Accountants and members with the skills to access different markets, through the knowledge of diverse languages and cultures.

Agreeing that promoting the development of new business models is germane to avoidance of frequent changes in the process of reporting financial statements, participants called on ICAN to expedite action on restoring public trust in the profession. This, they said, could be achieved by engaging in indepth research to



Western Zone Chairman of Institute of Chartered Accountants of Nigeria (ICAN), Hon. Femi Faronbi (left); ICAN Registrar/Chief Executive, Mr. Rotimi Omotoso; ICAN President, Alhaji Kabir Mohammed; a member of the Institute; Immediate Past President of ICAN, Mr. Doyin Owolabi and Conference Chairman, Mr. Kola Olaitan at the closing ceremony



ICAN Vice President, Mr. Chidi Ajaegbu (left); Hon. Femi Farombi; ICAN President, Alhaji Kabir Mohammed; Mrs. Arinola Odulana; ICAN Council Member, Ismaila Zakari and ICAN Registrar/Chief Executive, Rotimi Omotoso



ICAN President, Alhaji Kabir Mohammed, welcoming the immediate Past President of the Institute, Mr. Doyin Owolabi while the Conference Chairman, Mr. Kola Olaitan watches in admiration

expose the associated risks threatening the development of major sectors in Nigeria and pass their findings to public domain through the internet and other platforms.

The Institute was enjoined to initiate regular interface with stakeholders in commerce, agriculture, manufacturing and other sectors to educate them on economic and corporate governance issues, as part of the services of accountants.

Furthermore, ICAN was advised to develop core internal audit and accounting processes to guide against systemic failures of business entities and assist members in the discharge of their functions.

Participants insisted that the Institute should place premium on the professional certificate of members, particularly on job placements and avoid outsourcing members' core competences to foreign firms.

"The Institute should be cautious of disseminating sensitive information through the media about compliance and regulatory issues which concern audit and consultancy services to avoid negative interpretations of its intention by the public. It should introduce educative programmes on the national network service of radio and television stations to educate members of the public on financial, economic and other related matters to enhance the confidence reposed in the profession", the participants agreed.

Earlier in his address, the 49th President of ICAN, Alhaji Kabir Mohammed advised government that the task of transforming the Nigerian economy requires urgent, progress and altruistic actions on the part of the government.

He posited that as the nation planned centenary celebration, a marshall plan should be developed that will propel Nigeria not only to its next best level but also reposition it as commendable sprinter in the global economic race.

He called on Chartered Accountants to show their ability as people who can make Nigeria great again through the renewal of their commitment and compliance to the ethics of their profession.

He commended the organisers of the conference for the timeliness and strategic choice of the theme of the conference which he described as topical to Nigeria's economic transformation. ●



HRM, Adaku Chilaka Chidume-Okoro (left); Senator Ayo Akinyelure; Mr Kola Olaitan (Conference Chairman); Mazi Nnamdi Okwuadigbo; and Chief Davidson Alaribe

Communiqué of 43rd ICAN Annual Accountants' Conference

PREAMBLE

1. The 43rd Annual Accountants' Conference of The Institute of Chartered Accountants of Nigeria (ICAN) took place between the 7th and 11th of October 2013 at the International Conference Centre and Sheraton Hotel and Towers, Abuja, Nigeria. The theme of the conference was *"Governance and Sustainable Development"*.

TECHNICAL SESSIONS

2. The Conference theme was considered in a lead paper entitled *"Governance and Sustainable Development"* delivered by His Excellency, Mr. Festus G. Mogae, former President of the Republic of Botswana. Thereafter, the following two plenary and four workshop sessions were also held:

2.1 Plenary Session 1 – "Growth without Development: Confronting the Paradox" delivered by Prof. Akpan H. Ekpo, Director-General, West African Institute of Financial and Economic Management.

2.2 Plenary Session 2 – "Accounting Profession, Ethics and Wealth Creation" delivered by Mr. Williams Arthur Bailey, Deputy President, The Institute of Chartered Accountants in England and Wales (ICAEW).

2.3 Workshop 1 – "Growing Small and Medium Enterprises: Emerging Business Opportunities" was discussed by Alhaji Bature Umar Masari, Director-General, SMEDAN; Prof Muhammed L. Bashir of the Department of Economics, Usmanu Dan-Fodio University, Sokoto; and Mr. Muda Yusuf, Director-General, Lagos Chamber of Commerce and Industry.

2.4 Workshop 2 – "Reform in the Energy Sector: Realising the Benefits" was discussed by Engineer Reynod Dagogo-Jack, FNSE, Chairman, Presidential Task Force on Power; Mr. Toyin Akinosho, Publisher of Africa Oil and Gas Report; and Mr. Tonye Cole, Co-Founder and Executive Director, Sahara Group Limited.

2.5 Workshop 3 – "Agricultural Development: Optimising the Value Chain" was discussed by His Excellency, Vice-Admiral Murtala Nyako (rtd.), Executive Governor, Adamawa State; His Excellency, Senator (Dr.) Bukola Saraki, former Executive Governor, Kwara State; Mr

Kola Masha, MD, Dereco Partners; and Mrs. Evelyn Oputu, MD/CEO of Bank of Industry, who was ably represented by Dr Ezekiel Oseni.

2.6 Workshop 4 – "MINT as Growth Economies: Myth or Reality" was discussed by Mr. Oluseyi Bickersteth, National Senior Partner, KPMG Professional Services; Mr Cyril Azobu, Partner, PwC; and Dr. Ayodele Teriba, CEO of Economic Associates.

OBSERVATIONS AND RECOMMENDATIONS

3. At the end of deliberations, the following recommendations were made:

i. Although the conference participants agreed that growth is a necessary, but not sufficient condition for development, they urged the government to determine the sectors that are driving the current growth, the nature of their production process (whether capital or labour intensive), as each has a different effect on employment. By so doing, appropriate policy initiatives can be evolved to ensure inclusive growth.

ii. While noting that the nation's Vision 20:2020 is focused solely on growth without reference to other elements of development, the participants urged the government to focus on human capital development, social benefits, more equitable distribution of income and purposeful infrastructural development. They were enthused by the theoretical findings that a 2% investment in infrastructure could, on its own, lead to 40% increase in economic activities in other sectors of the economy.

iii. In order to reduce the cost of doing business in Nigeria and enhance the competitiveness of local industries, the participants also recommended that government should strive to reduce the lending rate as a strategy to revamp the manufacturing sector which currently stands at 4% of GDP as against the 25% global benchmark.

iv. While deploring the over dependence on federal allocation by most states of the federation, the conference participants recommended that the federating units should be encouraged to develop their economies and become competitive.

v. In order to reassure and cater for the needs of the weak and vulnerable who are feeling neglected, ignored, un-empowered and disillusioned, the conference participants recommended that politicians should simmer down on political manoeuvre for 2015 elections and judiciously spend quality time and scarce public resources on scrupulous implementation of previous campaign promises and deliver the dividends of democracy to the people in order to regain and retain their trust.

vi. Since good governance is germane to the survival and growth of businesses and the attraction of Foreign Direct Investments, the conference participants urged countries of the continent to build and strengthen institutional capacity, abhor corruption and embrace good political and corporate governance.

vii. The conference participants acknowledged the prime role of the Accounting Profession in wealth creation and national development. In their view, markets and economies function properly when investors have trust in the audited financial statements, which drive economic activities and business decisions in the market. They observed that chartered accountants, as merchants of integrity, can only retain this leading edge in corporate governance if they remain foes of deceits and champions of integrity. They therefore recommended more practical training on ethics for members, effective monitoring of their compliance to the Institute's Code of Conduct and enforcement of sanctions for any established breach.

viii. To reinforce the recommendation in (vii) above, they recommended that organisations should clearly define their values, evolve policies that support those values (e.g. supporting whistleblowers), develop a listening culture, ensure appropriate tone at the top, and monitor and consistently take corrective actions. According to them, any disciplinary procedures and reward structures introduced must reward ethical behaviour, should be open and must be fair to all.

ix. On sustainable development, the conference participants further agreed that corporate entities must operate not only to achieve their business purposes but must be compelled to continuously behave in a socially responsible way. They must also comply with laws and regulations and be answerable for their actions. In other words, the nation's code of corporate governance should include the fundamental principles of Leadership, Capability, Accountability, Sustainability and Integrity.

x. Since food security is a fundamental part of national security, the government should provide

incentives to drive the process of transformation to mechanised farming.

xi. There should be massive investment in the agricultural sector as it holds the key to the country's industrialisation and employment generation.

xii. There should be land reforms that will make it easier for young farmers and entrepreneurs to acquire land for agricultural development. The government should provide incentives that will enable farmers go into value chain projects that can allow them to process primary products for exports.

xiii. Given the role that SMEs can play in employment generation and economic development, the challenges facing this sector, e.g. multiple taxation and infrastructural deficiency, should be frontally addressed.

xiv. The participants urged government to seriously and carefully address the unintentional fallouts, e.g. loss of jobs and the attendant payment of severance benefits, which could arise from the ongoing reforms in the energy sector.

xv. Given the immense potentials of the Nigerian Electricity Market and the Investment Opportunities, the participants urged the government to ensure that multi-skilled citizens are engaged in the reform process as part of its local content policy.

xvi. In view of the importance of gas to the success of the reforms, the participants recommend that all challenges associated with gas supply, including ongoing pipe line projects, should be addressed.

CONCLUSION

4. The Conference commended the Council of the Institute for the choice of theme and sub-themes, the selection of erudite resource persons and the overall planning and execution of the proceedings. The Conference urged the Council to make available to the government and other relevant stakeholders this communiqué and the conference proceedings and persuade the relevant authorities to adopt these recommendations as recipe for inclusive growth and development.

Alh. Kabir Alkali Mohammed, mni, FCIS, CGMA, FCA
49th President

Profitability and Competition in the Nigerian Banking Sector

By UWALEKE UCHENNA JOSEPH and SARATU LASSA JIM-SULEIMAN

A competitive banking market results in lower prices and higher quality of financial products. Also, profitability as an index of efficiency is made possible through effective competition. This paper seeks to find if there is a unilateral or bilateral relationship between profitability and competition. A Granger Causality test was conducted to determine the direction. The Granger causality test shows that there is a unilateral relationship between Competition and profitability. It shows that at lag 6, competition does not Granger-cause profitability, but profitability does Granger-cause competition. It means that profitability is dependent on competition. It is recommended that firms in the perfectly competitive industry would make more profit and maintain a large market share of the industry by being innovative in their quest to reach the targeted customers.

Key Words: Competition, Profitability, Granger Causality, Banking Sector, Nigeria.

I. INTRODUCTION

For a long time, competition policy has been an integral part of survival in the banking sector. Banks play a substantial role in capital accumulation, firms' growth and economic prosperity. Banks perform various roles in the economy and are critical to both the financial system and the real economy. In particular, they improve on the problem of asymmetric information between investors and borrowers, thus channelling savings into investments; they provide risk sharing by inter-temporal smoothening of un-diversifiable risk as well as insurance to depositors, against unexpected consumption shocks; they contribute to the growth of the economy; and, they perform an important role in corporate governance.

Banks raise a large fraction of their funds through demandable deposits and they invest in long term assets. The maturity mismatch between their assets and liabilities, through the interbank markets and the payments system, has caused risk of instability and systemic crises. Furthermore, the great reliance on leverage and the proprietary information that banks possess on their borrowers may induce them to take excessive risks. For these

reasons, competition has been traditionally seen with suspicion in the financial sector, and for a long time, the sector has been subjected to tight regulation and limitations in the application of competition rules.

In the last two decades, the trend has somewhat been reversed, and competition policy has been applied much more effectively in the financial sector. The current extensive systemic crisis has, reopened the question of what role does competition policy play in the sector? The main issues are whether competition is desirable at all in times of systemic crises, and how to limit potential negative effects in the medium and long term. The early 1990s have been marked by a shift in theory and evidence concerning the effect of competition on bank soundness and profitability. Several literatures pointed towards a negative trade-off between competition and bank soundness (Keeley, 1990). However, new theories and evidences challenge this paradigm. The balance of evidence suggested a positive link between competition and soundness (Carletti, 2007 & Schaeck and Cihak, 2010). While the debate of whether competition is "good" or "bad" for bank soundness continues (Berger, & De Young, 2009), the question of

why competition has a soundness-enhancing effect has remained an underexplored area, despite its relevance for policy and regulation in banking (Schaeck & Cihak, 2010).

This paper seeks to analyse the relationship between profitability of banks and the level of competition being experienced in the banking sector in Nigeria. The major objective is to find out if there is a unilateral relationship between profitability and competition or a bilateral relationship using the Granger causality approach.

II. LITERATURE REVIEW

Competition

Competition is a process by which alternative opportunities are made available to customers. A business competes with its rivals by offering the customer the same product at a lower price, offering a slightly different product with similar features, offering a radically improved product or innovation by successful promotion by which a firm tries to make consumers buy its products rather than a rival's, or create a wholly new scheme of wants in the mind of the consumer.

According to Park (1998), competition and to compete refer to the same thing. The author observed that to compete means to slice prices, advertise, invest in Research and Development, stressing that competition denotes an energetic process of rivalry among firms in which only the fittest survive and flourish. Competition is also a state of affairs in which the demand for the output of an individual seller is perfectly elastic (Chamberlin & Robison, 1933).

In the opinion of Hayek (2010), competition is essentially a process of the formation of opinion by spreading information which can create that unity and coherence of economic system which we presuppose when we think of it as one market. It creates the views people have about what is best and cheapest, and it is because of it that people know much about possibilities and opportunities. He noted that one function of competition is precisely to teach us who will serve us well; which travel agency, which bank, which department store, which doctor or solicitor we can expect to provide the most satisfactory solution to whatever particular personal problem we may have to face. In his opinion, competition may be very intense, just because the services of the different firms/banks will never be exactly alike, and it will be owing to this competition that we will be in a position to serve as well and deliver better services. Argyris & Schon (1996), are of the opinion that we do not consciously choose when we encounter unfamiliar or threatening situations, we automatically respond defensively, engaging in competitive rather than cooperative behaviour. Competition creates new products that are identical to other products, except that they require additional time for their assembly (Bartolome, 2007).

Although competition is considered in the literature as one of the important determinants of profit for conventional banks, debate in this area has not been fully resolved. Philips (1964) believed that public regulation, private organisation and institutional market characteristics made industry performance insensitive to differences in market structure and made competition difficult to observe. In view of the difficulties of measuring the impact of competition, most banking researchers prefer to incorporate this aspect within the scope of market structure or regulations.

Emery (1971) was among the first researchers to measure

the effect of competition on bank profitability. He used entry into the market as a proxy for competition. Emery's findings were that competition had no significant impact on profits. Rhoades (1980) examined the effect of new entry on competition. His results indicated that there was no relationship between entry and competition. Similarly, Lindley *et al* (1992) found a weak adverse relationship between competition and the rate of entry.

III. PROFIT AND PROFITABILITY

Profit is the excess of revenues over associated expenses for an activity over a period of time. Terms with similar meanings include 'earnings', 'income', and 'margin'. Profitability also means ability to make profit from all the business activities of an organisation, company, firm, or an enterprise. It shows how efficiently the management can make profit by using all the resources available in the market. According to Harvard & Upton (1961), "profitability is the the ability of a given investment to earn a return from its use." However, the term 'Profitability' is not synonymous to the term 'efficiency'. Profitability is an index of efficiency; and is regarded as a measure of efficiency and management guide to greater efficiency. Though, profitability is an important yardstick for measuring the efficiency, the extent of profitability cannot be taken as a final proof of efficiency. Sometimes satisfactory profits can mark inefficiency and conversely, a proper degree of efficiency can be accompanied by an absence of profit. The net profit figure simply reveals a satisfactory balance between the values receive and value given. The change in operational efficiency is merely one of the factors on which profitability of an enterprise largely depends. Moreover, there are many other factors besides efficiency, which affect the profitability.

Sometimes, the terms 'Profit' and 'Profitability' are used interchangeably. But in real sense, there is a difference between the two. Profit is an absolute term, whereas, the profitability is a relative concept. However, they are closely related and mutually interdependent, having distinct roles in business. Profit refers to the total income earned by the enterprise during the specified period of time, while profitability refers to the operating efficiency of the enterprise. It is the ability of the enterprise to make profit on sales. It is the ability of enterprise to get sufficient return on the capital and employees used in the business operation.

IV. COMPETITION IN THE BANKING SECTOR

Competition in the banking industry has been a subject of great scholarly interest and continues to occupy a large body of empirical research. From public policy perspective, competitiveness of the banking sector represents a socially optimal target, since it reduces the cost of financial intermediation and improves delivery of high quality services thereby enhancing social welfare. Banking competition also promotes economic growth by increasing firms' access to external financing (Beck, Demirgüç-Kunt, & Maksimovic, 2006; Pagano, 1993). However, Petersen and Ranjan (1995) showed theoretically that banks wielding market power tend to lend to young firms whose credit record may be opaque, hence leading to high lending rates. In practice, Carletti and Hartmann (2003) argued that although concentrated banking systems offer growth opportunities for young firms, there is strong evidence of a general depressing effect on growth associated with banks' exercise of market power and this impacts all sectors and firms.

Hence, competition in banking should be placed at the centre of any public policy agenda since it has the mechanism to respond to the dynamic changes in economic conditions, especially those that affect delivery of financial services.

The analysis of banking competition has been of great concern in the literature especially due to its effects on the financial stability (Beck, Demirgüç-Kunt, Levine 2006; Schaeck *et al*, 2009 & Wagner, 2010). A competitive banking market may result in more benefits to the society as a whole, such as lower prices and higher quality of financial products (Boyd and Nicolo, 2005), but on the other hand, its influence on financial stability is not conclusive. Some authors argue that competition, in fact, enhances banks' risk-taking behaviour (tax avoidance), since it pressures them to operate with a minimum capital "buffer" (Hellman, Mudock & Stiglitz, 2000; Allen & Gale, 2004). Others defend the contrary by stating that crises are less likely to happen in competitive banking systems (Beck *et al*, 2006; Boyd and Nicolo, 2005). Motivated by the process of deregulation and consolidation that financial sectors around the world have been facing lately, especially in the developing world, this work proposes to analyse whether or not competition has any effect on profitability or vice versa in the Nigerian economy.

V. THEORETICAL FRAMEWORK

The Panzer-Rosse (P-R) Theory of Competition

The Panzer-Rosse (P-R) model was developed to assess the level of monopoly power being exercised in a particular market. The model estimates the extent to which a change in factor input prices is reflected in equilibrium revenues earned by a firm. Under perfect competition, marginal cost and marginal revenue increase by the same amount as the rise in costs. But under monopoly, an increase in input price increases marginal cost but reduces output and total revenue. The P-R index utilises these differences and identifies the types of competition: monopoly, or perfect competition or monopolistic competition (Mohammed & Mustapha, 2009).

The model is based on the following four assumptions: (i) Banks are profit maximising; single firms facing normally distributed revenue and cost functions; (ii) Banks produce revenues using labour, capital, and intermediated funds (mainly deposits) as inputs; (iii) Higher input prices are not associated with higher quality services that generate higher revenues; and (iv) Banks are operating in long-run equilibrium (Mohammed & Mustapha, 2009).

Let the marginal revenue curves be

$$MR = R_i(x_i, n_i, z_i) \dots\dots\dots (1)$$

And marginal cost function takes the following form

$$MC = C_i(x_i, w_i, t_i) \dots\dots\dots (2)$$

Banks maximise their profits where $MR = MC$:

$$R_i(x_i, n_i, z_i) - C_i(x_i, w_i, t_i) = 0 \dots\dots\dots (3)$$

Therefore at a market level equilibrium is

$$\dots\dots\dots (4)$$

In log-linear form, the MC and MR functions are written as

$$\ln MC = \alpha_0 + \alpha_1 \ln OUT + \sum_{i=1}^m \beta_i \ln FIP_i + \sum_{j=1}^p \gamma_j \ln EX_{COSTj}$$

$$\dots\dots\dots (5)$$

$$\ln MR = \delta_0 + \delta_1 \ln OUT + \sum_{k=1}^n \varepsilon_k \ln EX_{RSVK}$$

$$\dots\dots\dots (6)$$

We solve the system and find out the product of equilibrium output and price level and can be written as:

$$\ln \Pi_{it} = \alpha + \sum_{m=1}^m \beta_m \ln FIP_{it} + \sum_{j=1}^j \gamma_j \ln EX_{it} + \sum_{i=1}^{i=1} D_{it} + e$$

$$\dots\dots\dots (7)$$

The subscript i and t values represent bank i at time t . M denotes the number of factor input variables, J denotes the number of exogenous bank specific variables, Π represents interest income, FIP represents the three factor inputs – the annual funding rate, price of personnel expenses and price of physical capital expenditure. EX represents other bank specific exogenous factors that may be considered as having a relationship with the dependent variable. D represents a dummy time variable for $i-1$ banks as we have the PR-model yield the H-index which is a measure (also referred to as the "H-statistics") between 0 and 1 of the degree of competitiveness in the industry. It is calculated from the reduced form of revenue equation. Actually, this is the sum of the three cost elasticity (three coefficients in the error term) with respect to interest income (Mohammed & Mustapha, 2009).

Value of H-statistics	Implication
$H < 0$	Monopoly
$0 < H < 1$	Monopolistic Competition
$1 < H$	Perfect Competition

Lerner Index Theory of Competition

The Lerner index of market power captures pricing power by measuring a bank's ability to set price above its marginal cost. In a perfectly competitive system, the price a bank charges for its services should be equal to its marginal cost and therefore, such a bank will have no market power. The greater the deviation, the less competitive the banking system is interpreted to be. By construction, the index ranges from a high of 1 to a low of 0, with higher numbers implying greater market power. The Lerner index is calculated as:

$$Lerner_{it} = \frac{(P_{it} - MC_{it})}{P_{it}} \dots\dots\dots (1)$$

The subscript i denotes bank i , and the subscript t denotes year t . Price P_{it} is the ratio of total revenues (interest and non-interest income) to total assets for bank i at time t , and MC_{it} is the marginal cost for bank i at time t .

To derive marginal cost (MC), the trans log cost function (equation 2) for each country is estimated in order to extract the elasticity of total cost to the price of the bank's main inputs.

$$\begin{aligned}
 \text{LnCost}_{it} = & \beta_0 + \beta_1 \text{Ln}Q_{it} + \frac{\beta_2}{2} \text{Ln}Q_{it}^2 + \sum_{k=1}^3 \gamma_{kt} \text{Ln}W_{k,it} \\
 & + \sum_{k=1}^3 \theta_k \text{Ln}Q_{it} \text{Ln}W_{k,it} + \sum_{k=1}^3 \sum_{j=1}^3 \\
 & \text{Ln}W_{k,it} \text{Ln}W_{j,it} + e_{it} \dots\dots\dots (2)
 \end{aligned}$$

COST_{it} is the total operating cost plus interest expenses for bank i at time t . Q_{it} , total assets are a proxy for the banks output. W_{it} is the price of a bank's three main inputs (labour, funds, and fixed capital). Input prices for labour, funds, and fixed capital are calculated as the ratios of personnel expenses to total assets, interest expenses to total deposits, and other operating and administrative expenses to total asset respectively (Sanya & Gaertner, 2012).

Marginal cost is then computed as:

$$MC_{it} = \frac{\text{COST}_{it}}{Q_{it}} \left[\beta_1 + \beta_2 \text{Ln}Q_{it} + \sum_{k=1}^3 \theta_k \text{Ln}W_{k,it} \right]$$

The Boone Indicator Theory of Competition

The Boone indicator examines the effect of competition via the efficiency channel on bank soundness which expresses competition as a function of efficiency. As the first step to computing the Boone indicator, it uses average cost of bank i as a share of total income. Average costs comprise interest and personnel expense, administrative and other operating expenses. Income consists of commission and trading income, interest income, fee income, and other operating income (Leuvensteijn, 2009 & Boone, 2008).

This indicator is based on the efficient structure hypothesis that associates performance with differences in efficiency. Under this hypothesis, it is expected that more efficient banks, i.e. banks with lower marginal costs, achieve superior performance in the sense of higher profits at the expense of their less efficient counterparts, and this effect is monotonically increasing in the degree of competition when firms interact more aggressively and when entry barriers decline.

Boone model for bank i is as follows:

$$\Pi_{it} = a + b \ln(c_{it}),$$

where Π_{it} measures profits of bank i at time t , b is referred to as the Boone indicator, and c_{it} denotes marginal costs. Since we cannot observe marginal costs directly, we use average costs as a proxy (Leuvensteijn, 2009).

Market Share Theory of Competition

Sales figures do not necessarily indicate how a firm is performing relative to its competitors. Rather, changes in sales simply may reflect changes in the market size or changes in economic conditions. The firm's performance relative to competitors can be measured by the proportion of the market that the firm is able to capture. This proportion is referred to as the firm's **market share** and is calculated as follows:

$$\text{Market Share} = \frac{\text{Firm's Sales}}{\text{Total Market Sales}}$$

Sales may be determined on a value basis (sales price multiplied

by volume) or on a unit basis (number of units shipped or number of customers served). While the firm's own sales figures are readily available, total market sales are more difficult to determine. Usually, this information is available from trade associations and market research firms. Market share is often associated with profitability, and thus many firms seek to increase their sales relative to competitors. Here are some specific reasons that a firm may seek to increase its market share (Leuvensteijn, 2009):

- **Economies of scale** — higher volume can be instrumental in developing a cost advantage.
- **Sales growth in a stagnant industry** — when the industry is not growing, the firm can still grow its sales by increasing its market share.
- **Reputation** — market leaders have clout that they can use to their advantage.
- **Increased bargaining power** — a larger player has an advantage in negotiations with suppliers and channel members.

Profit Margin Theory of Competition

The profit margin is an accounting measure designed to gauge the financial health of a business or industry and it is the ratio of profits earned to total sales receipts (or costs) over some defined period (Pinson, 2004). The profit margin is a measure of the amount of profit accruing to a firm from the sale of a product or service. He said that it provides an indication of efficiency in that it captures the amount of surplus generated per unit of the product or service sold. In order to generate a sizeable profit margin, a company must operate efficiently enough to recover not only the costs of the product or service sold, operating expenses, and the costs of debt, but also to provide compensation for its owners in exchange for their acceptance of risk. Thus, the profit margin is very important as a measure of the competitive success of a business, because it captures the firm's unit costs.

Herfindahl Index Theory of Competition

The Herfindahl Index (also known as Herfindahl-Hirschman Index, or HHI) is a measure of the size of firms in relation to the industry and an indicator of the amount of competition among them. Named after economists Orris C. Herfindahl and Albert O. Hirschman, it is an economic concept widely applied in competition law, antitrust and also technology management (Liston-Hayes, & Pilkington, 2004). It is defined as the sum of the squares of the market shares of the 50 largest firms (or summed over all the firms if there are fewer than 50) within the industry, where the market shares are expressed as fractions. The result is proportional to the average market share, weighted by market share. As such, it can range from 0 to 1.0, moving from a huge number of very small firms to a single monopolistic producer. Increases in the Herfindahl Index generally indicate a decrease in competition and an increase of market power, whereas decreases indicate the opposite. Alternatively, if whole percentages are used, the index ranges from 0 to 10,000.

The major benefit of the Herfindahl Index in relationship to such measures as the concentration ratio is that it gives more weight to larger firms.

$$H = \sum_{i=1}^N S_i^2$$

where s_i is the market share of firm i in the market, and N is the number of firms. Thus, in a market with two firms that each have 50 percent market share, the Herfindahl Index equals $0.50^2 + 0.50^2 = 1/2$.

The Herfindahl Index (H) ranges from $1/N$ to one, where N is the number of firms in the market. Equally, if percentages are used as whole numbers, as in 75 instead of 0.75, the index can range up to 100^2 , or 10,000.

A HHI index below 0.01 (or 100 indicates a highly competitive index.

A HHI index below 0.15 (or 1,500) indicates an unconcentrated index.

A HHI index between 0.15 to 0.25 (or 1,500 to 2,500) indicates moderate concentration.

A HHI index above 0.25 (above 2,500) indicates high concentration.

A small index indicates a competitive industry with no dominant players. If all firms have an equal share, the reciprocal of the index will show the number of firms in the industry. When firms have unequal shares, the reciprocal of the index indicates the "equivalent" number of firms in the industry. Using case 2, we find that the market structure is equivalent to having 1.55521 firms of the same size.

There is also a normalised Herfindahl Index. Whereas the Herfindahl Index ranges from $1/N$ to one, the normalised Herfindahl Index ranges from 0 to 1. It is computed as:

$$H^* = \frac{(H - 1/N)}{1 - 1/N}$$

where, N is the number of firms in the market, and H is the usual Herfindahl Index, as above. This research adopted the Lerner's index, which is consistent with Sanya & Gaertner (2012) and Genesove & Mullin (1998). Lerner Index is a widely used measure of competition and it is easy to understand and flexible to apply in analysing a given data. The Lerner's index will be used in this research work to reduce any form of complexities that might be experienced when using the other models to measure competition.

VI. EMPIRICAL METHODOLOGY, VARIABLES, AND THE DATA SET

This paper estimated the causality between **PROF** and **COMP** in the banking sector. Granger causality really implies a correlation between the current value of one variable and the past values of the other; it does not mean changes in one variable cause changes in another. It is a test to determine which variable is exogenous and which is endogenous in order to formulate a linear model for estimation. It is possible to have causality running from variable X to Y , but not Y to X ; from Y to X , but not X to Y and from both Y to X and X to Y , although in this case interpretation of the relationship is difficult. The models below show the relationship between competition and profitability and vice versa.

$$COMP_t = b_{11} COMP_{t-1} + b_{21} PROF_{t-1} + \varepsilon_{1t}$$

$$PROF_t = c_{11} PROF_{t-1} + c_{21} COMP_{t-1} + \varepsilon_{2t}$$

The variable **PROF** is approximated by the Profitability of bank i at a particular time t . The variable **COMP** is approximated by competition variable measured as Lerner's index of bank i at a time t .

The data used are panel data collected from 10 banks in 9 years (2003-2011) and they are sourced in the financial statement of the selected banks in Nigeria.

The estimation is conducted performing the following tests. First, the Unit root test of PROF and COMP using Eview software, for stationarity, Pedroni (1997, 1999). Second, in order to detect the direction of causality between the two variables the Granger causality is applied.

Results

Panel Unit-root Tests for Stationarity Result

The first stage in testing for stationarity of the set of variables in doing so, Levin, Lin & Chu test was run to test for stationarity which are performed to establish that the panel data are stationary (no unit root). Below are the individual panel unit root test for competition and profitability. The results indicated that both variables are stationary after the first differencing of the data collected. Their P-values are 0.0000 and 0.0001 respectively and are lower compared to the 0.05 significant levels.

1. H_0 : COMP does not Granger-cause PROF
 H_1 : COMP does Granger-cause PROF
2. H_0 : PROF does not Granger-cause COMP
 H_1 : PROF does Granger-cause COMP

The Granger causality test shows that there is a one-way direction between Competition variables and profitability. It shows that that

Null Hypothesis: **Unit root** (common unit root process)

Series: **D(PROF)**

Date: 10/29/03 Time: 20:44

Sample: 2003 2011

Exogenous variables: **None**

User-specified lags: **1**

Newey-West automatic bandwidth selection and Bartlett kernel

Total (balanced) observations: **60**

Cross-sections included: **10**

Method	Statistic	Prob.**
Levin, Lin & Chu t^*	-9.01317	0.0000

** Probabilities are computed assuming asymptotic normality

at lag 6, the first P-value given as 0.7923 is greater than the 0.05 significantly level. This means that the first alternate hypothesis is rejected and the null accepted that COMP does not Granger-cause PROF.

Consequently, the Granger causality test for the second hypothesis shows that the second P-value given as 0.0008 is less than the 0.05 significant level. This means that the second alternate hypothesis is accepted and the null rejected, that PROF does Granger-cause COMP.

VII. CONCLUSIONS

The findings confirmed a one-way direction between

Null Hypothesis: Unit root (common unit root process)		
Series: D(COMP)		
Date: 10/29/03 Time: 20:44		
Sample: 2003 2011		
Exogenous variables:	Individual Effects	
User-specified lags:	1	
Newey-West automatic bandwidth selection and Bartlett kernel		
Total (balanced) observations:	60	
Cross-sections included:	10	
Method	Statistic	Prob.**
Levin, Lin & Chu t^*	-3.74791	0.0001
** Probabilities are computed assuming asymptotic normality		

Granger Causality Result

$COMP_t = b_{11} COMP_{t-1} + b_{21} PROF_{t-1} + \epsilon_{1t}$

$PROF_t = c_{11} PROF_{t-1} + c_{21} COMP_{t-1} + \epsilon_{2t}$

Pairwise Granger Causality Tests

Date: 10/29/03 Time: 20:49			
Sample: 2003 2011			
Lags: 6			
Null Hypothesis:	Obs	F-Statistic	Prob.
PROF does not Granger Cause COMP	30	0.51041	0.7923
COMP does not Granger Cause PROF		6.87372	0.0008

competition and profitability in the banking sector in Nigeria. The Granger causality result at six lags established the one-way direction of the relationship between competition and profitability, whereby clearing the doubt of their relationship of whether they have a uni-lateral or bi-lateral. This study established that profitability is dependent on competition. A firm competes with its rivals by offering the customer the same product at a lower price, offering a slightly different product with similar features, offering a radically improved product or innovation by successful promotion by which a firm tries to make consumers buy its products rather than a rival's, or create a wholly new scheme of wants in the mind of the consumer. It recommends that firms in the perfect competitive industries would make more profit and maintain a large market share of the industry by being innovative in their quest to reach the targeted customers. This study also, contributed to the body of knowledge and to researchers who intend to explore research works in the area of competition and profitability.

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Authors wishing to have their articles published in *The Nigerian Accountant* and *ICAN Students' Journal* are advised to adopt the following guidelines:

1. Articles must be well researched on contemporary issues in the field of: **Accounting; Audit; Investigations; Forensic Accounting; Taxation and Fiscal Policy Management; Consultancy; Information Communication Technology; Insolvency and Corporate Re-engineering; Public Finance; Corporate Finance; Banking; Insurance; Manufacturing; Capital Market.**

Articles from other disciplines e.g. **Health/Medicine; Agriculture; Engineering; Education; Religion; Fashion; Construction; Oil and Gas;** etc, are welcome.

Opinion articles would also be accommodated.

2. All articles should be typed on standard A4 paper and must not exceed twenty pages in 12-point Time Roman font and double spacing.

3. The title page should include the title and author's contact information (no other page should include author's information).

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SECURITY CHALLENGES: Implication on African Economic Development and Integration

By ORSHI TERHEMBA EPHRAIM

This article examines the prevailing situation of insecurity in Africa. The phenomenal rise in shameful or deplorable action or state of affairs generated much concern to scholars and policy makers. Findings show that the state of insecurity in Africa has been identified as an obstacle to economic development and integration of the continent. After over 50 years of independence, implementation of developmental policy has been elusive, considering the state of insecurity currently experienced in the continent. These significantly affect the economies of African Countries and possess the capacity of undermining and fueling insecurity across the globe. While the decline of development is not notably dropped, integration among African countries has descended. The article also examined the probable underpinning reasons causing Africa as an underdeveloped continent. With many reasons, it is noted that insecurity is not supporting the economic development and integration of Africa. With narration, this article proposes a policy change towards security challenges. The paper recommends the philosophy of Balance Scorecard, aimed at improving the prevailing security situation experience in Africa. It is therefore no doubt that economic development can only thrive in an atmosphere of peace.

INTRODUCTION

It is widely acknowledged that security challenges have been identified as one of the major obstacles to development. This has cost on the economic development and integration among African countries. Currently, the political economy of Africa is characterised by violence which is not conducive for development and integration.

Africa is a continent with a sizeable land mass, located in an earthquake-free, tsunami-free zone of the world. If properly harnessed, African soil is capable of feeding the entire world. Some of the many Africa sub-regional arrangements have a long history of existence, dating back to the pre-independence era, which has been punctuated by occasional stagnations or reversals in a few cases, and only modest achievement at best in others.

Despite efforts by African Leaders for economic integration,

however, there seems to be a consensus that the success of all Regional Economic Communities (RECs) in achieving their objectives has been less than satisfactory, as observed by Johnson (1995), and Lyakurua (1997). Many reasons have been attributed to this and the major cause is security problems.

These painful but truthful words speak volumes and it should be no surprise that the desperate cries of the African citizens are growing louder by the day with key examples of Mali, Nigeria, Egypt, Central Africa Republic, Sudan etc. Africa is experiencing its worst time. It is indeed passing through what may be regarded as one of its most challenging moment in history. Crises have engulfed the continent in all directions and if urgent action is not taken by African leaders, the situation is threatening to sink the continent.

These have resulted in lack of strong and sustained political commitment and goodwill, macroeconomic instability among

others and have therefore hindered the progress of economic integration in Africa. In this context, the scope of this paper covers the following:

- a. Conceptual Definition.
- b. Overview of African Crisis.
- c. Causes of Insecurity in Africa.
- d. The Implication of Security Challenges on African Economic Integration.
- e. Conduct of Military Operation.
- f. Challenges of the Military.
- g. Consequences of Insecurity on African Economic Integration.
- h. Policy Recommendation to African Leaders to Contain the Situation.

CONCEPTUAL DEFINITION

The concepts of management, conflict, combatants, civilians, ethnicity, internal security operation, external security operation, mission and intelligence, ethnic conflict, development and integration are briefly explained as follows:

Management: Management is the process of planning, organising, directing and controlling the resources of an organisation in order to achieve its goals efficiently. It is crucial to note that the main purpose of management is to achieve corporate goals and objectives in an effective and efficient manner. Thus, we can ask the question “why is management needed in an organisation”?

To answer this question, there is the need to briefly discuss the concepts of goals, effectiveness and efficiency. Goals can be seen as end results which an organisation seeks to realise or accomplish. Effectiveness is the ability to choose appropriate objectives or the appropriate means for achieving a given objective. Efficiency is the ability to get things done correctly and this is an input-output concept.

In managing conflict or crisis, a lot of managerial skills are needed to achieve the mission and objectives. An example is the timely collection, evaluation and analysis of information and data to produce intelligence from an array of sources. This will aid leaders to be more proactive than reactive in managing conflict or crisis in their various countries.

Conflict: Conflict refers to an active disagreement between people with opposing opinions or principles. This occurs when beliefs or actions of one or more members of the group are either resisted by or unacceptable to one or more members of another group. Conflict situation has created angry disagreement among various ethnic groups in Africa creating territories or ‘no-go-areas’ where one group or tribe is not free to operate in areas or communities outside its domain.

Combatant: According to the Third Geneva Convention of 1949, combatant is a person or persons engaged in international armed conflicts. Combatant indicates person who does not enjoy the protection against attack accorded to civilians, but does not imply a right to combatant status or prisoner-of-war status. This means that civilians are protected against attack unless and for such time as they take a direct part in hostilities. The situation in Africa is somehow different where often time, coordinated attacks are directed toward civilian populace as against the Third Geneva Convention of 1949.

Civilians: According to the Advanced Learners Dictionary,

Civilians are persons who are not members of the Police or the Armed Forces. The Customary International Humanitarian Law Rule 5 also defines Civilians as persons who are not members of the Armed Forces. Rule 6 of the Customary International Humanitarian Law further explained that civilians are protected against attack unless and for such time as they take a direct part in hostilities. Presently, the status of civilians is not accorded to them in Africa. Civilian populace come under direct enemy attack even though they are not rated as combatant. Attacks are not supposed to be directed to civilians. Attacks are only to be directed against combatants.

Ethnicity: Ethnicity or ethnic group is a socially defined category of people who identify with each other based on shared social experience, tribe, race, colour, language or ancestry. Africa as a heterogeneous state is made up of different ethnic groups, with each ethnic group striving to protect its own identity and territory, thereby, resulting into conflict of unimaginable proportions.

Internal Security Operation: Internal Security (IS) operations are series of related legal activities collectively undertaken by security and humanitarian agencies within the borders of a sovereign state in furtherance of state function. It is generally viewed as upholding constitution and defending the state against internal security threats. Responsibility for IS may range from Police to Paramilitary Force and in exceptional circumstances, the military. Threats to internal security may be directed at states, citizens or the organs and infrastructures of the state. Thus Joint Operation and Special Task Operation comprising the military and other services are established following the crisis that engulfed the continent.

External Security Operation: External Security Operations are series of related legal activities collectively undertaken by security and humanitarian agencies across the borders of a sovereign state in compliance with international functions. External operations are established by international organisation like United Nations (UN), European Union (EU), North Atlantic Treaty Organisation (NATO), African Union (AU), etc. Responsibility for external operation involves all uniform and civilian personnel. Thus external operations are established in furtherance to contain international threat which results to destruction of human and material resources.

Mission: Mission is a simple statement of task, together with the purpose, clearly indicating the action to be taken and the reason. In common usage, especially when applied to lower military units, the mission is a duty or task assigned to an individual or unit.

Intelligence: Intelligence is the product resulting from the collection, evaluation, analysis, integration and interpretation of all available information or data which concerns one or more aspects of a nation or areas of operations and which is immediately or potentially significant to military planning and operations.

Development: Development means the process of growing or changing into a more advanced, larger or stronger form. African countries as an economic bloc occupy a very low position in the global mainstream. Beyond the relatively unfavorable general positioning, the situation is quite mixed if countries are considered on an individual bases. Development has been the major problems of African countries as policies are not matched with action to cause development. This has prevented economic development and integration in the continent.

Integration: Integration means to mix with and join society or a group of people, often changing to suit their way of life, habits

and customs. It is also the combination of two or more things in order to become more effective. Economic integration can only be possible in an atmosphere of peace. Where there is insecurity, integration becomes difficult. Insecurity has characterised the economy of Africa where as a result, no country is ready to sign any Memorandum of Understanding (MoU) of any type with another country.

OVERVIEW OF AFRICAN CRISES

Africa is faced with series of security challenges at present which many believe there may be no end to. But it is also re-assuring to note that a number of people still believe solutions to many of the challenges are not as distant as they seem. Such people believe that if every individual, especially the leaders do the right thing, the story will be a lot better.

Security is very important for economic development and integration as it provides protection to person, building, organisation or country against threats such as crime or attacks by foreign countries. A country can only be safe when this is guaranteed. However, the situation of Africa is a reverse vision, where security of life and property can no longer be guaranteed. The benefit of security in any country cannot be overemphasised, as it allows a conducive flow of activities.

Since inception, Africa has contended with the heterogeneous population, due to its strategic location and role in agriculture. With the abolition of slave trade and colonialism in Africa, most of the colonial masters and other traders remained in Africa and made it their permanent home. Other factors which have contributed to the growth of Africa include the high presence of christian organisations by the missionaries and the educational institutions introduced by them.

The major threshold of African crisis originated from ethnic, religious and political imbroglio. This is as a result of religious intolerance, political factors, power struggle, indigeneship, economic reasons and boundary dispute with all parties mutually suspecting each other. Over the last quarter of a century, African crisis of the late 1970s has transformed into what has aptly been called the "African Tragedy". The propensity of the elites and ruling groups of Africa for bad policies and poor governance has been the definition of this tragedy.

African countries as an economic bloc occupy a very low position in the global mainstream. Beyond the relatively unfavorable general positioning, the situation is quite mixed if countries are considered on an individual basis. This is as a result of one important factor; security issues which have engulfed the continent from all directions and prevented economic development and integration.

From this account, however, it shows that what began as isolated disagreements between religious groups during the missionaries, created an avenue for religious crisis Africa is facing today. Moreover, the introduction of western education by the missionaries led to the relegation of traditional education in the continent which was characterised by high moral value. This also paved the way for instability such as religious intolerance, political crisis, power struggle, indigeneship and other economic instability.

The resultant effects of all these instability is terrorism as experienced today in Nigeria, Mali, Sudan, Somalia, and other African countries. According to Gushibet Solomon Titus (2012), the frightening aspect of the terror campaign is the resort to suicide

bombing by members of the Sect, who are believed to be affiliated to international terrorist organisation.

Like every other challenge facing the continent, the security issue has been politicised in recent times, thus robbing the government of the collaborative efforts it should enjoy, across political and religious divides to contain the terror menace.

Gushibet Solomon Titus (2012) corroborated that preventing terrorism which have worsened the situation in Africa has been clearly ineffective. Inadequate manpower, poor condition of service, lack of modern and effective combat equipment, poor arms and communication gadgets, transport problem, corruption, among others are the impediments of effective security control.

Terrorism has led to the destruction of human and economic resources. As a result, African countries are on a reverse gear; development is rapidly diminishing and a call on African leaders is urgent to salvage the situation. It could be recalled that recently, President Goodluck Jonathan of Nigeria and President Jacob Zuma of South Africa held meeting on Tuesday, 16 April 2013 to discuss issues of security challenges threatening Africa and 50 years existence of African Union at the Presidential Villa, Abuja.

In the end, both leaders reached a common ground with a commitment to work together by providing the required leadership that would address the issues of security and other development related challenges facing the continent. If African leaders will commit their leadership to solving the security problems facing the continent, economic development, economic integration and free movement of people will characterise the continent.

METHODOLOGY AND SOURCES OF INFORMATION

Descriptive, narrative and deductive methods of reasoning and theoretical approach of analysing secondary literature were adopted. Thus, secondary sources of information were used. These pieces of information were obtained from published journals, magazines, the internet, newspapers, and other documentary sources.

CAUSES OF INSECURITY IN AFRICA

A number of issues such as long term drought, conflict, succession of poor harvests and rising food and fuel prices with examples of Somalia and Nigeria, have combined to spark off a flood of insecurity in Africa. This can be regarded as the normal causes.

However, the major causes of security breakdown can be traced to these two (2) factors:

a. **Social and political injustice:** Social and political injustice have contributed to the growing insecurity in Africa. These have resulted to inequitable distribution of wealth, tribalism and ethnicity, evil religious teachings and intolerance, bad and corrupt leadership. The importance of harmonising macroeconomic and trade policies for enhancing economic integration cannot be overstated. There is a general problem of significant disparity in the continent which does not allow free flow of economic development and integration among African countries. As a result, people choose violence when they are trying to right what they perceived to be a social, political or historical wrong, when they have been stripped-down of their rights or denied these. The activities of Movement for the Emancipation of Niger Delta (MEND) in the Niger Delta region of Nigeria, the anti-apartheid campaign led by late Nelson Mandela, former President of South Africa, and the controversial election

between Laurent Gbagbo and Alhassan Ouattara of Cote d' Ivoire are key examples.

b. **Violence and Threats:** Another cause is the belief that violence or its threats will be effective and usher in change. Looking at it critically, you will agree with me that some people or group take violence as a means of protecting their interest. Boko Haram terror group in Nigeria, the Al-Qaeda terror group in Somalia and Mali, chose violence after long deliberation, which they believe will not yield any positive result, and felt they had no choice. Down to the economic integration of Africa, Mzukisi Qobo (June 2007) opined that, regional integration experience in Africa indicates that countries are hesitant to create supra-national bodies and transfer power to them as a sanctioning authority. The legal backing to force countries to fulfill their obligations such as reducing tariff rates and other trade barriers in accordance to their commitment is largely lacking on political commitment. Despite the rhetoric, practical commitment is also lacking. It is therefore observed that African countries are more committed to their multilateral and bilateral agreement than to regional agreement.

THE IMPLICATIONS OF SECURITY CHALLENGES ON AFRICAN ECONOMIC INTEGRATION

According to Gushibet Solomon Titus (2012), the economic effects of insecurity in Africa can be outlined into three major headings; viz loss of productive workforce, loss of economic assets/ properties, and a drag on foreign direct investment.

a. **Loss of productive workforce:** Typical examples are the Cote d'Ivoire presidential election which Mr. Alhassan Ouattara was declared the winner, the undemocratic change of government in Guinea Bissau and the civil war in Libya in the aftermath of the Arab Spring Uprising. Jean-Paul Azam (15 December, 2010) submits that, the manpower loss suffered as a result of terror attack have resulted in the death of university professors, quality academic and teachers, medical doctors, engineers, scientists, brilliant students, businessmen and women, civil servants, officers and men of the military and paramilitary etc. The industrious and productive working class (educated people) are always the target of elimination. This means that insecurity has not only inflicted sorrow (grief) on families that lost their loved ones but has robbed the continent of able-bodied men and women.

b. **Loss of Economic Assets/Properties:** The callous and wanton destruction of residential houses, commercial buildings, worship houses, schools, foreign mission (e.g. UN House Abuja) etc in Africa (especially Mali, Somalia, Nigeria, Liberia in the past) has wreaked uncalculated loss of properties of Africans and foreigners. Alemayehu Geda & Haila Kibret (2002) viewed that, this has denied the economy of her vibrancy and has contributed to the debilitating grip of underdevelopment and economic instability in Africa.

c. **Drag on Foreign Direct Investment (FDI):** The fact that investors shun countries that are prone to conflict and the persistent insecurity entails a serious drain and hindrance to the inflow of FDI into the continent. Worst-still, capital flight has resumed with a vengeance. This implies increasing the gap between Africa's potentials and her miserable human welfare and development indices. This in essence negates the principle of technology transfer. Africans need to re-examine their strategies for attracting FDI. Regional seminars have therefore been recommended for raising awareness across the continent.

CONDUCT OF MILITARY OPERATIONS

The wanton destruction of lives and properties following disagreement by different parties or interest groups is seen to be beyond the containment capacity of police deployed to check breakdown of law and order. The deployment of military contingent by the African Union and United Nations follows the inability of the home military to contain terror attacks on civilian and their properties. The United Nations Charter came into being in 1945 as a global solution "We the people of United Nation (become) determined to save succeeding generations from the scourge of War, which has brought untold sorrow to Mankind".

UN personnel employs some control measures, including spontaneous cordon and searches in conjunction with other UN Organs based on intelligence to check trafficking and proliferation of arms, ammunition and explosives. It also engages in dialogue/ mediation at all levels through conduct of peace parleys between opposing groups/communities to douse tensions. The organisation has so far succeeded in preventing global conflicts. This is as a result of effective use of intelligence gathering mechanism, effective application of Rules of Engagement (ROE), and conduct of Civil-Military Cooperation (CIMIC) necessitated by good communication relevant in any theater of operation for winning the hearts and minds of the civil populace.

CHALLENGES OF THE MILITARY

The military successes in any operation whether Internal Operation or UN Operation notwithstanding are confronted with challenges. These challenges are:

a. **Lack of acceptability by some communities:** In some areas the consent of the host community is usually sought to provide military personnel with required freedom of action in achieving its mandate. However, due to allegation of bias and connivance against military personnel especially where the cause of disagreement is purely religious or ethnic, some communities reject the deployment of troops to their areas. This resentment manifests, in most cases in open assault and blocking of route to personnel and mass demonstration.

b. **Negative Influence of the Media:** The media is a very potent weapon in propagating the mission, activities and successes of the military, because of its reach and impact. However, a section of the media has not been favourably disposed towards the personnel of the military. The media hardly report instances where military prevented or repelled any attack but has never hesitated to report any alleged and unconfirmed misconduct by military personnel without proper investigation. This could discredit military personnel and mostly negatively influence public opinion against it with attendant effect on the peace process.

c. **Lack of Information from the Populace:** The passage of timely information to military by the people would enable it respond promptly to any threat. This is however not the case in some communities as the inhabitants are reluctant to give information due to false allegations of bias and connivance. This lack of information from the populace constitutes a challenge to the military as it hinders swift response to threats or emergency situations.

d. **Reprisal Attacks:** The culture of reprisal attacks is common to the crisis in Africa, especially ethnic and religious crisis. This is partly responsible for the cycle of violence in the continent as any

violent attack on a particular group, usually attracts reprisal from the other group. The denial of access to the military and the danger that one incident could quickly spread through reprisal attacks constitute a challenge to the military.

e. **Lack of Accessibility to the Hinterland:** Accessibility into most villages and locations in the hinterland is quite difficult for vehicular and human movement. This accounts to the extended time of response to attacks in some villages. The situation is very evident during the rainy season as routes to most places are impassable. As such responses to emergency are always difficult in such areas.

f. **Inadequate Communication Support:** In most cases, accesses to good communication are limited. The popular VHF radio or walkie-talkie usually used by the military in most operations are not enough to cover the operation and sometimes under-utilised. At the end, military personnel end up using their personal line in coordinating operation.

g. **Language Problem:** Due to colonisation of Africa, the continent found itself under the influence of two major powers, Britain and France. Consequently, the medium of communication became English for the Anglophone and French for the Francophone countries. Since language is an important bridge in bringing people together, this polarisation of African states into the two different languages has inherent in it, problems of inability to communicate and to some extent, suspicion. This problem could be better imagined among members of the armed forces who are expected to live and fight together.

The military are besieged with a lot of challenges in the conduct of their operations. However, initiatives, actions and programmes designed and employed by the military to mitigate and manage some of these challenges include:

- ✓ Establishment of joint security operation committees,
- ✓ Dialogue and peace parleys,
- ✓ Quick impact project,
- ✓ Establishment of check points and road blocks,
- ✓ Cordon and search, raids strikes.

Others are in-mission training, patrol and ambushes, regular press briefing, introduction of Civil-Military Cooperation (CIMIC) net and close liaison with other security agencies.

CONSEQUENCES OF INSECURITY ON AFRICAN ECONOMIC INTEGRATION

There are many negative consequences of insecurity particularly with the emergence of the different terror group. The high profile of human and property destructions across the continent has raised a concern. No economy will develop in an atmosphere of insecurity as investors shun countries that are conflict-prone. This implies that business activities have been discouraged in Africa and the extent of destruction made cannot be exactly ascertained. Other negative effects are:

- ✓ Increasing unemployment,
- ✓ Dwindling levels of foreign direct investment,
- ✓ Massive reversal of private capital flows,
- ✓ Reduced access to credit and trade financing,
- ✓ Large and volatile movements in exchange rates,
- ✓ Growing budgets deficits, falling tax revenues and reduction of fiscal space,
- ✓ Increasing volatility and falling price for primary commodities,

- ✓ Sharply reduced revenues from tourism,
- ✓ Deceleration of growth and economic contraction,
- ✓ Negative effects on trade balances and balance of payments,
- ✓ Reduced ability to maintain social safety nets and provide other social services, such as health and education,
- ✓ Increased infant and maternal mortality,
- ✓ Collapse of markets.

The crisis threatens to have calamitous human and developmental consequences. Millions of people all over the continent are losing jobs, their income, savings and their homes. The World Bank estimates that more than 50 million people have already been driven into extreme poverty, particularly women and children. The Food and Agriculture Organisation of the United Nations projects that the crisis will contribute to a rising number of hungry and undernourished people worldwide, to a historic high figure of over one billion. All these are as a result of tribulation that have engulfed the continent in all directions and will continue to mar development and integration of Africa, if urgent actions are not taken.

RECOMMENDATIONS

Nation building is not like an electric switch which you turn on and off. It is a continuous process which makes a heavy demand on government and the people. We need a new mindset about the African project. But the starting point has to be an admission that we need to fix things. To stem the absorption of insecurity in Africa and to better curtail such, the following policy initiatives are recommended:

a. **Stop the flow of terror funds:** Africa is a victim of flow of terrorist funds by rich countries; this is because rich countries fund the construction of religious schools without proper background checks by the host country. The alternative way is to pressure these rich countries through diplomatic channels to fund charities/religious school only after proper verification and certification that they aren't indulging in any radical propaganda and brainwashing their student to wage holy wars. We need also, to improve the banking regulation and laws at home as well as in developing countries to ensure that terrorist don't benefit from tax regulations and circumvent the system by getting funds to fund their terrorist plans.

b. **The issue of functional education:** Education is considered to be a tool for building a just and egalitarian society. According to Posner (2010), a country cannot develop above the education of its citizens. African countries should take education as a necessity for development and integration. A good example is USA, UK and China just to mention a few. These countries developed based on their advancement in technology. Funding of education should be meaningful as to provide equipment to encourage functional education as against paper qualification. Africans are encouraged to take advantage of opportunities; they do not come every time.

Opportunity + Preparedness = SUCCESS

We Africans can only succeed if we make use of the bricks others have thrown to us.

"A successful man is one who can lay a firm foundation with the bricks others have thrown at him" – David Brinkley.

c. **African leaders should find a way of resolving tussle internally:** Since the Genocide in Rwanda 1994, it has become

evident that African leaders must look inwards and stop depending on Europe and the US in the search for solutions to their problems. The compelling evidence is to forge a common agreement that will provide 'African Solution to African Problems' as christened in the Constitutive Act of the AU. It could be viewed that this was effective during the Rwanda post-genocide, when the Gachacha Justice system was used during the trials/healing and peace-building process that followed in a bid to rebuilding the broken bonds between Rwandese.

d. **Actors in the African Peace Process Should Deploy a Research Team to Explore the Cultures of the Different People in the State:** Especially those in whose domain conflict flashpoints or fault lines exist, this in a quest for their traditional conflict resolution mechanisms that might add impetus to the many efforts already in place.

e. **The Use of Traditional Initiative of Crisis Control:** The traditional justice system in Africa which has been discarded in some states may need to be revitalised and put on the front burner of international discourse. There is need to muster the political will to drive the process towards this African 'renaissance'.

f. **The Use of Hybrid Method of Crisis Control:** This can be achieved by integrating the military, para-military, traditional rulers, civil military cooperation (CIMIC), Government Agencies, NGO, International Organisations like AU and UN and other professional organisations. It seems a hybrid of both state-centric security strategies combined with cultural realities from community standpoints, will provide answers to the security challenges faced in the continent.

g. **A Robust Communication System Should be Established for Security Agencies:** This will pave way for effective liaison with other security agencies in neighboring African states. The incorporation of vigilante groups and informants for quick passage of information and installation of CCTV at flash points within strategic places should be encouraged for proper monitoring.

The position in this paper is loud that Africa is precious enough to be saved. It deserves an investment of our time and resources to make project Africa a success. Let us start off by admitting the mistakes of the past by assessing our scorecard.

In the words of Drury (2004), "the need to integrate financial and non-financial measures of performance and identify key performance measures that link measurement to strategy led to the emergence of the balance scorecard. The balance scorecard was devised by Kaplan and Norton (1992) and refined in later publications by Kaplan and Norton, (1993, 1996 & 2001). It is an integrated set of performance measures derived from the company's strategy that give top management a fast but comprehensive view of the organisational unit that is a division/strategic business unit.

The balanced scorecard philosophy assumes that Africa's vision and strategy is best achieved when Africa is viewed from the following four perspectives:

- Security Perspectives** (How do other continents see us? Are we safe?)
- Economic Perspective** (What must we excel at? Can we compete with other continents in the market?)
- Development Perspective** (Can we continue to improve and create value? Can we change into more advanced, larger or stronger form?)

- Integration Perspective** (How do other continents see us? Can we mix or join or combine to become more effective?)

This will enhance strategic feedback and learning so that Leaders can monitor and adjust the implementation of their strategy, and, if necessary, make fundamental changes to the strategy itself.

Wrong priorities have hindered success. Right policies have at times been wrongly implemented. Progress is likely to be achieved gradually through developmental coordination and infrastructure development in the continent if the scorecard is aptly assessed. However, it is a herculean task to our leaders who must take urgent action. Adjustment should be made to correct past mistakes and avoid future ones. If Regional Economic Communities (RECs) are rationalised, it could be the first step on the path toward a successful regional integration that supports the objectives of the African Economic Community.

CONCLUSION

In conclusion, the benefits of regional integration, and indeed globalisation, remain a critical part of Africa's workable development strategy. The era of isolated tiny national economies has to give way for strategic alliances that harness knowledge and resource based on comparative edge through integration.

In this paper, an attempt was made to identify the causes and effects of security challenges in Africa, examining the implications on African economic integration after over 50 years of independence and policy recommendations were offered to African leaders to contain the situation.

What is abundantly clear is that, African leaders will not achieve success at the regional level if they fail to do so at the domestic level, and therefore they need to develop policies that focus on economic development and also to assess their scorecard. The issue of insecurity which characterised the continent must be addressed to encourage foreign investors. If the united states of Africa and the introduction of common currency that will solve the problem of exchange among African countries is not to be another still-born dream, it will have to begin with gradual and pragmatic steps.

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How a Lawyer Can Help Your Business

Starting a Business? Running a Business?

For many small business owners, using a lawyer is akin to calling a fireman or plumber: one does it only when there's a problem. For businesses, especially new ones, needs such as marketing, sales, staffing and just getting the business off the ground can easily take priority over legal issues, particularly ones that don't seem to be of immediate concern. But smart business planning also includes preventing problems and making sure the business is protected against potential trouble.

Corporate Governance

While most corporations will use an attorney to help with the process of incorporation, new businesses sometimes neglect the on-going legal requirements to maintain their corporation status. Annual shareholder, director and partner meetings need to be held, and recording of minutes and election of officers must conform to state requirements. Failure to do so could jeopardize corporate status and result in "piercing of the corporate veil" in the event of a lawsuit or other legal action, exposing corporate officers to personal liability or other legal problems.

Intellectual Property

Many intangible assets of a business should be legally protected. A company's name, logo, brand name and distinctive goods and services are entitled to copyright protection. Proprietary computer software, semiconductor chip mask designs, vessel hull designs and many other creations may be eligible for trademark registration. Patents are often thought to cover only machines and other manufactured products, but can also protect processes, such as a method for refining petroleum, or new compositions of matter, such as chemical compounds or mixtures. Trademark, copyright and patent registrations can help a business protect the things that give it a competitive advantage in the marketplace.

Employment Agreements

Many companies, especially technology companies, count the knowledge of their employees as some of their most important assets. Yet they fail to protect those assets through non-disclosure and non-compete agreements with their employees. Inevitably, some employees will leave the company, and it's important to protect your business against their taking their knowledge of trade secrets with them over to the competition.

Exit Strategies

Entrepreneurs sometimes are so focused on starting a new business that they don't consider what happens if one of the principals leaves the business. When a partner or major shareholder decides to suddenly exit, it can potentially threaten the ability of the business to continue operating. Closely held corporations need to have buy-sell agreements or buy-back agreements to ensure that partners or major shareholders can sell their interest without legal entanglements or placing an undue financial burden on the company.

What about the cost of dealing with all these issues? Good lawyers are not cheap, but then again neither is any other consultant critical to your business. A brief consultation with a lawyer can often determine what a business' legal needs are. An investment of a lawyer's time, like a fire code inspection or medical check-up, can help prevent major problems down the road. ●

* From the Legal Department of ICAN

43RD ANNUAL ACCOUNTANTS' CONFERENCE

Rapporteur-General's Report

PREAMBLE

I consider it a rare privilege and honour for me to present the **"REPORT OF THE PROCEEDINGS OF THE 43RD ANNUAL ACCOUNTANTS' CONFERENCE OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA"** as compiled by the team of rapporteurs. In line with established tradition, I will also, at the end, present the draft communiqué for the consideration and adoption of this great gathering.

GENERAL PROCEEDINGS AND ACTIVITIES

1. The 43rd Annual Accountants' Conference took place at the International Conference Centre and Sheraton Hotel and Towers, Abuja between the 7th and 11th of October 2013.

2. The historic conference was declared open on Tuesday, October 8, 2013 by His Excellency, Dr. David Mark, GCON, President of the Senate, Federal Republic of Nigeria ably represented by Senator Patrick Ayo Akinyelure, FCA, Chairman, Senate Committee on Ethics and Privileges.

3. In spite of the challenges of air and road transportation as well as the security situation in the country, attendance at this year's Conference reached an all time high of 4004. This exceeded not only the Conference record of 3950 set last year but also sets a new conference record. Apart from the IFAC World Congress of Accountants, no other gathering of professional accountants has attained this level of attendance.

4. A total of 13 countries were represented at this conference and these include Benin Republic, Botswana, Cameroon, Ghana, Guinea Bissau, Liberia, Mali, Sierra Leone, Tanzania, The Gambia, United Kingdom, United States of America, and of course, Nigeria, the host country.

5. Also in attendance were the Executive governors of Ogun State, His Excellency, Senator Ibikunle Amosun, FCA, the governor of Adamawa State, His Excellency, Vice Admiral Murtala Nyako (rtd.) and former governor of Kwara State, His Excellency, Senator (Dr.) Bukola Saraki, CON. Other dignitaries include the PAFA President, Dr. Musa Assad, the ABWA President, Mr. L. Mombo, and Emir of Argungu and His Excellency, Mr. Festus Mogae, former Botswana President who was the lead paper presenter.

6. In his goodwill message, the Special Guest of Honour, Dr. David Mark, GCON, Senate President, Federal Republic of Nigeria, congratulated the Institute not only for the success of the conference but also for its immense contributions to human capacity building in the country. He noted that given the acknowledged track record of the Institute, he was certain that ICAN members can compete favourably with their counterparts in any other jurisdiction. He urged the Institute not to rest on its oars as the flagship of professional bodies in the country. To retain their leading edge in business, he encouraged chartered accountants to continue to adhere to the revered ethics of the Accountancy Profession as well as renew their knowledge through active participation in the

Institute's capacity building programmes.

7. While admitting that the nation's economy was going through some challenges, Dr. Mark observed that professional accountants have the expertise to rapidly turn it around. Describing Nigeria as one of the best places to invest or do business, he urged professionals to be in the vanguard of promoting the Nigerian brand. According to him, if Nigerians do not develop and aggressively promote the positive side of our country, no one else will. Finally, he pledged that the National Assembly, through its oversight functions, will continue to ensure, government operations are anchored on accountability, efficiency, transparency and sustainability.

8. In his welcome address, the chief host and the 49th President of the Institute, Alhaji Kabir Alkali Mohammed, mni, FCA noted that the theme of the conference, **"Governance and Sustainable Development"**, was specially chosen to draw deserved attention to the nation's ***economic paradox of poverty in the midst of plenty!*** In his words, given the resource endowment of the nation, Nigerians have no business with poverty.

9. According to Alh. Mohammed, if the ultimate goals of development are to help the citizenry overcome the pains of poverty, disease and illiteracy, improve their abilities to create wealth and experience longevity of life, then the acclaimed Nigerian economic growth must be made to trickle down enough to positively impact the mass of the people. The nation's economic growth must not only be inclusive but must also manifest in job creation to be meaningful. The weak and vulnerable must be reassured and catered for. The driving force of development is the people without which it will not be sustainable, he said.

10. He urged politicians to use the period between elections, to implement their campaign promises rather than preparing for the next elections. The dividends of democracy must accrue to the people in order to regain and retain their trust.

11. Finally, he called on all stakeholders in the Nigerian project to unite and collectively confront the current economic challenges facing the nation by evolving initiatives that will not only reduce the cost of doing business but also enhance the survival and growth of economic entities. While pledging ICAN's readiness to provide leadership in this respect, he expressed great hope that Nigeria's economy will flourish again.

GOODWILL MESSAGES

12. Goodwill messages were received from the following dignitaries and organisations, among others, in which they congratulated and felicitated with the Institute on the occasion of the 43rd Annual Conference and the huge success recorded:

- Executive Governors of Adamawa and Ogun States.
- His Excellency, Mr. Festus G. Mogae, former President of Botswana.
- The World Bank.

- International Federation of Accountants (IFAC).
- Pan-African Federation of Accountants (PAFA).
- Institute of Chartered Accountants in England and Wales (ICAEW).
- Financial Reporting Council (FRC) of Nigeria.

13. Prior to the opening ceremony, there were pre-conference cocktail and religious activities that were well attended. Also, during the Conference, there was the usual district societies' competition at which the Society of Women Accountants of Nigeria (SWAN) again emerged the winner in all categories. Other activities and events were sports, novelty football match, excursions and the President's party.

Exhibition

14. A total of 39 companies mounted exhibition stands throughout the conference and were visited by several participants.

15. Technical Papers and Workshop Proceedings

Seven technical sessions were held during the conference consisting of a lead paper, two plenary and four workshop sessions.

16. The Lead Paper:

"Governance and Sustainable Development", was presented by His Excellency, **Mr. Festus G. Mogae** former President of Botswana and first winner of the MO Ibrahim Prize for Leadership and Good Governance in Africa. The session was chaired by Etubom (Dr.) Anthony Asuquo Ani, MON, FCA, (PP)

17. His Excellency, Mr. Festus G. Mogae, made a lucid presentation on the topic in which he traced the acclaimed success story of Botswana to a number of factors including uninterrupted record of multi-party democracy, respect for human rights and the rule of law, accountable government, prudent management of the country's human capital and natural resources and zero tolerance for corruption. These virtues, some of which are enshrined in the country's constitution, earned Botswana a rating, by Transparency International, as the least corrupt country in Africa and indeed, in the developing world.

18. He also said that all the natural resources of Botswana were regarded as **common heritage** regardless of the area and/or land where they were found. More importantly, all the revenues earned therefrom were judiciously committed ONLY to capital expenditure to develop schools, health facilities and physical infrastructure, etc. He described the principle of public control of natural resources as the *foundation stone* of Botswana's sustained and peaceful progress.

19. In addition to creating a conducive policy and regulatory environment for businesses to thrive, he urged African nations to establish legal systems that can protect and enforce the constitution, laws and regulations. Botswana, he said, developed transparent policies and a regulatory framework which enforced accountability thereby earning the trust of the people.

20. For democracy to be said to be working in Africa, according to His Excellency,

- It is necessary that the continent's natural resources are managed in a transparent and accountable manner for the benefit of the people.
- Openness to public scrutiny and transparency must be

guaranteed as it reinforces accountability. There must be zero tolerance for corruption.

- Leaders of African countries must commit to handing over power, after the expiration of their term of office.
- The public service must be strengthened through capacity building including the provision of skills, institutional reforms and reviews, and strengthening of laws, regulations and procedures, etc
- The government must faithfully communicate more with the people, the ultimate stakeholders, through formal and informal channels.

21. While agreeing that the small size of Botswana's population and the initial poverty may have played crucial roles in its success story, Mr Mogae noted that the country benefited immensely from the experience of other countries. He acknowledged, with great profundity, the invaluable contributions of many Nigerians to the success story of Botswana. He urged Nigeria not only to start and be determined to succeed, but also to persist and persevere. He concluded by saying that countries of the continent must strengthen their institutions, abhor corruption, insulate anti-corruption agencies from political influence and embrace good political and corporate governance.

22. Plenary Paper 1:

"Growth without Development: Confronting the Paradox"

In the first plenary session chaired by a Past President of the Institute, Alhaji Idris Sulaimon, FCA, **Prof. Akpan H. Ekpo**, Director General, West African Institute of Financial and Economic Management (WAIFEM) and Past President, Nigeria Economic Society, made a presentation on the topic, "*Growth without Development: Confronting the Paradox*". His presentation was discussed by

- **Dr Vladimir Antwi-Danso**, Senior Research Fellow & Ag. Director, Legon Centre for International Affairs and Diplomacy (LECIAD), University of Ghana;
- **Professor Ademola Oyejide**, Emeritus Professor of Economics, University of Ibadan; and
- **Prof. Chika Umar Aliyu** Dept of Economics, Faculty of Social Sciences, Usmanu Dan-fodio University, Sokoto.

23. In his well researched presentation, Prof. Akpan Ekpo asserted that no nation can develop without economic growth but that economic growth can occur without development. He argued persuasively that development was all about reduction in poverty, unemployment and illiteracy. In other words, for development to occur, economic growth must generate employment, reduce poverty and provide a reasonable mix of goods and services to majority of citizens. Using available economic and social indices on the Nigerian economy, he concluded that the nation was growing without experiencing development as evidenced by positive growth rates, rising unemployment and poverty as well as widening inequality!

24. While advising participants not to confuse modernization with development, Prof. Ekpo urged the government to deliberately confront the observed paradox in the medium and long-term by investing in the housing sub-sector and infrastructural development, particularly power, quality leadership, investment

in knowledge, and the formulation and implementation of a development-oriented state economic philosophy, among others. He also urged the states and local governments to develop their own economies and become competitive rather than continue to overdepend on the centre for revenue, even to meet recurrent expenditure.

25. Prof Ekpo admitted that sustained economic development can be achieved with a public sector consisting of qualitative leadership, skilled technocrats and bureaucrats. Furthermore, he charged the people not to be apathetic to governance but to be part and parcel of the development process by insisting that the leaders remain focused, dynamic and committed to fulfilling promises. Finally he declared, it is the responsibility of government to guarantee sustained development that is inclusive. To do this, the government needs to re-think its development blueprint by thinking outside the box.

26. In their various presentations, the discussants agreed that the nation was experiencing a paradox of growth without development as evidenced by a growing or rising GDP but accompanied by stagnation or decline in other development indicators like employment, poverty, health, education, social services, etc. These were attributed to a number of factors including poor emphasis on human development, prevalence of corruption and other fraudulent practices, inadequate participation of stakeholders in decision and policy making, wrong application of development policies and strategies, lack of patriotism, overdependence by States on the Federal allocations, a defective revenue allocation formula, absence of good governance and poor pursuit of the Nigeria Project.

27. In their view, since economic growth will not automatically lead to development, the process needs to be stimulated and guided by public policy that can foster benign combination of high growth and rapid poverty reduction. In view of these, they noted that it was time for the nation to shift to growth-cum-equity synthesis which ensures better income distribution, more employment opportunities and provision of basic human needs.

28. According to them, for the current impressive economic growth to translate to development or inclusive growth, it was imperative to determine the sectors driving the growth and the nature of their production processes, whether they are capital intensive or labour intensive, as each has a different effect on employment.

29. While stressing the fact that the nation's Vision 20:2020 is focused solely on growth without any reference to other elements of development, the discussants recommended that there must be deliberate socio-economic restructuring and transformation by a committed, focused and just leadership to achieve the desired goal.

30. They also recommended that the government should strive to reduce the lending rate in order to revamp the manufacturing sector which currently stands at 4% of GDP as against the 25% global benchmark. In addition, the government should focus on investment in human capital development, ideas, innovation, social benefits, equitable income distribution as well as infrastructural development. For instance, it was said that 2% investment in infrastructure could, on its own, lead to 40% increase in economic activities in other sectors.

31. Finally, they agreed that the focus of government should

be to achieve "Economic growth that results in a wider access to sustainable socio-economic opportunities for a broader number of people while protecting the vulnerable, all being done in an environment of fairness, equal justice, and political plurality".

32. *Plenary Paper 2:*

Accounting Profession, Ethics and Wealth Creation

During the second plenary session which was chaired by Bashorun J.K. Randle, FCA, a Past President of the Institute and Chairman J.K. Randle Professional Services, **Mr. William Arthur Bailey, FCA** Deputy President of the Institute of Chartered Accountants in England and Wales, (who was ably represented by **Mr. Stephen Lamdin**, Senior Consultant, ICAEW), presented the main paper. The discussants were **Professor Rahman Zubaidur**, Adviser, Core Operations Services, Africa Region, World Bank, **His Excellency, Governor Ibikunle Amosun, FCA**, Executive Governor, Ogun State and **Mr. Tawanda Gumbo**, Chief Executive Officer, Akintola Williams Deloitte.

33. In his presentation, Mr. Arthur Bailey observed that the Accountancy Profession creates wealth through the various professional and value-driven services that it provides to diverse clientele in the various sectors of the economy. He added that the Accountancy Profession also helps to build confidence in business and government operations which drives the pace of economic activities and by extension, development. This, it does, by providing its stakeholders with reliable and clear financial information that enables them to establish their particular relationships without fear of losing their own business, job or money. According to him, if the independence or honesty of those involved in providing or validating financial information is in question, confidence will be lost, the economy will stumble, investment will not occur and wealth will not be created. In other words, except professional services are provided ethically, the cause of public interest will not be served.

34. While defining integrity as "who you are when no one is there", he urged professional accountants to learn to play by the ethical rules of the profession all the time. To ensure this, the paper presenter urged the Institute to continue to train its members, monitor their practices and sanction members and their firms for any proven cases of professional misconduct or demonstration of lack of integrity. Only by so doing can they continue to contribute to wealth creation for the benefit of the society, he said.

35. In their various comments, discussants agreed that ethics and wealth creation are not mutually exclusive as good ethical conduct will often lead to wealth creation. They noted that, as catalysts that facilitate efficient decision making and allocation of scarce resources, chartered accountants must continually imbibe ethical values and exhibit integrity in all their dealings. Since ethics was at the heart of the Accountancy Profession, any breach will have severe negative consequences on the profession, the practitioner, his client and the entire society. They observed that for wealth to be created, all players in the financial reporting chain and governance must be transparent and act with integrity in order to earn the trust of their stakeholders. In their view, transparency and integrity are the hall marks of good governance and trusted leadership. Since no law can legislate ethical conduct into existence, they recommended that the continuous training of chartered accountants should be

made more practical. Besides, professional accountants should strive to build oases of sanity within their spheres of influence rather than resign from organisations with ethical challenges.

36. WORKSHOP 1: Growing Small and Medium Enterprises: Emerging Business Opportunities

The pioneer President of PAFA and ICAN Past President, Major-General S.A. Owuama, FCA, (rtd.) chaired this session while **Alhaji Bature Umar Masari**, Director General/Chief Executive of Small and Medium Enterprises Development Agency (SMEDAN) presented the lead paper. The discussants were **Professor M.L. Bashar** of the Economics Department, Usman Dan Fodio University, Sokoto and **Mr. Muda Yusuf**, Director-General, Lagos Chamber of Commerce and Industry.

37. At the end of the workshop, the following key observations and recommendations emerged:

- SMEs can significantly contribute to national economic development by positively impacting employment at the grassroots.
- Lack of business management skills and poor accounting coupled with underdeveloped infrastructure has been the bane of SMEs development in Africa.
- SMEs have the potentials of accelerating development of local/domestic resources.
- The services sector, especially the financial sector has huge potentials for SMEs and job creation since capital requirements are usually low.
- Development of industry clusters will impact strongly on SMEs through economies of scale, resource pooling and attraction of credits.
- There is an urgent need to address the disconnect between school curriculum and the needs of SMEs. The alignment between research activities and SMEs is also very weak.
- Business opportunities are opening up in the following areas for SMEs:
 - ▶ Oil and gas post-PIB.
 - ▶ Education especially technical education and information technology.
 - ▶ Oil palm products, catering, bakery and confectionaries, food and allied products, chemical and allied products.
 - ▶ Animal husbandry.
 - ▶ Cash crops.
 - ▶ Fashion.
 - ▶ Rentals.
 - ▶ Communications.
 - ▶ Building and construction.
- The market for products of SMEs in Nigeria is wide not just in the country but in the continent.

38. Workshop 2: Reform in the Energy Sector: Realising the Benefits

This workshop session was chaired by Otunba Abdul Lateef Owoyemi, FCA Past President while the lead discussant was

Engineer Reynold Dagogo-Jack, FNSE, Chairman, Presidential Task Force on Power. The discussants were **Mr. Toyin Akinosho**, Publisher of *Africa Oil and Gas Report* and **Mr. Tonye Cole**, Co-founder & Executive Director, Sahara Group Limited.

39. At the end of the various presentations and discussions, the following recommendations were made:

RECOMMENDATIONS

- Chartered Accountants were challenged to embrace entrepreneurship and take advantage of the reforms in the Energy sector;
- Investments in the sector should be driven by market forces in order to achieve efficient resource allocation;
- The government must address the unintentional fallouts of the reforms like loss of jobs and severance benefits
- Given the immense potentials of the Nigerian Electricity Market and the Investment Opportunities, the government should ensure that multi-skilled citizens are engaged in the reform process;
- In view of the importance of gas to the success of the reforms, all challenges associated with gas supply including ongoing pipe line projects should be addressed.
- The government should divest significantly from this sector and channel scarce resources to other social needs;
- In view of the very high risk involved in investing in the sector it is recommended that local investors should be supported.

40. Workshop 3: Agricultural Development: Optimising the Value Chain

The 3rd Workshop Session was chaired by the immediate past chairman of the Body of Past Presidents of ICAN, Chief Olusola Faleye, FCA during which His Excellency, Executive Governor of Adamawa State, a renowned farmer, **Vice-Admiral Murtala Nyako** (rtd.), made the lead presentation. The other discussants were:

- ▶ His Excellency, Senator (Dr.) **Bukola Saraki**, former Governor of Kwara State.
- ▶ **Mr Kola Masha**, MBA, MIT, MD, Doreo Partners ably represented by Tola Summonu.
- ▶ **Ms Evelyn N. Oputu**, Managing Director/CEO, Bank of Industry who was ably represented by Dr. Ezekiel Oseni.

At the end of the various presentations, the session came up with the following recommendations:

- The government should provide incentives to enable farmers go into value chain projects that can allow them to process primary products for exports.
- There should be land reforms that will make it easier for young farmers and entrepreneurs to acquire land for agricultural development.
- There should be financial support targeted at the small farmers to enable the produce farm products at subsidised prices.
- The financial institutions or government's special purpose vehicles should set aside loanable funds at very low interest rates for entrepreneurs willing to go into mechanised farming.
- There is need for a paradigm shift to mechanised agriculture as the base of our policy direction and to do this, we

need a greater focus on research and development as a key factor in this direction.

- The government should, as a matter of policy, increase investment in infrastructural facilities that give greater access to the global market to our farmers.

41. Workshop 4:

MINT as Growth Economies: Myth or Reality

The last but certainly not the least workshop session was chaired by Dr. (Mrs.) C.G. Okpareke, mni, FCA and Past President of the Institute. The lead presenter was **Mr. Oluseyi Bickersteth** National Senior Partner, KPMG Professional Services while **Dr. Ayo Teriba**, CEO, Economic Associates and **Mr. Cyril Azobu**, Partner PwC, Energy, Utility & Mining were discussants.

42. At the end of presentations and discussions, the session came up with the following observations:

- Nigeria has the potential of becoming the fastest growing country in the MINT group due to its youthful and growing working population;
- This growth must be driven not by reliance on oil wealth but through the diversification of the economy, huge investment in infrastructural facilities and strengthening of its institutions, all of which can support long term productivity growth.

To ensure the above feat is achieved, the participants recommended that as follows:

- The government should broaden the sectoral base of the economy through reforms of the transport system and energy supply in order to boost the competitiveness of manufacturing industry. For instance, there should be immediate domestic rail transportation reforms in order to strengthen sectoral and regional linkages.
- Experts should be engaged to conduct a rigorous analysis of Nigeria's cyclical, structural, sectoral and regional growth dynamics.
- There should be massive increase in human capital development by increasing the average education levels across the adult population.
- There should be sustained growth in the physical capital stock-driven by capital investment net of depreciation.
- There should be growth in total factor productivity-driven by technological progress and catching up with other advanced countries by making use of the later's technologies and processes.
- There should be Visionary leaders who can execute transformational agenda and promote policy of inclusiveness in the public interest.
- The nation must continue to demonstrate ability to implement growth-friendly policies in order to sustain foreign investments inflows.

43. PRESENTATION BY THE EXECUTIVE SECRETARY/CEO OF FINANCIAL REPORTING COUNCIL OF NIGERIA, MR JIM OBAZEE, FCA

In a brief but incisive presentation, **Mr Jim Obazee**, FCA, Executive Secretary/Chief Executive of the Financial Reporting Council (FRC) of Nigeria gave the following update on the

implementation of the body's statutory mandate and the extent of compliance by professionals that:

- Not-for-Profit Organisations, Charities and Religious Bodies are now required to file audited accounts.
- External auditors are now to express opinions on internal control and information systems and corporate governance practices of their clients in addition to their usual audit opinions.
- FRC will soon issue a National Unified Code of Corporate Governance that will become effective from January 1, 2014.
- Board Chairmen, CEOs, CFOs and Chairmen of Audit Committees of Public Companies must register with FRC.
- CFOs and Chairmen of Audit Committees must be members of legally recognised professional accounting bodies in the country.
- Board Chairmen and CFOs are now to provide additional attestation on audited Financial Statements.
- Conceptual framework on IFRS for SMEs is being reviewed by the International Accounting Standards Board (IASB). Chartered Accountants are encouraged to comment on the Exposure Draft.
- In conclusion, he urged participants to embrace change, continually renew their knowledge through attendance of MCPE and adopt connective leadership by reaching out to other professional colleagues. By so doing, they can build network of technical resources.

44. PRESENTATION BY THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES ON THE WORLD BANK-SPONSORED TWINNING ARRANGEMENT WITH ICAN

This presentation was made by **Mr Stephen Lamdin**, Senior Consultant, ICAEW on Professional Qualifications. In his presentation, he mentioned the following as the benefits of the project:

- Development of Strategy Document for the Institute.
- Comprehensive review of the Institute's Professional Qualification in order to benchmark it on global best practice.
- A comprehensive review of audit quality with a view to enhancing the quality of financial reporting.
- Training of examination officials.
- Training of practice monitoring reviewers.
- Assist to strengthen the Institute's internal capacity as well as improve its governance processes.

CONCLUSION

45. It is from this comprehensive report of proceedings that we, the Rapporteurs' team, prepared the following draft Communiqué which I will now present for your comments and possible adoption. The final communiqué would subsequently be considered, approved by the Council and released by the President.

On behalf of all the members of the Rapporteur Team, I thank you for listening.

Abel Aig. Asein
Rapporteur-General

Communiqué of the 8th Western Zonal Districts' Conference of ICAN

PREAMBLE

The 8th Western Zonal Districts' Conference of the Institute of Chartered Accountants of Nigeria (ICAN) was held at Lagos Airport Hotel Ltd., Obafemi Awolowo Way, Ikeja, Lagos from 17th – 19th February, 2014. The theme of the conference was *"Transforming the Nigerian Economy: Issues, Challenges and Opportunities for the Accounting Profession"*

PARTICIPATION

The conference recorded four hundred and seventy seven (477) participants and officials comprising chartered accountants, students and other professionals from all walks of life.

ISSUES AND RECOMMENDATIONS

After exhaustive deliberations and discussions, participants came up with the following resolutions and recommendations:

Recommendations to Government

1. The Financial Reporting Council of Nigeria should reduce penalties and fines imposed on Small and Medium Enterprises (SMEs), by employing more of moral suasion and engagement in complying with filing of the Financial Statements.

2. Government should enact a law that will harmonise the activities of some of its agencies such as Corporate Affairs Commission (CAC), Financial Reporting Council (FRC), Federal Inland Revenue Service (FIRS) etc, requesting for the same sets of documents from SMEs.

Recommendations to Institute

• The Institute should review the existing scale of professional fees to incorporate new areas of opportunities and to prevent prevalent under-cutting of professional charges.

• The Institute should decentralise the "Forum of Audit Firms" and replicate it in all the district societies for effective collaboration and exchange of ideas among various practitioners.

• The Institute should identify and select into committees and faculties, top ICAN members working in government institutions, such as Joint Tax Board (JTB), Federal Inland Revenue Service (FIRS), Corporate Affairs Commission (CAC) and even state internal revenue services, in order to be getting timely information on issues, gazettes, etc which could be of tremendous benefits to members.

• The Institute should appraise budgets at all levels to promote transparency and accountability in governance.

• The Institute should further enrich the examination system and Mandatory Continuing Professional Education (MCPE) Programmes with emerging developments on how to make use of concepts such as chaos theory and integrated systems thinking to manage complexity within the firm.

• The Institute should introduce linguistics as integral part of the professional syllabi and mandatory education programme, to acquaint potential Accountants and members with the skills to access different markets through the knowledge of diverse languages and cultures.

• The Institute should promote the development of new business models which were more sustainable to avoid frequent changes in the process of reporting financial statements.

• The Institute should expedite action to restore public trust in the profession by engaging in intense research and development to expose the associated risks which were threatening the development of major sectors in Nigeria. Research findings should be placed on public domain through the internet and other platforms.

• The Institute should initiate regular interface with stakeholders in commerce, agriculture, manufacturing and other sectors, to educate them on economic and corporate governance issues in relation to the services of accountants.

• The Institute should develop core internal audit and accounting processes to guide against systemic failures of business entities and assist members in the discharge of their functions.

• The Institute should place premium on its professional certificate particularly on jobs placements and avoid outsourcing of core competences of members to foreign firms. This could be best achieved by sponsoring bills that would stop the encroachment of jobs that are hitherto outsourced to foreigners.

• The Institute should be cautious of disseminating sensitive information through the media about compliance and regulatory issues, which concern audit and consultancy services, to avoid negative interpretations of its intention by the public.

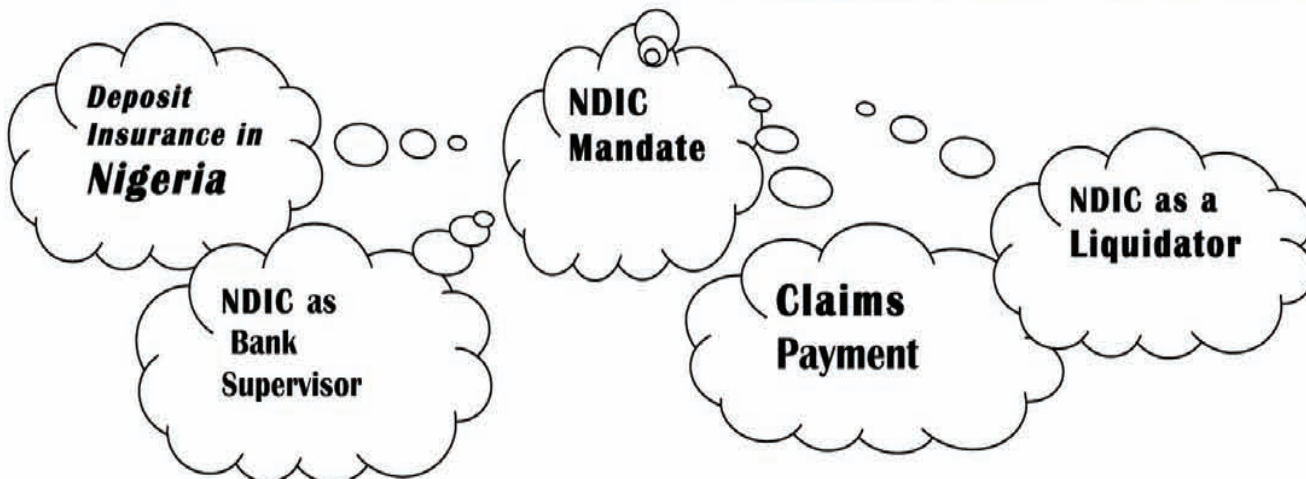
• The Institute should introduce educative programmes on the national network service of radio and television stations, to educate members of the public on financial, economic and other related matters to enhance the confidence reposed in the profession. ●



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