Capital Market as a Tool for Mobilizing Capital Investment in Nigeria

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Abstract

Capital market is an important source for mobilizing idle savings from the economy. It mobilizes funds from people for further investment in the productive channels of an economy. The market raises resources for longer periods of time. Thus provides a pool of Investment avenue for discerning entities, government inclusive, hence the importance of the importance of this study. The study seeks to appreciate the capital market as a tool for the mobilization of investment in Nigeria from 1988-2017. Data was collected from CBN statistical bulletin while the regression method of analysis was applied. Findings revealed that R^2 =97.27% relationship exist between capital expenditure and all share index, value of new issues and value of transaction while R^2 = 91.03% relationship exist between capital expenditure and market capitalization, value of new issues and value of transaction. Based on the findings, the study recommends that the capital market be more transparent in its dealings to encourage more investors. It also urged that government appraise her investments properly and monitor the execution to ensure that capital investment result in desired returns. The Nigerian capital market authorities need to do more in enlightening the public on how to access their already existing shares and new investors to know the various securities they can subscribe to in Government securities.

Keywords: Capital Market, Value of transaction, Market capitalization, GDP, Capital Investment

1. INTRODUCTION

Capital market is one of the significant aspects of every financial market. Hence it is necessary to study its correct meaning. Broadly speaking the capital market is a market for financial assets which have a long or indefinite maturity. Unlike money market instruments the capital market instruments become mature for the period above one year. It is an institutional arrangement to borrow and lend money for a longer period of time. The Capital market in any country is one of the major pillars of long-term economic growth and development. The market serves a broad range of clientele, including different levels of government, corporate bodies and individuals within and outside the country. Capital formation entails accumulated savings out of the current incomes of either organization or individual. It is investment in fixed assets which in part is financed with monies raised through the capital market (Al-Faki, 2006). The Capital market has been one of the major means through which foreign funds are injected into most economies and the tendency towards a global economy is more visible there than anywhere else. It is therefore, quite valid to state that the growth of the capital market has become one of the barometers for measuring the overall economic growth of a nation (Abu, 2009).

The financial system of any given society is therefore the framework within which capital formation takes place. It is the framework within the savings of the surplus sectors of the economy are made available to the deficit sectors for productive investment. This process is made possible by the intermediation of financial institutions, which are basically the money and capital market. The rapid industrialization and modernization of an economy depends among other things, chiefly on ready access to adequate financial resources. The desire of the government to develop capital market in Nigeria is therefore intrinsically connected with the objective of accelerated industrial and agricultural development of the economy (Okoye, Nwisienyi & Eze, 2013). The capital market has been identified as an institution that contributes to the socio-economic growth and development of emerging and developed economies (Donwa & Odia, 2010). This is made possible through some of the vital roles played such as channeling resources, promoting reforms to modernize the financial sectors, financial intermediation capacity to link deficit to the surplus sector of the economy, and a veritable tool in the mobilization and allocation of savings among competitive uses which are critical to the growth and efficiency of the economy. It helps to channel capital or long-term resources to firms with relatively high and increasing productivity thus enhancing economic expansion and growth (Alile, 1997).

Over the years, many corporate concerns have gone public in Nigeria. It represents a conscious effort to access greater quantum and diversified funds for investment in various sectors of the Nigerian economy. The capital market has continued to grow as evidenced by the entry of substantial new investors. Also, various business combinations involving corporate mergers and acquisitions have occurred. Further, the second tier market has also developed to accommodate quotation of less capitalized firms on less stringent terms and conditions. It is evident that some firms have listed additional securities in order to achieve diversified funding necessary to achieve lower cost of funds. As business opportunities continue to expand in modern day free enterprise economy, identification and implementation of varied investment programmes will continue to grow and deepen in various sectors of the Nigerian economy (Nwakanma & Nnamdi, 2012). The capital market has a one of its core function the Mobilization of savings to finance long term investments; the recognition of this role in driving the growth of industries has necessitated the government to embark on reform policies to make the market more effective and efficient as a tool for mobilizing capital investment and economic growth. Despite these laudable reform policies, little has been achieved as per the level of capital investment in Nigeria. This raises the question on if the market has actually the capital market is instrumental to mobilizing capital investments in Nigeria. Thus, the main aim of this study is to examine the role of capital market as a tool for capital investment in Nigeria. In addition, he following hypotheses have been postulated to guide the study:

H_0: Capital market activities have no significant relationship with capital investment in Nigeria.

H_{02}: Capital market activities has no significant impact on Nigeria's Gross fixed capital

2. LITERATURE REVIEW

2.1 Conceptual Clarifications

2.1.1 Concept of Capital Market

Capital Market is used to mean the market for long term investments that have explicit or implicit claims to capital. Long term investments refer to those investments whose lock-in period is greater than one year. In the capital market, both equity and debt instruments, such as equity shares, preference shares, debentures, zero-coupon bonds, secured premium notes and the like are bought and sold, as well as it covers all forms of lending and borrowing. Capital Market is composed of those institutions and mechanisms with the help of which medium and long term funds are combined and made available to individuals, businesses and government. Both private placement sources and organized market like securities exchange are included in it. The capital market has been identified as an institution that contributes to the socio-economic growth and development of emerging and developed countries (economies). This is made possible through it vital role in intermediation process in those economies (Oke and Adeusi, 2011). Capital investment is a sum of money provided to a company to further its business objectives. The term also can refer to a company's acquisition of long-term assets such as real estate, manufacturing plants, and machinery (Will Kenton, 2019)

The origin of the Nigeria capital market can be traced to the period of the colonial masters, who at that time sought for fund to run the local administration. It became necessary to set up the basic infrastructure as well as the development of an organized private sector for the establishment of a smooth financial system. The first step in this regard according to Odife (2000) was to secure the necessary finance for the development of this infrastructure and long term capital projects. In 1946, he went ahead to promulgate a 10 year plan local ordinance to float the first N300, 000 3% government stock 1963/61 with its management vested on the Accountant General. In 1951, the colonial administration also enacted a law in order to create loan funds for the financing of public utilities. The colonial government also set up the Professor Barback Committee to examine the ways and means of fostering a share market in Nigeria. Part of the agenda of this committee included the possibility of establishing a capital market in Nigeria. In 1958, the central bank of Nigeria was established following the central bank Act of that same year. These various legislations were aimed at establishing the infrastructural and legal framework for the take-off of viable securities/capital market in Nigeria. As a follow up to these laws, the colonial administration issued the first N2m federation of Nigeria development loan stock in May 1959.

2.1.2 Primary and Secondary Markets

The stock exchange creates a market place where companies can raise capital, often referred to as primary market. At this market shares are issued for the first time to the public and shareholders can trade in shares of listed companies, that is, secondary market. At this market, shareholders buy and sell existing shares (Ozurumba and Chgbu, 2013). This market is concerned with the offering of new issues or the initial issuance and sale of securities in the Nigerian stock exchange (NSE), previously Quoted companies can seek expansion funds through the issuance of supplementary securities in this market while new companies (companies not hither to quoted on the exchange) will have to go public before they can issue securities to the public through the market. Types of instruments) securities issued at the primary market include debt instruments (comprising federal government development stock (FGDSs) and industrial loans, Corporate bodies) and equity capital (ordinary shares of corporate entitles, which place on the holders some owners right to the business in concerned).

The existing issues or secondary market constitute the stock exchange since it is the mechanism, which gives liquidity to the securities listed on the exchange. Ozurumba and Chgbu (2013) see the secondary market as the market where shareholders buy and sell existing shares. According to Nneji (2013), the secondary market, is one in which buyers and sellers trade on previously issued securities. Indeed the efficiency of the primary market rests on the efficiency of the secondary market. This follows from the fact that very few people will be willing to buy new securities if they do not have an assurance of being able to convert it to cash when they deem fit. The secondary market thus provides liquidity to investors. The ease of securities' conversion into cash is an important determinant of the efficiency of the secondary market and indeed the capital market in general. Therefore the secondary market facilitates the savings and investment process, and ultimately, the growth and economic development of a nation (Mbat 2001).

Chinwuba and Amos (2011) argued that the distinguishing factor between the two segments is that in the primary market, the funds raised from investors go to the issuing entity, while in the secondary market, the proceeds from the transactions go to investors. The two levels of the market complement each other. While the primary market feeds the secondary market with new securities, the success of the new issues of securities in the primary market depends to a large extent on the receptivity of the securities in the secondary market and the level of liquidity the secondary market affords investors. A security that is either unpopular or illiquid in the secondary market indicates lack of investors' confidence in the company's financial performance and therefore unlikely to attract investors in the primary market when new issues are offered for sale. The flexibility and the lowering of risk that a secondary market affords investors, makes the primary market deepened. The ability of investors to switch between investments allows the market to rationally and efficiently allocate resources. This is a critical element in the efficiency of the whole economy.

2.1.3 Concept of Capital Investment

A capital investment is the acquisition of a fixed asset that is anticipated to have a long life of use before it has to be replaced or repaired. Two of the most easily recognizable examples of these types of investments are land and buildings. However, a capital investment is made any time that a company purchases goods that will be benefit the operation of the business, but will not be used to cover the operational costs of the business. Capital investment is a sum of money provided to a company to further its business objectives. The term also can refer to a company's acquisition of long-term assets such as real estate, manufacturing plants, and machinery. (Will Kenton, 2019)

2.2 Empirical Framework

Odetayo and Sajuyigbe (2012) examined the impact of Nigerian capital market on economic growth and development between 1990 and 2011. Data collected were analysed using ordinary least square method of regression with aid of STATA version 10 software packages to analyze the data. The result showed that capital market indices have impact significantly on the GDP. The study recommends among others that government should put up measures to build up investors' confidence in the capital market by fair transactions, increase investments instruments in the market, provide basic infrastructures and disabuse the mind of investors from buying and hold securities syndrome. Alawiye-Adams and Babatunde (2013), investigates the controversial issue of the continuous lingering ineffectiveness, inefficiency and under performance of the Nigerian capital market in providing the much expected support for the growth and development of the Nigerian economy particularly as it concerns the real sectors. Data was collected and analyzed using Chi Square analysis, tables from secondary data sources and graphical illustrations were employed in the analysis. The result of the study shows that the Nigerian capital market has not been efficient enough to impact on the country's economic growth. The limited contribution of the market to the development of the industrial sector, as a result of the absence of stimulating encouragement and liberality of the cost mechanism required for listing on both the primary and secondary markets, were highly inhibitive, ineffective and restrictive to firms that would have come to be listed on the capital market, especially small and medium scale enterprises. On the strength of these evidences, the paper recommends that government should introduce more tax incentives to motivate and encourage investors in organizations listed on the stock exchange, and indeed more capital and tax relieves for new startups and newly enlisted small and medium scale industries.

Nneji (2013) investigated the efficiency of the Nigerian capital market from 1986 to 2009 through the Random Walk Theory, the rate at which stock information is reflected in stock price and its impact on Nigeria's economic development. This study made use ADF unit root test, the ARMA Test, the VAR-based granger causality test, the Cointegration analysis and the Vector Error Correction Test. The results revealed that there is still room for improvement of the efficiency level of the Nigerian Capital Market. This was due to the fact that the speed of adjustment of stock price to stock information was not very high and the market was also found to be inefficient within the period under review. The result also showed that a significant relationship exists between capital market performance and economic development. The study ended by recommending that there should be an increased level of public enlightenment on the gains of capital market, an increased level of regulation that would check the vice of all forms of market manipulations and an increased level of operators in the market by relaxing stringent entry requirements of companies. These would increase the efficiency level of the Nigerian capital market enabling it to have an improved impact on the development of the Nigerian economy.

Oke (2013) examined capital market operations and economic growth in Nigeria from (1985 -2011). In this study, the Gross domestic Product was regressed on the Capital market variables (Market capitalization, Number of Dealings and All share indexes) to check the long run effect of capital market activities on the growth of the economy. The study records a positive relationship between capital market operations and economic performance in the short-run with all the variables showing positive relationships with the Gross domestic product. The long run relationship tested by Johansen cointegration test also reveals a long term relationship between the explained and explanatory variables. However, market capitalization and number of dealing show a negative impact on the economic growth while the all share index shows a positive impact on the economic growth.. The study concludes the deviation in the long –run is due to sharp practices in the Nigerian capital market and recommends a total overhauling coupled with strict regulation as the possible solutions. Okoye and Nwisienyi (2013) examined the impact the capital market has on the Nigerian economy, using time series data for 10-year period; 2000 – 2010. The model specification for the analysis of data is multiple regression and ordinary least squares estimation techniques. The gross domestic product was adopted as the dependent variable while the all-share index, market value and market capitalization were the independent variables. The result showed that there are significant relationship between share index, market value and market capitalisation on GDP. This implies that the GDP is affected by the movement of the capital market's share index, market value and market capitalisation. In other words, the capital market has impacted significantly on the economy for the years under review.

Ozurumba and Chigbu (2013) investigated the econometric analysis of capital market performance economic growth of Nigeria. The data were collected from Central Bank of Nigeria (CBN) statistical bulletin. The data were consequently analyzed using statistical package E-view 7.0. The methodology used was multiple regression analysis to capture the impact of capital market on economic development and the transmission mechanism between the variables, while Granger causality tests was used to determine the direction of causality between the variables. The ADF test shows that the variables are non-stationery at level form but became stationery after first differences suggesting that the variables are random walk series. Evidence from Johansen co-integration test shows that the variables are co-integrated implying that there is a long run equilibrium relationship between capital market and economic development in Nigeria. The results further showed that there is a significant impact of capital market on economic development in Nigeria. In the case of causality test, evidence of the result showed that there is a unidirectional causality running from economic development to capital market in Nigeria while Capital market affect economic development through all share index (ASI), value of shares traded (VST) and number of deals (NOD). Recommendations were made based on empirical findings which includes; policies that will deepening the capital market should be pursued as well as strengthening of supervisory and regulatory bodies in the market and among others.

2.3 Theoretical Discussion

The capital market is a market for the mobilization and utilization of long term funds for development (Anyanwu, 1999). It is a market for long term instrument. In a capitalist society like Nigeria, the existence of such financial market can greatly ease the process of exchanging loan able funds for financial claims. The instrument traded in the market includes: government securities, corporate bonds and shares (stocks) and Mortgage loans. The market is for channeling funds for development. Osaze (2000) sees the capital market as the driver of any economy to growth and development because it is essential for the long term growth capital formation. Capital market is defined as the market where medium and long terms finance can be raised (Akingbohungbe, 1996). Capital market offers a variety of financial instruments that enable economic agents to pool, price and exchange risk (Kolapo and Adaramola, 2012). There are two lines of arguments in the analysis of the importance of financial system to economic growth. One line of argument is that the financial system is not important for economic growth; another line of argument stresses the importance of the financial system in mobilizing savings, allocating capital, exerting corporate control and easing risk management. More importantly, and in relation to this study, Levine and Zervos (1996) indicated that some theories provided a conceptual basis for the belief that larger, more efficient stock markets boost economic growth. Bencivenga, Smith and Starr, (1996) and Levine (1991) argue that stock market liquidity, i.e., the ability to trade equity easily, is important for growth. However, Conte and darrat (1988) argues that stock market liquidity, no matter how large, is an unimportant source of corporate finance. Similarly, Spears (1991) says that stock market liquidity will not enhance incentives for acquiring information about firms or exerting corporate governance because of the agency problem involved between stockholders and management of firms. In fact, in contrast to the position of Robison (1952), Devereux and Smith (1994) emphasize that greater risk sharing through internationally integrated stock market can actually reduce savings rates and slow economic growth. The suggestions that stock market development can limit economic growth by making it easy and counterproductive have also been asserted by researchers Levine Rose (1996).

Oke (2013) opined that theoretical literature on financial development and growth identifies three fundamental channels through which capital markets and economic growth may be linked. First, capital market development increases the proportion of savings that is funneled to investments; second, capital market development may change the savings rate and hence, affect investments; third, capital market development increases the efficiency of capital allocation. In compliance to these channels, introducing an efficient capital market to link between the net savers (households) and net investors (entrepreneurs) results in reduction of transactions costs associated with funneling savings, making the household savings highly liquid, enabling selection of efficient investments by gathering information on investment returns efficiently, and providing markets for diversification of risks by households and corporate. If the capital markets are not efficient, the public offering largely disappears as a result of high transaction costs or the uncertainty of getting a fair price in the stock market. Thus, inefficient capital markets may reduce the incentive to enter new ventures, reducing overall long-term productivity of the economy. On the other hand, an efficient capital market reduces the transaction costs of trading the ownership of the physical assets and thereby paves the way for the emergence of an optimal ownership structure. Thus, efficient and liquid capital markets provide avenues for the effective utilization of funds for long-term investment purposes by mobilizing them from the surplus spending economic units to the deficit spending economic units (Ekineh, 1996).

3. METHODOLOGY

This study makes use of time series data which are sourced from the National Bureau of Statistics through the publication of the Central Bank of Nigeria from 1988-2017 which is a sample size of 30 years. In this research work, the model is used to show the relationship between the variables. The regression analysis makes use of a major tool which is the linear regression. In linear regression, the model specification is that the independent variable (y) is a linear combination of the parameters (but need not be linear in the independent variables) (Freedman, 2005). In linear regression for modeling "n" data points there is one and more than one independent variable: x, (or X2, X3 and Xn) and two parameters, b_0 and b_1:

Straight line: $y = b_0 + b_1x_1 + Ei$, i= 1,…,n.

Hypothesis One

H_{01}: There is no significant relationship between stock market activities (using All Share Index: ASI) and Nigeria's capital Expenditure

$y=0.003x+235.0$

Where Y = Capital Expenditure (dependent variable)
X = all share index (independent variable)

Hypothesis Two

H_{02}: There is no significant relationship between capital market activities and Nigeria's gross fixed capital formation.

Y = f (X1, X2, X3)
Y = Gross fixed capital formation (dependent variable)
X = market capitalization (independent variable)
X2 = Value of transactions (independent variable)
X3 = Value of New Issues (independent variable)

Standard error test: The standard error will show that the estimates are accurate only if they are less than the half of the coefficient.

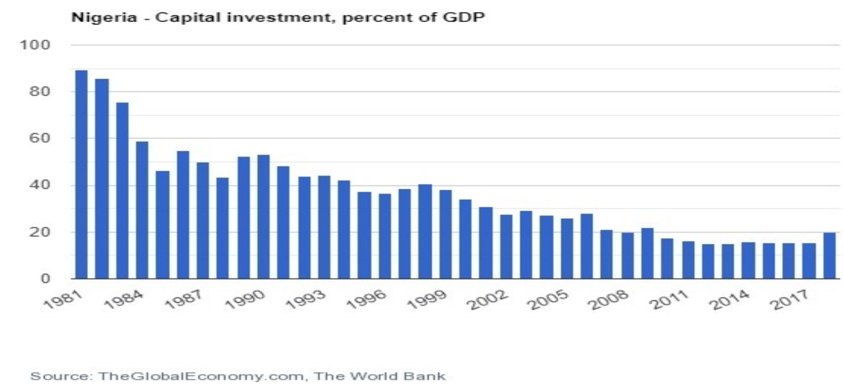
T-test: It is carried out in order to ascertain the significant of the parameters. The student t distribution will test the null hypothesis $H_0 = \beta_1 = 0$ against the alternative hypothesis. $H_1 = \beta_1 \neq 0$.

R^2 Coefficient of Determination: This reveals the proportion variation variable in the dependent variable that is explained by the independent variables.

F-Test: It reveals the significant of the overall regression equation for further prediction. This test, at (k-1) (n-k) degree and N is the number of observation and at 5% level of significant will indicate whether or not the expected variables is likely to have occurred by chance or not.

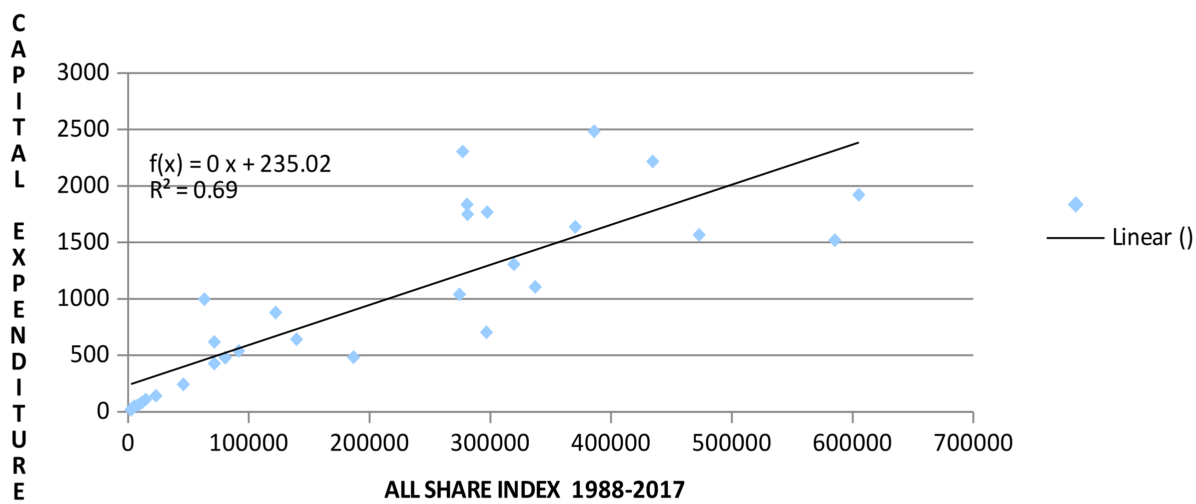
4. RESULT AND DISCUSSION

Analysis of data is presented according to the order of the stated hypothesis. However, the data were analysis through the aid of E-view software while results extracted were summarized as follows:



The above figures show the pattern of Nigeria capital investment. the 2017 experience a rise after sustaining a stable figure in the preceding years.

SCATTER PLOT OF CAPITAL EXPENDITURE VERSUS ALL SHARE INDEX



Hypothesis One

H_0: There is no significant relationship between capital market activities and Nigeria's economic growth.

From the above there is a significant relationship between capital market and capital investment; with a correlation at 0.69 or 69%. The implication of this is that any decision or policy which affects the capital market will also have a significant impact on capital investment all things being equal.

Hypothesis Two

H_0: There is no significant relationship between stock market activities and Nigeria's gross fixed capital formation.

Estimated variable	GFC = 195732.+134.9703MCP+3.954461VN+2179.77VTR
Coefficient of determination (R^2)	0.910333 or 91.03%
Standard error Test (S)	(115617.6), (64.84456), (0.775280), (398.0071)
Student's T-test (t)	(-1.692925), (2.081444), (5.100685), (5.476712)
F – test	74.45060

GFC is positively and strongly related to MC, VN and VTR which means that the higher the variables, the higher Nigeria's gross fixed capital formation and also strongly fitted at R^2 = 91.03% implying that 91.03 percent of the total variation found in Gross fixed capital is explained by the presence of the variables. The t–cal values for MC, VN and VTR at 2.081444, 5.100685 and 5.476712 respectively are significant at 5% confidence level. The result indicates that value of new issues and value of transaction have stronger influence on GFC while market capitalization has a lesser influence on GFC. Moreover, the f-cal at 74.45060 is significant at 5% confidence level which implies that the overall regression is statistically significant thus we accept the alternative hypothesis that there is significant relationship between stock market activities and Nigeria's gross fixed capital formation.

The findings supports the work of Nwakanma and Nnamdi (2012) who using multiple correlation established a significant relationship between the Nigerian Stock Market Capitalization and Corporate net sectoral investments, while net corporate investments in four sectors of capital market activity – petroleum marketing, building materials, packaging and banking are found to significantly contribute to variations in Nigeria's GDP. In the same vein, Okpara (2006), Isu and Ndubuisi (2002), Iyoha and Ogun (2005), Akujuobi and Akujuobi (2007), Ogbulu (2009) and Okpara (2010) all found significant relationships between capital market activity and Nigeria's economic growth. However, Ewah et al; (2009) found that the capital market in Nigeria has the potential of growth inducing but it has not contributed meaningfully to the economic growth of Nigeria because of low market capitalization, low absorptive capitalization, illiquidity, misappropriation of funds among others. Harris (1997) did not find hard evidence that stock market activity affects the level of economic growth. And also Osinubi and Amaghionyeodiwe (2003) did not support the claim that stock market development promotes economic growth.

5. CONCLUSION AND RECOMMENDATIONS

The capital market is intended to be for the issuance and trading of long-term securities, the lack of an advanced and vibrand capital market can lead to underutilization of financial resources. The developed capital market also provides access to the foreign capital investments for domestic industry. Thus capital market definitely plays a constructive role in the mobilization of capital investments. In order for the Nigerian capital market to be a pivotal force in Nigeria socio-economic growth and development and encouragement of local investment, the following suggestions are put forward:

i. First, improvement in the declining market capitalization by encouraging more foreign investors to participate in the market, maintain state of the art technology like automated trading and settlement practices, electronic fund clearance and eliminate physical transfer of shares.
ii. There is also need to restore confidence to the market by regulatory authorities through ensuring transparency and fair trading transactions and dealings in the stock exchange. It must also address the reported cases of abuses and sharp practices by some companies in the market.
iii. Efficient awareness of the opportunities available in the capital market making is it possible for capital investments.
iv. Proper supervision and controls of capital expenditures to ensure that the intent of capital investments is achieved.

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Impact of Investor's Risk Perception on Investment Decisions in Nigeria

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Abstract

Risk is an inherent feature of all types of financial investments due to the variability in the actual and expected returns on investment .The concept 'risk perception' means the way in which investors view the risk of financial assets, based on their concerns and experience. The risk perception of investors is an important factor that influences the investment decisions. Hence, in the present study, based on the review of literature and discussions with experts in the field, a number of factors influencing the risk perception of investors were identified. These factors include unpredictability of returns, knowledge about the financial assets, chance for incurring loss, diversification of portfolios, and dependence on professional investment advice. The study utilized secondary data and is explorative. The study concludes that investors' risk perception impacts positively on investment decision. The study recommends that investors have a better understanding of an investments' potential return of fixed-income products. Finally, future researches in this area should be conducted that will utilize more statistical techniques

Keywords: Investors, Risk Perception, Investment Decisions, Financial Assets

1. INTRODUCTION

The impact of risk perception on the investment decisions of a prudent investor is an emerging subject in the behavioral finance literature. Risk is the chance that an outcome or investment's actual gains will differ from an expected outcome or returns. Risk is an inherent feature of all types of financial investments. Lazarte and Tranchard (2011) defined risk as 'the effect of uncertainty on objectives. According to Pandy (2006), risk is the variability that is likely to occur in the future returns of a project. To an investor, risk could be the probability that the actual return on an investment will be lower than the expected return. Perception is the process by which organisms interpret and organize sensation to produce a meaningful experience of the world (Lindsay & Norman, 1977). Perception is the process by which an individual is in search of pre-eminent clarification of sensory information so that the investor can make a final judgment based on their level of expertise and past experience. Therefore, risk perception means the way in which investors view the risk of financial assets, based on their concerns and experience. Risk perception is the belief, whether rational or irrational, held by an individual, group, or society about the chance of occurrence of a risk or about the extent, magnitude, and timing of its effect is a critical success factor that promotes effective decision-making in risky situations.

According to modern portfolio theory, the objective of an investor is to select the investment in such a way as to diversify the risk and at the same time, not reducing expected returns. Risk is described as 'the possibility of loss, or other adverse or unwelcome developments. Farounbi (2006) supported this view by stating that risk occurs where it is not known what the future outcome will be, but where the various possible outcomes may be expected with some degree of confidence from knowledge of past or existing events, in order words probabilities of alternatives could be estimated. He described uncertainty on the other hand as a situation where future outcome cannot be predicted with any degree of confidence from knowledge of past or existing events thus probability estimates are not available for possible outcomes. This is an indication that risk and uncertainty affects investment decisions and therefore directly or indirectly affect the organizational goals and objectives in focus. This explains why Damodaran (2003) view risk to include both downside and upside risk. Risks and uncertainties are evident in investment decisions thus the investors' perception of risk guides them on making investment decisions. Complicating the analysis of financial risk is the fact that each investor has his or her own tolerance of risk and perception towards risk. The risk perception of investors is an important factor that influences the investment decisions. This study therefore seeks to examine the impact of investors' risk perception on investment decisions.

2. LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Concept of Investment Decisions

The Investment Decision relates to the decision made by the investors with respect to the amount of funds to be deployed in the investment opportunities by selecting the type of stock in which the funds will be invested by the firm or individual.
Investment decision generally means the determination made by investors as to where,when,how, and how much funds will be invested on various avenues of financial products or instruments with the objective of generating income or appreciation in value.Also, the concept, investment decision is defined as the decision taken by individual investors while investing in the capital market. The behavioral finance scholars found out that decisions could be influenced by unavoidable psychological and emotional factors. Better understanding of these factors will help the investors to take an appropriate investment decision and also help them to avoid their repeating mistakes in future in extracting the best financial investment avenue. Also Barber and Ordean (2011), there is an ample impact of various factors on the decision making process of aninvestor while making any kind of investment in a particular security.

Riaz (2012**)** found that the propensity to take risk, the available information and how it is presented to investors have influenced the decision making of investors in an obvious strength. Another contribution in behavioral finance concluded that the demographical factors including Investor's age, Income, and psychological factors such as Awareness concerning investment channel and Past experience have most common effect on the decision making behavior of individual investors (Sohan & Patidar*;* 2010*)*. Factors like financial statement elements, real EPS (earning per share) were considered important than economy and industry related factors (Khanifar, 2012). For many years of research and investigation, researchers have been doing serious studies of how individual investor state of mind has to do while making investment decisions.

2.1.2 Concept of risk

Risk is the chance of loss due to variability of returns on an investment. Incase of every investment, there is a chance of loss. It may be loss of interest, dividend or principal amount of investment. However, risk and return are inseparable. Return is a precise statistical term and it is measurable. But the risk is not precise statistical term however, the risk can be quantified. The investment process should be considered in terms of both risk and return. Common concepts in risk such as risk-averse, risk seeker and risk neutral give an understanding of the various positions from which investors view risk in their investment decisions.

A risk-averse investor is one who when given a choice between more or less risky investments, with identical expected money returns; he will select the less risky investment. Investors usually prefer the least spread of variance, if expected return is supposed to be held constant. People always prefer a sure outcome rather than a risky prospect with the same expected values. The risk averse investor is not interested in high risk investment especially those requiring heavy capital outlay. For this type of investor, he may, unknown to him be losing to inflation as a result of holding the cash loosely without investing it. The risk seeker tends to be on a gaining side because this investor pursues investments with high risk for high capital gain. The risk neutral investor does not have regard for the presence of risk or the uncertainty that follows investment decisions. He attempts any investment that comes his way whether the gain is high or not. For each of these groups, the presence of risk is identified from risk of loss of cash that could have been invested profitably as compared to the risk of losses that can be pre-empted and managed in order to eliminate or reduce risk. Various components cause the variability in expected returns, which are known as elements of risk. There are broadly two groups of elements classified as systematic risk and unsystematic risk.

2.1.3 Concept of Risk Perception

Each and every investor is different from the other. They perceive risk differently. The variance of portfolio returns is generally said to be the most important risk measure, used in the risk-return trade-off. On the other hand, in the common perception risk is mostly related to the possibility and magnitude of negative deviations from the pre-set benchmark. Veld and Merkolova (2007) in their study of individual investor's risk perception revealed that individual investors use a variety of risk measures at the same time. They tried to test which risk measures influence the individual investor's decision-making. The variance is one of the risk measures, but besides the variance, investors also use several measures of shortfall risk. In particular, semi-variance of returns is found to reflect the investors risk perceptions most often.

2.1.4 Concept of Risk Tolerance

Financial risk tolerance is defined as the maximum amount of uncertainty that someone is willing to accept when making a financial decision. Although the importance of assessing financial risk tolerance is well documented, in practice the assessment process tends to be very difficult due to the subjective nature of risk taking (the risk of investor willing to reveal their risk tolerance) and objective factors such as Grable and Joo (1997), Grable and Lytton (1999), and Grable (2000). Risk tolerance represents one person's attitude towards taking risk. This indicated is an important concept that has implications for both financial service providers (asset management institution or other financial planner) and consumers (investors). For the latter, risk tolerance is one factor which may determine the appropriate composition of many assets in a portfolio which is optimal and satisfied investors invest preference in terms of risk and return relative to the needs of the individual investors Droms, (1987), Hallahan (2004).

2.1.5 Investor's Socio-Economic Status and Risk Tolerance

Some researchers have indicated that the validity of widely used demographics as determinants of risk tolerance is noteworthy as the relationship between socio-economic status differences including gender, age, income level, net assets, marital status, educational level and investment decision or portfolio choice. With regard to the financial risk tolerance literatures, there is much interest in the demographic determinants and risk attention (involving three risk types: risk aversion, risk moderate and risk seeking) is particularly focused on age, gender, education level, income level, marital status, the number of dependents and net assets. Specifically, although debate remains on some issues, a range of common findings are generally observed. There are five phenomenons in socio-economic status variables differential and portfolio choice as the following; Risk tolerance decreases with age; females have a lower preference for risk than males; risk tolerance increases with education level; risk tolerance increases with income level and net assets; single (i.e., unmarried) investors are more risk tolerant than married (Roszkowski, Snelbecker, & Leimberg 1993; Grable 2000).

2.2 Empirical Literature

Aregbeyen and Mbadiugha (2011) in their study in Nigeria found that the ten most influencing factors on investor's decision in order of importance are: motivation by people who have attained financial security through share investment, future financial security, recommendations by reputable and trusted stock brokers, management team of the company, awareness of the prospects of investing in shares, composition of the board of directors of companies, recent financial performance of the company, ownership structure of the company, reputable predictions of future increment in share value and bonus payments. Tomola, Marshal and Obamuyi (2013), posits in their study that investment decisions of investors in Nigeria are influenced by certain identified factors. The most important principal factors are past performance of the company stock, expected stock split/capital increases/bonus, dividend policy, expected corporate earnings and get-rich-quick. These factors were significantly influenced by gender, age, marital status and educational qualification of investors in the Nigerian capital market. Specifically, the investment decisions of investors relating to past performance of the company's stock differ based on their socio-economic characteristics (age, gender, marital status and educational qualification).

Investment Company Institute (1993) conducted a study based on the objective to examine mutual fund shareholder perceptions of risk. In examining investors' perception of risk-return trade-off, the ICI findings suggested that mutual fund shareholders have a better understanding of an investments' potential return of fixed-income products. A shareholders' family history could influence his or her investment behavior and tolerance for financial risk. Madhumarthi (1998) carried out a research to find out the preferences of the investors and their perception about the risk in the Indian markets. Three classes of investors had been identified based on their risk perception namely, risk seekers, risk bearers and risk avoiders. The result indicated that a majority of the investors were influenced by the operating performance of the companies. The risk perception influenced the investment decisions of the investors and the profit earned by them. Diacon (2004) presented the results of a detailed comparison of the perceptions by individual consumers and expert financial advisers of the investment risk involved in various personal financial services' products. Factor similarity test showed that there were significant differences between expert and lay investors in the way financial risk were perceived. Financial investors were likely to be less loss averse than lay investors, but were prone to affiliation bias, believed that the products were less complex, and were less cyclical and distrustful about the protection provided by the regulators. The traditional response to the finding was that experts and non experts had different perception and understanding about risk.

2.3 Theoretical Framework

2.3.1 Target MOTAD model

The Target MOTAD model is also applied in this study. The study makes use of the linear programming model referred to as Target MOTAD (i.e Minimization of Total Absolute Deviation programming developed by Tauer (1983). The model is criticized because they can only be used when an individual decision maker exists who is risk-averse and whose utility function is available. The Target MOTAD model is said to be superior to other programming models under risk because it is computational, efficient and generates solutions that meet the second –degree stochastic dominance test (Tauer1983). This is characteristic of the model will enhance the process of analyzing the impact of risk.

2.3.2 Cultural Risk theory

The Cultural Risk theory is one of the prominent theories of risk perception. The theory treats risk perception as manifesting individuals' implicit weighing of costs and benefits. Cultural theory asserts that structures of social organization endow individuals with perceptions that reinforce those structures in competition against alternative ones. This position is however criticized by Douglas and Wildavsky (1982) arguing that it ignores the role of cultural ways of life in determining what states of affairs individual see as worthy of taking risks to attain. Other criticisms indicate that the theory does not present reliable measures of individual attitudes and the amount of variance in individual perception of risk. Dake's (1991) measures are however refined to show that risk perceptions are distributed across persons in patterns better explained by culture other than other asserted influences. In actual fact, risk is common to every facet of business and human life. This agrees with Pandy (2009), Horngreen (2007) and Dennis L (2006). Within the context of risk, it is a phenomenon that has determined the success or failure of investments in projects and businesses in general where adequate care is not taken to prepare ahead for possible uncertainties.

As defined by Pandy (2006), risk is the variability that is likely to occur in the future returns of a project. Risk exists in investments because the decision maker cannot make perfect forecasts due to uncertainties in future events and forecast of cash flows. Several factors like the internal political situation of the organization, unanticipated environmental factors, natural disasters and inconsistent government policies may militate against investment plans and result in alternative sequences of cash flows which a manager may not have expected. Gate, Nicholas and Walters (2012) posited that objective setting, risk identification and reaction as well as the need for information and communication will enhance the process of risk management. A combination of all these will positively enhance performance to achieve the enterprise goal. Categorizing risk in order to pave way for effective risk management, Kaplan and Mike (2007), identified the following as types of risks: preventable risks, strategic risks and external risks.

2.3.2 Sequential decision-making Theory

This is a decision theory where decisions making proceeds into a step by step rationality, in this context Drury (2000), posited that this decision model includes seven stages that follow each other. The first five stages of this model belong to the decision making process also called the planning process described as "making choices between alternative". At the end of the decision making process he added other two stages called the control process that should measure and correct the concrete performance of the alternative selected or chosen (In investment context, the control and correction stages may record losses or low return on investments).

3. METHODOLOGY

The research presented here builds on an analysis of discourses within the range of archival evidence. The study relies on many previous studies from internet, books and already existing journals using an explorative research design.

4. RESULTS AND DISCUSSION

This study seeks to investigate the impact of investors' risk perception on investment decisions. Building on the exploratory approach, the United State Securities and Exchange Commission issued an Investor Alert to give the investors tools to make an informed decision. Before an investor makes any decision, these areas of importance need to be considered. This case in point is used as a reference based on its wide acceptability.

i. Draw a personal financial roadmap

The first step to successful investing is figuring out your goals and risk tolerance – either on your own or with the help of a financial professional. There is no guarantee that you'll make money from your investments.

ii. Evaluate your comfort zone in taking on risk

All investments involve some degree of risk. If you intend to purchase securities - such as stocks, bonds, or mutual funds - it's important that you understand before you invest that you could lose some or all of your money. The reward for taking on risk is the potential for a greater investment return. If you have a financial goal with a long time horizon, you are likely to make more money by carefully investing in asset categories with greater risk, like stocks or bonds, rather than restricting your investments to assets with less risk, like cash equivalents. On the other hand, investing solely in cash investments may be appropriate for short-term financial goals. The principal concern for individuals investing in cash equivalents is inflation risk, which is the risk that inflation will outpace and erode returns over time.

iii. Consider an appropriate mix of investments

By including asset categories with investment returns that move up and down under different market conditions within a portfolio, an investor can help protect against significant losses. Historically, the returns of the three major asset categories – stocks, bonds, and cash – have not moved up and down at the same time. Market conditions that cause one asset category to do well often cause another asset category to have average or poor returns. By investing in more than one asset category, you'll reduce the risk that you'll lose money and your portfolio's overall investment returns will have a smoother ride. If one asset category's investment return falls, you'll be in a position to counteract your losses in that asset category with better investment returns in another asset category. In addition, asset allocation is important because it has major impact on whether you will meet your financial goal. If you don't include enough risk in your portfolio, your investments may not earn a large enough return to meet your goal.

iv. Be careful if investing heavily in shares of employer's stock or any individual stock

One of the most important ways to lessen the risks of investing is to diversify your investments. It is common sense: don't put all your eggs in one basket. By picking the right group of investments within an asset category, you may be able to limit your losses and reduce the fluctuations of investment returns without sacrificing too much potential gain.

v. Create and maintain an emergency fund

Most smart investors put enough money in a savings product to cover an emergency, like sudden unemployment. Some make sure they have up to six months of their income in savings so that they know it will absolutely be there for them when they need it.

vi. Pay off high interest credit card debt

There is no investment strategy anywhere that pays off as well as, or with less risk than, merely paying off all high interest debt you may have. If you owe money on high interest credit cards, the wisest thing you can do under any market conditions is to pay off the balance in full as quickly as possible.

vii. Consider rebalancing portfolio occasionally

Rebalancing is bringing your portfolio back to your original asset allocation mix. By rebalancing, you'll ensure that your portfolio does not overemphasize one or more asset categories, and you'll return your portfolio to a comfortable level of risk.You can rebalance your portfolio based either on the calendar or on your investments. Many financial experts recommend that investors rebalance their portfolios on a regular time interval, such as every six or twelve months. The advantage of this method is that the calendar is a reminder of when you should consider rebalancing. Others recommend rebalancing only when the relative weight of an asset class increases or decreases more than a certain percentage that you've identified in advance. The advantage of this method is that your investments tell you when to rebalance. In either case, rebalancing tends to work best when done on a relatively infrequent basis.

viii. Avoid circumstances that can lead to fraud

Investment decision of individual investors in financial assets is usually affected by their risk perception. Hence, in the present study based on the review of literature and discussions with experts in the field a number of factors influencing the risk perception of investors were identified.

5. CONCLUSION AND RECOMMENDATIONS

From the forgoing analysis, it is clear that investors are financial conservatives. They are aware about the principle higher the risk, higher will be the return and at the same time they understand that diversified portfolio will reduce the risk. So, the investors should consider investing in a combination of schemes to achieve their specific goals. There is a need for Nigeria Mutual Funds to come out with innovative products that cater to the ever-changing customer requirements. Diversified products will keep the present momentum going for the industry in a more competitive and efficient manner. The Asset Management Companies must consider the changing perceptions, especially risk perception of investors while launching new products. This will help the Mutual Funds to capture the market.

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Nexus between E-Revenue Generation on Local Government Development in Nasarawa State

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Abstract

Local government is faced with various challenges to source adequate funds for development drives and as such, E-Revenue generation has been introduced to boost internally Generated Revenue in Karu Local Government Council (LGC). This study investigated the impact of E- Revenue Internally Generated on the actual revenue collected by Local Government in Nasarawa State and to analyze the extent to which E-Revenue generation is linked tothe development of the selected local Government. Two Research questions and Two Hypotheses were formulated for the study. The study period covered six (6) years and three (3) quarters, spanning from the first quarter of 2013 to the fourth quarter of 2019. the period for pre E- Generation covered thirteen (13) quarters, spanning from the first quarter of 2013 to the third of 2016 while the period for post E-Revenue Generated covered thirteen (13) quarters, spanning from the second quarter of 2016 to the second quarter of 2019.The data analysis was carried out using Trend analysis and simple least square regression method (SPSS version 17) were adopted for the study. Karu Local Government Council was purposefully selected for the study. Secondary data from the financial statement of the Council for the stated period were sourced from the office of the Auditor General for Local Government. The t-statistics analysis was employed in testing the hypotheses. Findings of the study that E-Revenue Generation has a positive significant effect on actual revenue collected in the Council and secondly that there is a significant relationship between revenue generated and developmental effort of the Local government. The study concluded that Tax revenue and Non Tax revenue electronically generated are vital ingredients in improving the development drives of councils in Nasarawa State. Some recommendations were therefore offered in this regard.

Keywords: Local Governments, Development, E-revenue Generation, Council.

1. INTRODUCTION

The Nigerian nation in the Sixties was made up of the central Government and constituent regional Governments. One of these regions as it then was could be compared to the present day ten or more states, put together. The wide geographical spread of the regions greatly impaired the effectiveness and efficiency of governance at the Local Area. There existed a large communication gap between the rural dwellers and the regional Government, existence of thick bureaucratic bottlenecks that militated against the development of the rural communities as well as an ineffective representation of the rural communities at the regional governments to mention but a few (Andrew, 1982). These challenges triggered the creation of states out of the Regions in the late 1960s. The states became the federating units of the federation, with smaller units called the Local Government Councils. The Local Government Councils were created in response to the yearnings of the people (particularly the rural dwellers), and also the need and burning desire by Government to get closer to the governed, with a view to delivering the dividends of good governance. According to Edogbanya et al (2013) the principal aims of creating Local government Councils in Nigeria include; to serve as the third tier of government through which appropriate services and developments are made in response to the wishes of local community through their representatives. The local government is equally to serve as an intermediary between government at the center and local communities.To mobilize and utilize both human and material resources by engaging the people at the local level in the government activities and to facilitate the exercise of democratic self – government closer to the grass root of the society and to exchange initiative and leadership potential

In recent times, with the advent of technologically driven information system and the proliferation of social media, the electorates and indeed the general public have become more politically and socially aware of the workings and responsibilities of the local Government system towards her citizens. To this end, there has been an increased demand for accountability and stewardship by the electorates. Suppliers and contractors demand performance profiles to ascertain the liquidity and other financial measures, so as to assure themselves, of the capability of

Government to meet their contractual and financial obligations. Often times also, the Government will indulge in borrowing from commercial and other financial institutions. These institutions as a practice would retrospectively dig into Government‟s performance with a view to projecting their future financial capacity before granting any facility. Electronic revenue collection in developing countries has gained increased prominence. According to Cobham (2010) the electronic tax system was introduced globally about 30 years ago. It started in 1986 as a little computer test program in which only five tax payers from Cincinnati, Raleigh Durham, and Phoenix agreed to participate. Since then, electronic tax system has become a common channel, serving various tax payers across the global yearly. Wasao, (2014) describes electronic tax system is an online system or channel where taxpayers are able to have access or permit to the platform through the use of internet, in other to have access to all the services provided by the tax authority such as the registration for a tax identification number, electronic tax filing of tax returns, the Electronic taxation system that was introduced in Nigeria in the year 2013 by the Federal Inland Revenue service (FIRS).

FIRS for instance is one of the financial and tax authorities in the world that conducts this Electronic tax payment system through the Business Process Improvement (BPI) and increases scope of electronic interface with various taxpayers so as to increase the efficiency and effectiveness of staff and services .According to Crede (2008) governments world-wide, have invested highly in electronic systems for the past two decades. Harold (2011) wrote that revenue collection system is the hub of every public administration system and the cornerstone of sound fiscal management.The researcher argued that there is a need to look into the structural and operational frameworks governing the national revenue authority, increase treasury control system of all revenue sources, increase legislative overview and credibility. Karu Local Government Council (LGC) is one of the thirteen LGCs in Nasarawa State created by law in 1992.Karu LGClike any other LGC in Nasarawa State and Nigeria at large is confronted with paucity funds to carry out its core mandate. Dwindling revenue from Federal Allocations, the Council allocated funds continue to decline on monthly basis where is cannot pay full salaries to staff, talk more of provisions of basic social amenities to the people. This has led to deployment of innovative approaches by the application of Information and Communication Technology (ICT) in the entire process chain of Internally Generated Revenue (IGR) in Karu LGC.

An empirical study carried out by Ehule, O (2015) on the impact of internally generated revenue on the performance of a public sector, reveals that permits and rates have significant positive impact on performance. Edogbonya, D (2013) studied the impact of revenue generation on government developmental efforts. The study found out that internally generated revenue has positive relationship on government capital projects. The relationship between tax revenues and economic growth vis-à-vis performance has been extensively studied at the federal and state levels with empirical study on non tax revenuesOjo L (2014). Again, the few studies carried out on internal revenues and performance at the Local Government levels are centered on the relationship between tax revenues and performance by Musa D.(2016), again a study was out studies on non tax revenues which are equally an important aspect of internal revenue. empirical study on performance have dealt with payment of salaries and allowances of employees, which are considered as implied responsibilities to governments as prescribed by the 1999 constitution, (Ironkwe, U. 2016). There are no much studies on the link between E-Revenue Generation and the development of Local Government. The study therefore intends to harp in on the observed gap with a view to bridging it.

2. LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Concept of Taxation

Taxation like most topics or subject matter in management sciences is difficult to give a universal definition acceptable to everyone. Despite this fact however, some literature on taxation have attempted to define it in such a way that it will at least give insight or a general picture of what it is all about. The international Encyclopedia of social sciences defines taxation as "A general concept or device used by government to extract money or other valuable things from people and organization by the use of law. Attamah (2004) Defined tax as a compulsory levy imposed on individuals and organizations by government. He concluded that tax is a good source of revenue to government, thereby bring about economic growth Udabah (2002) sees tax as a levy necessary to meet the cost of services and infrastructural development desired by the community which should be provided by the government. Primarily, he argued that taxation was initially introduced to raise revenue to meet government expenditure. From the definitions above among several of its kind, it could clearly be seen that taxation is therefore, one among other means of revenue generation of any government to meet the desires of the citizens. The purpose of taxation as stated by the French law is for the provision of the armed forces and administrative expenditures. Miller and Oats (2006) maintain "taxation is required to finance public expenditure. However, there are other sources of revenue generation for government these include but not limited to Fines and Charges, Foreign aides and grants, Loans etc.

2.1.2 E-Taxation Conceptualized

E-taxation is the process of collection and administration of tax procedure through an electronic medium. According to Che-Azmi and Kamarulzaman (2014) E-tax payment system is one of the ways through which governments globally make use of information and communication technologies to enhance the provision of public services and the circulation of public administration information to the society. Wasao (2014) describes electronic tax system as an online system or channel where taxpayers are able to have access or permit to the platform through the use of internet, in other to have access to all the services provided by the tax authority such as the registration for a tax identification number, electronic tax filing of tax returns. E-tax payment system was introduced in 1986 in the U.S.A. In Australia electronic tax payment was introduced in 1987. In 1993, Canada started the usage of electronic tax payment other developed countries of the world such as Malaysia and Netherlands introduced electronic payment of tax to their taxpayers in 2009. In Africa, Uganda introduced electronic tax payment system in 2009, while Egypt started in March 2013, so as to maintain a close proximity with the international trades towards automated payments systems, for e-government.

In Karu LGC E-Revenue payment system was introduced in 2015 in conjunction with an ICT firm (Byteworks Technology Solution Ltd) and Interswitch respectively.According to Okunowo, (2015). Electronic tax payment was introduced so as to increase revenue Generation and for easy accessibility as tax payers are able to pay taxes from different locations and at various time. Karu LGC has built a data base and platform where taxpayers data are housed, Harmonized Demand Notice are generated, payment are received and monitored as well generation of receipts. The main aim is to increase revenue generation as leakages are blocked and all revenue payment aremade strictly via the platform from any bank of choice by taxpayers. In the authority of Abdulrazaq (2015) Elements of Electronic Tax Payment systems in Nigeria are:

i. Taxpayers in Karu LGC can pay the following taxes online, e.g. Harmonized Demand Notice (HDN) for Sanitation Levy, Business Permit, Advert Display Permit, Liquor License, RSTV are computed, generated and pay online via the platform call Karu Local government Internal Central Revenue System (KICKS).

ii. More so, tax payers can pay their taxes directly from their various banks account and this is achieved by Karu LGC in conjunction with Interswitch.

iii. Tax receipts and certificates can now be easily applied for and processed online without having to visit the office of the tax authority

iv. All business both formal and informal as well as properties are enumerated and issued with Karu Local government Number (KLIN) and Property Identification (PID) thereby making the process of documentation, retrieval and classification easy

v. Electronic exchange of information between tax payers and Karu LGC Revenue Official.

vi. Charging of fines and fees for lateness:

The online system automatically calculates and updates the default list for enforcement of defaulters of revenue payment.

2.2 Empirical Review

Lai (2008) examined the effect of e-filling on revenue generation in Malaysia; it revealed the extent to which tax revenue generation has contributed towards the economy's revenue and Gross Domestic Product and also the effect of tax evasion and tax avoidance on revenue generation in Malaysia. The study employed both primary and secondary sources of data. Using a survey research design, both descriptive and regression analysis were carried out on the data. Findings from the study revealed that taxation has a significant contribution on revenue generation, taxation has a significant contribution on Gross Domestic Product (GDP) and tax evasion and tax avoidance have a significant effect on revenue generation in Malaysia. Amabali (2009) studied the antecedents of paperless income tax filing by young professionals in India using Regression analysis. The antecedents of young Indian professionals depended on the perceived ease of the tax system, personal innovativeness in information technology, relative advantage, performance of filing service, and compatibility. Pippin and Tosun (2014) examined electronic tax filing in the United State of America. The study summarizes and analyses the demographic, socio-economic, and geographic factors affecting electronic tax filing (e-filing) in the United States for the years 1999, and 2004–2007 and the growth in e-filing between 1999 and 2007. Secondary data sourced from the IRS Statistics of Income ("SOI") Division and additional demographic and geographic information from the Bureau of Economic Analysis (BEA), the Bureau of Labor Statistics (BLS) and the census bureau were used; Analyses was carried out using regression, the rates of e-filling are noticed to be lower in rural communities with low population and with a lower share of females, Surprisingly, educational attainment is negatively correlated with e-filing rate and growth in e-filing.

Nasir (2015) examined implementing electronic tax fillings and payments in Malaysia; the main objective was to point out the benefits of maintaining a good e-tax system as opposed to a manual system. The study made use of secondary data from Malaysian Inland Revenue report from 2004 to 2011 using trend analysis to highlight the increase in tax returns since the adoption of an e-tax system in 2004. For the first two years, the number of taxpayers using the e –filling system remained far below expectation at about 5% and the tax authorities were still tackling the challenges posed by the new system such as timely and costly adaptation of the system, uncertainty and security problems, lack of technological exposure in the country etc. all of which had little or no impact on tax returns. 2006 to 2011 brought an increase in the users of the system from the disappointing 4% to an Encouraging 34% and37% in 2012,over the same period tax returns increased from 14.5% of 52GDP to 15.3%. It also showed how compliance was increased and fewer hours used in collecting taxes. The conclusion of the study was that Electronic systems for filling and paying taxes, if implemented well and used by most taxpayers, benefit both tax payer and tax authorities and guarantees a better standard of living for all citizens.

Allahverd, Alagoz and Ortakapoz (2017) examined the effect of e-taxation system on tax revenue and cost in Turkey, the study used secondary data gotten from the Turkish revenue authority, the data were examined in two groups which are pre-electronic tax period of 1993-2004 and post-electronic tax period of 2005-2016. Mann-Whitney U Test was used to analyze the data. The research also provided information on the electronic transformation of the tax system and the Turkish Tax System. According to the empirical result of the research, the transition to the electronic tax system positively affected the tax revenues and reduced the cost per tax. Barati and Bakhshayesh (2015) examined electronic tax system and the challenges facing kermansah province tax payers in Iran. The researcher made used of primary data gotten from questionnaires administered to resident of kermansah province, analyses were carried out using Spearman correlation coefficient, variance analysis, superiority indexes, the agent exploring analysis, structural equations model, in which high sensitivity is used to check their compliance and review. Results show that: technical and infrastructural variables(95/0), social influence(90/0), the expected effort (51/0), legal issues(40/0), expected performance(32/0), information access (18/0) and perceived risk(11/0) are factors of importance and more influence on the affecting factors for the adoption of electronic tax, respectively.

2.3 Theoretical Framework

2.3.1 Technology Acceptance Model (TAM)

This theory was propounded by Fred Davis in 1989, the theory was later modified by Venkatesh and Bala, (2008). Its states that an individual intention towards using a new system is determined by perceived usefulness, and perceived ease of use (PEOU), the degree to which the user expects the target system to be free of effort and more so help to increase the degree of efficiency and effectiveness of performance. Accordingly the perceived ease of use also has a direct effect on predicting usage. TAM models are very useful within and across organizations setup for accessing the applications or technologies, or to make comparisons between user groups or applications. However, the limitation of TAM is when it is used outside of the work place Perceived usefulness (PU) – This refers to the extent to which an individual believes that using a specific system would enhance and improve job performance Perceived ease of use (PEOU) –This refers to the extent to which an individual believes that by using a specific system would be easy to use and free from using a lot of pressure or effort (Davis, 1989).

2.3.2 Theory of Innovation Translation

Theory of Innovation Translation was developed by Arthur Tatnall in 1990. It is an alternative view of theory of innovation diffusion, it is a theory of innovation in which instead of using an innovation in the form it is agreed upon or proposed, potential adopters translate into a form that suits their needs that is the potential users of the innovation decides to modify the innovation in a way that best fit its current system and not adopting the innovation the exact way it was proposed. In the case of this study the innovation at hand is E-Revenue Generation, while the actor is the Karu LGC, it is expected that Karu LGC adopt E-Revenue generation in Nasarawa State not in the way it was adopted in other nations of the world rather it should be adopted in a way that suit the level of economic and technological development in the Council.

3. METHODOLOGY

The study examined the links and connection between Electronic Revenue Generation and the actual revenue generation in the development of Local Government in Nasarawa State, Nigeria.The study adopted the ex-post facto design or causal comparative design. The population for the study consists of all the thirteen Local Government Councils in Nasarawa State as contained in part 1 of the first schedule of the constitution of the Federal Republic of Nigeria 1999 as amended. Secondary data were utilized for this work and sourced from the financial statement of the Council for the stated period were sourced from the office of the Nasarawa State Auditor General for Local Government. The data sourced were revenue paid to Karu LGC in form of Levies, Permits, License and Fine. The study period covered six (6) years and three (3) quarters, spanning from the first quarter of 2013 to the fourth quarter of 2019. The period for pre E- Generation covered thirteen (13) quarters, spanning from the first quarter of 2013 to the third of 2016 while the period for post E-Revenue Generated covered thirteen (13) quarters, spanning from the second quarter of 2016 to the second quarter of 2019.

The data analysis was carried out using Trend analysis and simple least square regression method (spss version17) were adopted for the study. Karu Local Government Council was purposefully selected for the study. Secondary data from the financial statement of the Council for the stated period were sourced from the office of the Auditor General for Local Government. The t-statistics analysis was employed in testing the hypotheses .In view of the research design, paired sample t-test otherwise known as Pre-Post Test was used as the data analysis technique. The appropriateness of this method can be justified from the fact that each variable was grouped into two observations (before E-Revenue Generation adoption and after E-Revenue Generation adoption). The predictor variable for this study is E-Revenue Generation and measured by the actual amounts of tax revenues and non-tax revenues generated by the council. The criterion variable for the study is development of Local Government Council and measured by the movements in actual expenditure on road maintenance, staff salaries/wages, construction/renovation of Primary Health Care Centers/Primary Schools, drilling of Boreholes, etc by Karu LGC within the perions under investigation.

4. RESULT AND DISCUSSION

Table was used to present the data while the analysis was carried out using line and symbol graph, descriptive statistics of mean and standard deviation, paired sampled t-test. All these were achieved through E-view 9 and SPSS version 20.

4.1 Trend Analysis of the Variables

4.1.1 Trend Analysis of Actual Internal Revenue Generated Before the Advent of E-Revenue in Karu LGC

Table 1.Revenue generated from the Formal Sector, Tenement and Informal Sector in Karu LGC befor adoption of E-Revenue Generation

Periods	**Formal Sector**	**Tenement**	**Informal Sector**
Pre-E-Revenue	**₦**	**₦**	**₦**
Q1-2013	116, 507.4	175.8575	0.5878
Q2-2013	289, 081. 3	178.9823	2.7694
Q3-2013	2544492	170.6901	4.1601
Q4-2013	156.4812	185.0252	1.3993
Q1-2014	154.2939	192.1964	0.1667
Q2-2014	400.6694	180.6144	16.7834
Q3-2014	240.7724	207.0707	0.1395
Q4-2014	167.8149	222.802	2.5663
Q1-2015	174.1639	212.3853	0.7838
Q2-2015	556.2703	197.2551	0.2904
Q3-2015	273.129	211.3232	1.5191
Q4-2015	176.8439	201.2417	0.0565
Q1-2016	160.9244	193.3893	0.2486

Periods	**Informal Sector**	**Tenement**	**Informal Sector**
Post-E-Revenue	**₦**	**₦**	**₦**
Q2-2016	501.6561	64.9922	10.2796
Q3-2016	65.2876	56.399	0.2634
Q4-2016	265.3192	183.4499	0.2995
Q1-2017	166.0176	198.7343	0.228
Q2-2017	305.3955	197.7765	72.5931
Q3-2017	297.3369	207.214	24.1888
Q4-2017	164.7873	224.474	2.3935
Q1-2018	152.4191	221.3805	0.1106
Q2-2018	364.2424	246.3033	0.8258
Q3-2018	384.9345	250.5607	1.8449
Q4-2018	313.4608	254.1039	0.399
Q1-2019	203.6832	269.7938	0.318
Q2-2019	471.5832	266.7317	6.1663

Source: *Office of the Auditor General for Local Government, Nasarawa State Quarterly Report from 2013 to 2019.*

From the table above, the trend analysis of Informal Sector revenue before the advent of E-Revenue from 2013 to 2016 is presented. Overview of the trend showed that Informal Sector revenue trended up from the first quarter of 2013 to the third quarter before it declined from the last quarter of 2013 to the first quarter of 2014. It rose sharply in the second quarter of 2014, declined greatly in the third quarter before it rose again in the fourth quarter of 2014. In the same vein, from the first quarter of 2015 to the first quarter of 2016, Informal Sector revenue trended downward. The analysis further revealed a zigzag trend of Tenement revenue from the first quarter of 2013 to the second quarter of 2014, before a sudden sharp upward trend from the third quarter of 2014 to the fourth quarter of the same years. The outcome also showed a zigzag trend of Tenement revenue from the first quarter of 2014 to the first quarter of 2016. The table also revealed that there was an upward trend of company Informal Sector revenue from the base period, the first quarter of 2013, a downward trend from the second quarter to the first quarter 2014 before it rose sharply in the second quarter of 2014 and trended downward to the last quarter of 2014. It rose gently from the first quarter of 2015, before it trended up sharply from the second quarter of 2015 and decline greatly from the third quarter of the same year to the first quarter of 2016.

A cursory look at the trend analysis reveals that there was a sharp increase in the second and third quarters of 2016 in formal sector revenue after the introduction of E-Revenue generation, a sharp decrease in the fourth quarter before it maintained a parallel trend from the last quarter of 2016 to the first quarter of 2018. Averagely, it rose from the second quarter of 2018 to the third quarter before it trended downward to the first quarter of 2019 and finally rose in the second of the same year.

The trend analysis revealed that Tenement revenue from the second quarter to the third quarter of 2016 trended downwards slightly, before it rose sharply from the fourth quarter of the same year to the second quarter of 2019. This reveals the efficiency of e-taxation in the generation of tenement revenue. This drastic increase could also be attributed to adoption of E-Revenue generation system. Lastly, the table reveals the trend analysis of informal sector revenue after the introduction of E-Revenue generation. Obviously, it could be clearly seen that informal sector revenue has maintained an unstable trend on the rise in karu LGC from the second quarter of 2016 to the second quarter of 2019.

Table 2. Summary of Projects executed before E-Revenue Generation period

S/N	Projects	Before E-revenue		After E-Revenue	
		No.	Period	No	Period
1	Street/Road Construction	-	1st Qtr. 2013-1stQtr. 2016	5	2nd Qtr. 2016-1st. 2019
Q	PHCN	-	,,	12	,,
3	Blocks of Class room newly constructed and renovated.	-	,,	15	,,
4	School Desks	-	,,	700	,,
5	Drilled Motorized Boreholes	-	,,	17	,,
6	Public Toilet newly built	-	,,	32	,,
7	Reconstruction and expansion of office accommodation	-	,,	4	,,
8	Purchase Transformer	-	,,	7	,,
9	Constructions of concrete culvert	-	,,	21	,,
10	Staff Salary payment	20-50% payment	,,	Full payment	,,
	Total				

Source: Field Survey, 2020

4.2 Regression Result from all the Parameters
Dependent variable: Y

Variable	Coefficient	Std Err	T-Statistics	Prob
FSR	**0.91905**	**0.013800**	**6.659685**	**0.0949**
TTR	**1.201855**	**0.058925**	**20.39650**	**0.0312**
ISR	**71.97584**	**3.547486**	**20.28925**	**0.0315**

R-SQUARED (R2) 0.998927
Durbin Watson Statistics 2.443913
Recall that:
Y= Development in Karu LGC
FSR = Statutory Revenue Allocation
TTR= Excess Crude Revenue
ISR = Internally Generated Revenue

4.3 Discussion of Findings

From the regression result, the Durbin Watson(DW) of 2.443913 shows that there are no positiveautocorrelation among all the variables. The coefficientof determination (R2) at 99% indicates a positiverelationship between the dependent variables (thedevelopment effort of government) and the explanatoryvariables. This suggests that 99% of the changes in visible development in Karu Local government are explained by the changes in the FSR, TTR and ISR. The remaining 1% is explained by thevariables not included in the model. With regards to Statutory FSR, aunit change induces 0.09 unit increase in visible development in Karu LGC. A unit change in TTR, induces 1.2 unit increases the visible development on ground while a unit change in ISR, induces 71.9 unit increasein the visible development going on in all around Karu LGC.

5. CONCLUSION AND RECOMMENDATIONS

Literature affirmed that over the years tax compliance levels remain low and tax collections are below the targets set by most revenue collection authorities. The introduction of electronic tax systems in most countries across the global divide, developing countries like Nigeria, still face the challenges of low tax compliance and tax administration. It was argued that E-Revenue generation systems are rapidly replacing paper-based tax reporting systems. Promising many advantages over the traditional method of hard copy tax filing, these systems promise faster processing, lower cost and increased efficiency. This was the basis on which this research work was conducted to examine the link or connect between E-Revenue generation adoption and actual revenue generation in Karu LGC on one hand, and to examine the effect of E-Revenue generation on the development of Karu LGC.
Based on the outcome of the analysis carried out, it was concluded that; There is a very strong link or connect that exist between E-Revenue generation and the actual revenue generated in Karu LGC; and there is generally significant positive relationship between all the independent variables and the developmentefforts in all the sampled local governments asindicated by t-statistics deductively, most of thedevelopment efforts in the local governments are purelya function of all this important variables. Hence all thenull hypotheses are thus rejected while the alternativestands accepted.

The following recommendations were made in line with the findings of the study:

i. All other Local Government Chairmen in Nasarawa State should immediately adopt E-Revenue generation sytem so as to further maximize the expected positive impact of the initiative.
ii. To ease accessibility by taxpayers, mobile version of electronic tax portal should be created. This will no doubt increase the adoption rate by tax payers as mobile phones are being increasingly used.
iii. The Legislative Arm of Karu LGC should as a matter of urgency legislate on E-Revenue generation system making is mandatory to every administration to continue to implement it and improve it.

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Effect of Digital Economy on the Nigeria Financial Structure

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Abstract

This study examines the effect of digital economy on the Nigeria financial structure. The literature developed was guided by the diffusion of innovation theory and technology acceptance theory. The study adopted exploratory and ex-post facto research designs with the aid of computer based regression analysis. The Nigeria Deposit Insurance Corporation (NDIC) and the National Financial Inclusion Structure were used as source of data to establish the effect of digital economy on the Nigeria financial structure and also the report of the united nation conference on trade and development was used to explain the opportunity and challenges of digital economy. The data used were the number of e-transactions and the value of e-transaction for ATM and Mobile Money in the deposit money banks as proxy for digital economy and also the percentage of loan to deposit of the deposit money banks as proxy for Nigeria financial structure. The test of hypothesis of this study is a null hypothesis.The R-square value is 0.71; it means that the model has successfully predicted the variables. This implies that 71% changes in the loan to deposit of Deposit Money Banks are explained by the changes in the ATM and Mobile Money. The Adjusted R-squared value of 0.43 is positive and not significant; this therefore indicates that there is no strong relationship between digital economy and financial structure of the Nigerian Deposit Money Banks. Finally, the P-value is 0.29, greater than 0.05. Therefore the study conclude that there is no significant relationship between digital economy and financial structure of the Nigerian Deposit Money Banks.In line with the findings of the study, it is recommended that deposit money banks should remove the bottlenecks associated with the use of their automated teller machines and mobile money and strive to meet international best practice. Also, to prevent the evolving digital economy from exacerbating, more concerted efforts should be made to help countries strengthen their readiness to capture the opportunities arising from digitalization. To prevent the evolving digital economy from exacerbating, more concerted efforts should be made to help countries strengthen their readiness to capture the opportunities arising from digitalization.

Keywords: Digital Economy, Electronic Transaction, Nigeria Financial Structure

1. INTRODUCTION

One of the most significant changes that we experience today is the move to an Internet-based society. Some of the changes are already here, and they are spreading around the globe, others are just beginning. One of the most significant changes is in the manner we conduct business, especially in how we manage the marketplaces and commerce. Digital Economy is derived solely or primarily from digital technologies (ICT) with a business model based on digital goods or services. Digital economy is one collective term for all economic transactions that occur on the internet. It is also known as the Web Economy or the Internet Economy. With the advent of technology and the process of globalization, the digital and traditional economies are merging into one.The twenty first century movement towards advanced technology in telecommunication, information, and innovations brought up the concepts of digital technology and digital economy (Tsyganov and Apalkova, 2016). Digital economy is an economy based on digital technologies and the primary use of information technology hardware, software, applications and telecommunications in all areas of economy, including internal and external activities of organizations (Domazet and Lazić, 2017, Sutherland and Jarrahi, 2018). At the same time, digital economy refers to an economy based on professional and market knowledge, creativity, and an innovation society. Digital economy is a paradigm of global information society that is centered on technology platforms, such as the Internet, mobile or other electronic devices, used for producing, distributing, exchanging and consuming goods and services in global markets (Tsyganov and Apalkova, 2016, Balcerzak and Pietrzak, 2017). New products and needs are generated now at the rapid pace, due to the speed and volume of information, thereby opening up significant opportunities for business creation and development. Digital technologies are currently the target of investment flows and global resources throwing, human and financial (World Investment Report, 2017). So far, European countries are forecasting staffing needs that may hit when digitalizing various sectors of economy.

Digital economy plays a significant role in accelerating the economic development of a country by improving its financial structure via executing the trade of goods and services through electronic commerce on the internet,(According to OECD), manufacturing of digital equipment, publishing media production and computer programming, (According to the UK Government). The Economist Intelligence Unit and IBM joint study defines digital economy as a system that can provide a high quality of ICT infrastructure and harness the power of it to benefit consumers, businesses and governments. Despite a rapid increase in business spending on capital and services in ICT, the New Digital Economy (mobile technology, the internet, and cloud) has not yet generated any visible improvement in productivity growth (Van Ark, 2016; Nelson *et al.,* 2017). However, one should note that digital economy is still in the middle of formation, so any effects on productivity will occur only with a developed digital technology. This study therefore seeks to examine the extent to which digital economy has effect on the Nigeria financial structure.

2. LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Concept of Digital Economy

Digital economy is defined as economy based on digital technologies that cover mostly the sector of e-services and e-goods. The more enhanced approach interprets digital economy as production process based on the use of digital technologies (Yudina, 2016). Digital economy can be described as economic activity based on digital technologies and divided into auxiliary infrastructure, online services and electronic commerce (e-business). The development of a digitalized environment requires the maintenance of existing digital platforms and the creation of new know how technologies and software. M.V. Matyunina (2017) Digital economy is defined as an economy that focuses on digital technologies, i.e. it is based on digital and computing technologies. It essentially covers all business, economic, social, cultural etc. activities that are supported by the web and other digital communication technologies. Digital economy has given rise to many new trends and start-up ideas. Almost all of the biggest companies in the world (Google, Apple, Microsoft, and Amazon) are from the digital world. Some important merits of the digital economy include; Promoting use of the Internet; Rise in E-Commerce, Digital Goods and Services and Transparency

2.1.3 Concept of Financial Structure

Financial structure is the mix of short-term liabilities, short-term debt, long-term debt, and equity that a business uses to finance its assets. A significant reliance on debt funding allows shareholders to achieve a higher return on investment, since there is less equity in the business. However, this financial structure can be risky, since the firm has a large debt obligation that must be paid. A firm positioned as an oligopoly or monopoly is best able to support such a leveraged financial structure, since its sales, profits and cash flows can be reliably predicted. Conversely, a business positioned in a highly competitive market cannot support a high degree of leverage, since it experiences volatile earnings and cash flows that could cause it to miss debt payments and trigger a bankruptcy filing. A business in this latter position needs to skew its financial structure in the direction of more equity, for which there is no payback requirement. Consequently, one of the most critical issues for a CFO to deal with is the proper mix of debt and equity to employ in a company's financial structure.

2.1.4 Concept of the Components of Digital Economy

According to the OCED, Digital economy is an umbrella term used to describe markets that focus on digital technologies. It refers to the full range of our economic, social and cultural activities supported by the Internet and related information and communications technologies. These typically involve the trade of information goods or services through electronic commerce. It operates on a layered basis, with separate segments for data transportation and applications (OECD 2012). A widely accepted understanding about digital economy is its activities on and around the digital world. Thomas Mesenbourg (2001) has provided three main components for Digital Economy; E-business infrastructure (hardware, software, telecoms, networks, human capital, etc.); E-business (how business is conducted, any process that an organization conducts over computer-mediated networks) and E-commerce (transfer of goods, for example when a book is sold online).

2.1.4 Concept of Electronic Transaction

Electronic transaction also refered to as electronic banking is the best innovation that has happened in the banking industry in the 21st Century. Electronic transaction has made transacting possible away from banking premises. Transaction can now take place anywhere using various electronic devices like mobile phones, automated teller machines, point-of-sale systems, smart televisions, computers, tablets, among others. Today different baking transactions can be completed or initiated from different locations outside banking premises such as transfer and receipts of funds, balance enquiry, purchase of airtime, payment of bills and account opening. The question therefore is what is electronic banking? The concept of electronic transaction has been defined in many ways by researchers. Daniel E. (1999) defines the concept as the delivery of information and services by banks to customers via different delivery platforms that can be used on different electronic devices such as personal computers, mobile phones or digital televisions with browsers or desktop software. As good as this definition appears, it does not take into cognizance other platforms for electronic banking such as automated teller machines and point-of-sales which are the focus of this study. Similarly, Abid H. and Noreen U.C. (2006) defined electronic banking as any use of information and communication technology and other electronic means by a bank to conduct transactions and have interaction with stakeholders. This definition is broader than that of Daniel E. (1999) as it focuses on information and communication technology. Also, electronic banking is a system of payment whereby transaction takes place electronically without the use of cash. Magembe s. and Shemi A.P. (2002) defined electronic banking (e-banking) as nothing but e-business in the banking industry. Tiwari and Buse (2007) defined electronic banking as provision of banking and financial services with the help of telecommunication devices such as mobile telecommunication devices. The scope of offered services may include facilities to conduct bank transactions, to administer accounts and to access customized information. In the broader sense electronic banking enables the execution of financial services in the course of which within an electronic procedure the customer uses communication techniques in conjunction with telecommunication devices. The most easily accessible electronic platform is mobile banking.

2.2 Empirical Review

Edwin and Peter (2018) sought to understand the challenges which serve as barriers to E-Commerce adoption by small and medium scale enterprises in the Nigerian context. Findings indicates that small and medium scale online present is at best unknown. The most common e-commerce applications used by most SMEs include but not limited to the use of e-mails for communication purposes and a simple website for basic product information – information contained are usually outdated as most of these websites are hardly updated. Ogechi, Adeola and Olaniyi Evans, (2018) examined the relationship between information and communication technology (ICT), infrastructure, and tourism development in Africa between 1996 and 2016, the study identified relevant factors including bilateral real exchange rate and gross domestic product per capita of the origin countries, suggesting a major role for the variables measured in the region of origin and for those that serve as a comparison between origin and destination. Overall, the empirical results provide evidence that ICT and infrastructural development have opened huge opportunities for growing and strengthening tourism in Africa. Akinwale, Sanusi and Surujlal, (2018) examined the relationship and impact of ICT on economic growth in Nigeria. The study used secure internet server per 1 million, mobile cellular subscription per 100 people, and investment in telecoms with private sector participation (in current USD) as proxies for ICT, and GDP as proxy for economic growth for the period 1997 to 2016. The panel of data set was analyzed using autoregressive distributed lag (ARDL) which revealed that there is a co integration between ICT and economic growth, which establishes the existence of a long-run relationship between them. In the short run, only secure internet server per 1 million and mobile cellular subscription per 100 people have a positive and significant impact on economic growth, whereas investment in telecoms with private sector participation was not significant. Ustyuzhanina, Sigarev and Komarova, (2017) examined the Impact of the digital revolution on the paradigm shift in the economic development. Result viewed that the transformation of the paradigm of economic development is characterized by changes in the nature of labor division, the dominant way of interaction among business entities, and the basis of economic power. Changes in the nature of labor division imply intellectual and organizational centers getting separated from production and service departments.

Asare and Sakoe (2015) examined the effects of electronic banking on financial services in Ghana using qualitative research method. The study found out that the advent of electronic banking in Ghana has enhanced accessibility to a wide range of banking products and also delivery of banking services has been made increasingly faster to cover a wide range of customers or people referred by existing customers. Therefore, the study concluded that electronic banking has fundamentally changed the business of banking in Ghana from a financial intermediary to a financial shopping mall providing a one-stop-shop for various financial services. Musa (2014) examined the Effects of Cashless Economy Policy on financial inclusion in Nigeria. The study is an exploratory study. The result showed that Awareness, Consumer or User Value Proposition, and Infrastructure were found to have strong significant relationship with Financial Inclusion while Business Model of Financial Service Providers did not show any significant relationship with Financial Inclusion. Kumbhar (2011) observed that today almost all banks are adopting information and communication technology as a means to enhance service quality. They are providing information and communication technology-based e-service to their customers in form of electronic banking, internet banking or online banking. It brings convenience and customer centricity, enhances service quality and cost effectiveness in banking and increases customer satisfaction in banking services. Al-mutawkkil, Heshmati and Hwang, (2009) examined the Development of telecommunication and broadcasting infrastructure indices at the global level The study introduced a number of telecommunication and broadcasting sub-indices, which include the fixed telephone network, the Internet, and mobile networks, which are aggregated into a composite Telecommunication Index (TI). Results suggest that the parametric index approach may be preferred over those methods in which the subjective weighted summation of normalized variables used (non-parametric indices).

2.3 Theoretical Framework

2.3.1 Diffusion of innovations Theory

Diffusion of innovations is a theory that seeks to explain how, why, and at what rate new ideas and technology spread. Everett Rogers (2003) argues that diffusion is the process by which an innovation is communicated over time among the participants in a social system and it must be widely adopted in order to self-sustain. According to E.M. Rodger's definition, Diffusion process is the spreading or deployment of a new idea from the initial source (developer) to the end-user or adopter. The diffusion of innovations in the digital economy thus is described as a process by which the innovation is spread via communication channels between the members of the social system in a given period of time. examples are e-commerce (e-business), e-learning programs, on-line sales of games, videos, mobile applications, films, taxi aggregator programs, food delivery via electronic applications, e-banking, booking services etc. All the mentioned services become widely spread and used in everyday life. In other words, the diffusion of the digital economy is the spreading and development of once used innovation to other spheres of life. This is the process of innovation adaptation and applicability to end-users and its further deployment to the market.

2.3.2 Technology Acceptance Theory

The technology acceptance theory (TAM) postulated by Davis, F.D (1989) is an adaptation of the Reasoned Action Theory (TRAT) specifically tailored for modeling user acceptance of information systems. The goal of (TAM) is to provide an explanation of the determinants of computer acceptance that is general, capable of explaining user behavior across a broad range of end-user computing technologies and user populations, while at the same time being both parsimonious and theoretically justified. Thus, this study believes that the acceptance of contemporary digital technology by organizations is fundamental to their performance as well as improving their financial structure.

3. METHODOLOGY

Using exploratory research design, the study sourced secondary data on opportunities and challenges from united nation conference on trade and development (2019). Also, data on E-transaction (ATM and mobile money) and loan to deposit of deposit money banks whichranged between 10 banks to 22 banks from 2014 to 2018. The data were sourced from theannual reports of Nigeria Deposit Insurance Corporation (NDIC) and the National Financial Inclusion Structure to establish the effect of digital economy on the Nigeria financial structure. This study used ex-post facto research (after the event research) and correlational design for a period of years (from 2014 to 2018). The technique of data analysis for the research is regression analysis and this technique is preferred for the analysis because the research is empirical in nature and data for the study is time series. The dependent variable for this study is Nigeria financial structure which loan to of the deposit money banks is a surrogate. The independent variable is digital economy which E-transaction is a surrogate and is represented by Automated Teller Machine (ATM) and Mobile Money.

4. RESULT AND DISCUSSION

In this study, data was collected for 5 years (2014-2018) from the annual reports of Nigeria Deposit Insurance Corporation (NDIC) and the National Financial Inclusion Structure to establish the effect of digital economy on the Nigeria financial structure. The data used were the number of e-transactions and the value of e-transaction for ATM and Mobile Money in the deposit money banks as proxy for digital economy and also the percentage of loan to deposit of the deposit money banks as proxy for Nigeria financial structure.

4.1 Regression Result

The intension of this study is to establish the relationship between the Automated Teller Machine (ATM), Mobile Money and the Loan to Deposit of the Deposit Money Banks in the years between 2014 and 2018. The table below is a summary of the secondary data used for regression analysis table and the data below, was run using Ordinary Least Square of the Regression model via the use of E-views, version 10

Table 1: Time SeriesRegression Data

	Digital economy (independent variable)						Nigeria financial structure (dependent variable)	Modifier
	Number of E-transactions of DBMs		Value of E-transactions of DBMs		Value of E-transactions (%) of DBMs			
years	ATM	Mobile Money	ATM	Mobile Money	ATM	Mobile Money	Loan to deposit of DMBs	No-account opened
2014	400.3M	27.7M	3.7TN	0.3TN	8.4%	0.8%	68.11%	64,314,151
2015	433.7M	43.9M	4.0TN	0.4TN	7.9%	0.9%	73.76%	67,014,525
2016	590.2M	47.1M	5.0TN	0.8TN	7.2%	1.1%	87.29%	83,016,654
2017	800.5M	47.8M	6.4TN	1.1TN	6.5%	1.1%	72.30%	99,114,035
2018	875.5M	59.9M	6.5TN	1.2TN	4.9%	0.9%	64.69%	112,005,516

Source, NDIC and Nigeria Financial inclusion (2018)

Test of Hypothesis

Ho: There is no significant relationship between digital economy and financial structure

Decision Rule

The hypothesis is tested using Ordinary Least Square of the Regression model via the use of E-views, version 10. The significance of the variables tested in the model is assessed by comparing the p-value against the level of significance (0.05). The H_O is rejected if the p-value is less than the level of significant and we thus conclude that the variable under consideration is significant. Otherwise we accept the null hypothesis and conclude that the independent variable under consideration does not have significant effect on the dependent variable.

Dependent Variable: LOAN TO DEPOSIT OF DMBS

Method: Least Squares

Date: 03/10/20 Time: 16:10
Sample: 2014- 2018
Included observations: 5
Table 2.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ATM	3.308027	2.476746	1.335634	0.3134
MOBILE_MONEY	52.49663	25.22420	2.081201	0.1729
C	-0.256792	33.39566	-0.007689	0.9946

R-squared	0.714042	Mean dependent var	73.23000
Adjusted R-squared	0.428084	S.D. dependent var	8.630982
S.E. of regression	6.527190	Akaike info criterion	6.873539
Sum squared resid	85.20843	Schwarz criterion	6.639202
Log likelihood	-14.18385	Hannan-Quinn criter.	6.244601
F-statistic	2.497018	Durbin-Watson stat	3.055930
Prob(F-statistic)	0.285958		

Source: Compilation of the author, based on the analysis results using E-views

4.2 Discussion of Findings

According to the table above it shows that there is no significant relationship between digital economy and Nigeria financial structure.The R-square value is 0.71; it means that the model has successfully predicted the variables. This implies that 71% changes in the loan to deposit of Deposit Money Banks are explained by the changes in the ATM and Mobile Money. The Adjusted R-squared value of 0.43 is positive and not significant; this therefore indicates that there is no strong relationship between digital economy and financial structure of the Nigerian Deposit Money Banks. Finally, the P-value is 0.29, greater than 0.05. We therefore, accept the null hypothesis and conclude that there is no significant relationship between digital economy and financial structure of the Nigerian Deposit Money Banks. According to the trade and development board united nation conference (2019), the rapid spread of digital technologies is disrupting production and trade, generating both opportunities and challenges for sustainable development.

5. CONCLUSION AND RECOMMENDATION

The analysis investigated the effect of digital economy on the Nigeria financial structure with specific reference to automated teller machine (ATM), mobile money and loan to deposit of deposit money bank which were represented in numbers, naira and percentages all information from 2014 to 2018. Adopting digital has been the target of governments around the world, especially underdeveloped and developing economies. Thus, digital economy is seen by researchers as one of the key drivers of economic growth and development which informed this research effort. This study shows that digital economy has positive effect on the Nigeria financial structure, while the challenges associated with its adoption made it have no significant effect on the Nigeria financial structure. In line with the literature review, analysis and findings of this study, it is recommended that:

i. Deposit money banks should remove the bottlenecks associated with the use of their automated teller machines and mobile money transaction and strive to meet international best practice.

ii. Governments should take a holistic approach that involves multi-stakeholder dialogue With a view to securing the benefits from and minimizing the risks of digitalization. In addition, national policies and strategies should focus on harnessing digital data for development by developing relevant infrastructure, skills and regulations.

iii. The use of e-transaction in the deposit money banks should be further discussed.

iv. To prevent the evolving digital economy from exacerbating, more concerted efforts should be made to help countries strengthen their readiness to capture the opportunities arising from digitalization.

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Impact of Financial Accounting Policies on Business Performance in Nigeria

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Abstract

Accounting records dating back several thousand years have been found in various parts of the world. These records indicate that at all levels of development, people desire information about their efforts and accomplishments. Therefore, accounting as a profession has a very important role to play in the economic development of any nation such as Nigeria. This study concluded that that there is a strong positive relationship on the adoption of IFRS and has imparted immensely on financial performance of Organizations in Nigeria, IFRS improves business efficiency and productivity for effective business performance, more than one set of accounts for different national jurisdictions. It is recommended that the financial reporting practice in Nigeria should cut across the public and private sector to bring uniformity in accounting practice regarding annual preparation of financial reports that will guarantee investment.

Keywords: ; Organization, Financial Statement, Performance, Investment

1. INTRODUCTION

Prior to the information of the international accounting standards committee (IASC) on 29th June, 1993, by a group of pioneer accounting bodies in united kingdom, United State of America, Australia, Canada, France, Germany, Japan, Mexico, the Neither land and Island. Merge (1979) says that there existed differences both inform of these accounting standards. It was in the light of these differences that the international accounting standards committee (IASC) come with their objective to harmonize these standards and made their application world-wide. Amore (1986:16) says that the standards issue by the (IASC) however, does not meet our local conditions environment, thus the need for Nigeria to have local accounting setting body that would give due economic environment when setting these standards become necessary. Further, Falyse (1984:22) stressed that if accounting standards are to contribute effectively to the accounting development and business environment effort, they must be turned to our social legal and business environment. However, with the global movement towards single financial reporting standard, the previous initiative of the Nigeria accounting standards Board (NASB) Now replaced with financial Reporting Council (FRC) of Nigeria with convergence with international financial reporting standard (IFRS) by adaptation. Nigeria IFRS road map was released in 2010 and recommended them to adopt the IFRS in Nigeria from 2012

The IASB (International accounting standards Board) is an independent group of experts with an appropriate mix of recent practical experience in setting accounting standards, in preparing, auditing or using financial reports, and in accounting education. The international accounting standard Board (IASB) members are responsible for the development and publication of IFRS standards, including the IFRS for SME's standards. The Board is also responsible for approving interpretations of IFRS as developed by the IFRS interpretations committee (formerly IFRIC). All meeting of the (IASB) follows a thorough open andtransparent due process of which the publication of consultative documents such as discussion paper and exposure drafts for public comment is an important component. The (IASB) engage closely with stakeholder around the world including investors analysts, accounting standards letter and the accounting profession the IFRS interpretation committee comprises 14 voting members appointed by the trustee's and drawn from a variety of countries and progression background. The financial reporting council has been pre-occupied with exposure drafts and the issues of international facilities, reporting standard. To date Nigeria has 13 accounting standards wholly developed to suit the economic business environment.

2. LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Concept of Accounting

It is obvious that accounting standards are important to all users of the statement of accounting and allied course as they are usually subject of examination. Preparation of accounting information includes: The financial statement and the auditor. The financial accountant who may be acting in the capacity of Chief Accountant prepares the annual accounts of the organization with attempts of complying with the accounting standards. The auditor must audit the financial statement prepared by the financial accountant and find out if the statement complies with specific requirements of the accounting standards and the express his opinion as to whether the financial statement shows a true and fair view or not.Users of financial information include:

i. **Management:** They use the standard to get better understanding of the financial statement for analyzing the organization's performance and position and taking appropriate measures to improve the company results and objectives.

ii. **Creditors:** They include both present and potentials ones for determining the credit worthiness of the organization. Terms of the credit are set by creditor according to their assessment of their customers financial health. Creditors include suppliers as well as lenders of finance such as banks.

iii. **Investors:** For analyzing the feasibility of investing in the company. Investors want to make sure they can earn a reasonable return on their investment before they commit any financial resources to the company. Example are lenders and debentures holders.

Other users of financial statement include banks financial analysts, economists and statistics among others.

2.1.2 Financial Data Quality

Miller, (2002) acknowledged the concept of accounting information quality as a new model to achieve tremendous benefits that indicate the need of administration to communicate with shareholders to understand their needs and serve them fast and in the best possible way. Such characteristics aim to help administrators when developing accounting standards and assist accountants in the preparation of financial statements in assessing the accounting information that results from the application of alternative accounting methods and distinguish between what is a necessary clarification and what is not according to the users of accounting information. Accounting information provided by financial statement is used by various people. These groups of users need the knowledge of accounting standards to have thorough understanding of the financial statements.

2.1.3 Concept of Information System

Idris, (2005) defined the information system as "A system which includes a set of elements and reactants components of the relevant reciprocity that work together to collect, operate, store, distribute necessary information for the decision- making process in the organization". Information system is a system consisting of a set of parts and procedure interacting with each other in order to collect, process, and store the appropriate data, and deliver the appropriate information in the appropriate time and place and accuracy suitable for the process of decision-making in the organization and in a form which contributes to achieve its objectives". Romney andsteinbart (2012), and Gel, (2010) defined an accounting information system as a collection of parts and sub systems that are connected with each other and with the surrounding environment and operate as a single overlap relationship between each other and between the system that combines, where each part depends on the other in achieving the goals sought by the comprehensive system of accounting, in order to provide data and information to decision makers. It then means, accounting information systems collect, record, store and handles data to provide information to decision-makers via advanced technology or simple system or in between of the two. Ahmad (2006) assert "in order for accounting information to achieve its desired goals, it should have the following basic properties; it should be; Appropriate, Credible, Timely, Understandable, Important, and posses' financial data quality

2.2 Empirical Framework

Chang (2001) asserts that accounting information plays a significant role in enhancing organizational effectiveness in a global competitive environment. Dorms, Jarmin and Klimek (2004) say that financial statements still remain the most important source of externally feasible information on companies. In spite of their widespread use and continuing advance, there is some concern that accounting practice has not kept pace with rapid economic and high technology charges which invariably affects the value relevance of accounting information. The importance of changes assertion is reinforced by massive accounting fraud in developed countries especially United States of America (USA) and in almost all developing countries like Nigeria, rapidly changing business environment and reports by some researchers that value relevance of accounting information has declined due to rapid economic and high innovative accounting packages or software. However, a number of researchers claim that accounting information has not lost its value relevance irrespective of this. Borthick and Clark (1990) believe that accounting exists because it satisfies a need primarily for information. In order to be relevant, accounting data must be quick to respond to users' need (particularly the investors). Generally, investors are not in a situation to directly access the performance of companies in which they intend to invest. They usually depend on financial reports prepared by the management of such organizations. Financial report is one of the best sources of accounting information about a company`s performance. Financial reporting is an essential part of disclosure that helps investor to discover investment opportunities. The primary purpose of financial statements is to provide information concerning the financial situation of the company, its operational results, any changes of control in the company and cash flow.

Khaled and Abdulqawi (2015), analyzed the role of accounting information systems and the effect of their use in improving the value chain of the business organizations using a study tool (questionnaire) based on the theoretical framework and previous studies. Using the appropriate statistical analysis tools for the study data (arithmetic mean, standard deviation, and testing of T-test One Sample) the research found a deficiency in the level of the availability of the basic components of accounting systems and the level of the quality of accounting information required to improve the value chain of business organizations in public shareholding industrial companies in the Kingdom of Bahrain in general, and recommended the need to work on improving the level of the basic components of accounting systems to improve the quality of accounting information, in order to improve the value chain of public shareholding industrial companies in the Kingdom of Bahrain; specifically in regards to the existence of clear and specific work procedures in the accounting system, the level of the effectiveness of internal control measures, clear definition of responsibilities and authority, and management's attention in training and continuing education programs for employees. Hla and Teru (2015), examined the efficiency of Accounting Information System on performance measures using the secondary data in which it was found that the biggest impact Information technology has made on accounting is the ability of companies to develop and use computerized systems to track and record financial transactions in facilitating management decision making, internal controls, and quality of the financial report. The study recommends that businesses, firms, and organization should adopt the use of AIS because adequate accounting information is essential for an effective decision-making process and enables all levels of management get sufficient, adequate, relevant and true information for planning and controlling activities of the business organization.

2.3 Theoretical Framework

2.3.1 Contingency theory

A contingency theory is an organization theory that claims that there is no best way to organize a corporation, to lead a company, or to make decisions. Instead, the optimal course of action is contingent (dependent) upon the internal and external situation. A contingent leader effectively applied his own style of leadership to the right situation. Financial accounting has been suggested as one of important management techniques, which distinctly adds values, by continuously probing whether resources are used effectively by people and organizations, in creating value for customers and shareholders. Financial accounting information is the information relied upon to provide information to managers for making decisions that will lead to effective performance. These systems traditionally apply a variety of techniques, including the standard costing of products, absorption costing and budgeting to provide timely and accurate information managers/shareholders, which will assist them in controlling costs, measuring and improving productivity and thus ensure the achievement of the business goals (Amey & Egginton 1973). These accounting systems according to Gordon and Miller (1976), maybe custom-designed to improve poorly functioning organizations, by providing information most relevant to the key organizational problems and opportunities; Based on views expressed in other studies Adelegan (2001) also noted that information produced by the financial statement and the way it is used, can support or hinder impact in organizations. These arguments which appear to suggest that improving performance will necessitate the adopting appropriate of design of financial accounting information by companies are in line contingency theory. The theory is providing explanation of the functioning of financial accounting information in their organizational context, views the systems as decision facilitating mechanisms, which should be tailored to an organizations structural, environmental and strategic situation to bring about good organizational performance (Gordon and Narayarn, 1984)

2.3.2 Political Perspective

Under this view, standard-setting process suggests that politics can havea first order effect on how accounting standards is set. Watts (1977) and Watts and Zimmerman(1978) have sought to develop and test economics-based theories of standard-setting thatcapture these political forces. They see political influence over standard-setting as a"purposeful intervention" in the standard-setting process by an economic entity with the goalof affecting the outcome of that process and to increase that entity's economic value or wealth.It can also be said that political influence occurs when it shifts the standard setters' positionaway from what they see as the "right answer," meaning a standard that achieves its objectives. This gives rise to the question of the objectives of standard setting (Kothari et al., 2010).Assuming a pragmatic approach of the consistent with the Financial Accounting Standard Board mission which states the following:

i. Move accounting to a position that is moreconsistent with conventionally-accepted definitions of financial statement items based oneconomics;
ii. Improve transparency; and
iii. Eliminate accounting alternatives that provide managers with additional flexibility in reporting; the Security and Exchange Commission being a government regulatoryagency can face political pressures that force it to take positions inconsistent with those of the FASB. More so, accounting firms, although, with objectives that are less clear and likely to be complex may likely participate in the process of accounting standard setting to improve the quality of financial reporting. For example, specifying accounting in an area of reporting that has become ambiguous.

2.3.3 Policy Network Theory

Heclo's (1978) issue network (also called Issue network) approach provides a theory of participation that can be applied to the standard setting process. In such application, it argues that there are individuals and organizations that have long-running interests (intellectual, economic, ideological and political) in the development and characteristics of new accounting standards. The interactions between these groups and individuals, and their ability to capture the allegiance of the standard setters themselves for their preferences, determine the contents of the new standards produced. The outcome of these standards then can be seen as the outcome of negotiations between sometimes competing groups with different interests and ideologies. All the groups involved face negotiations within themselves in order to arrive at a position, and then seek to foster negotiations with interested parties in order to achieve their preferred outcome.

2.3.4 Regulatory Capture Theory

The regulatory capture theory explains situations where regulatory agencies are captured by the industry they are supposed to be regulating (Uche, 2002). In other words, regulatory capture is the domination (capture) of a regulatory agency by the industry it seeks to regulate, thus rendering it unable to balance

competing interests when making social decision choices. In this case, the industry can then direct topics for possible legislation and reject others, which are not seen as important or in the interests of the industry. The application of this theory has focused on the relationship between an industry and the state.
Regulatory capture explains the predisposition of regulated industries to capture the regulatory body, in this case the International Accounting Standard Committee (IASC)/International Accounting Standard Board (IASB) (Mitnick, 1980; Walker, 1987). Regulatory capture theory was derived from economic theories of regulation, which sought to explain the pattern of regulation by governments (Posner, 1974). Developed by "an odd mixture of welfare state liberals, muckrakers, Marxists, and free market economists", regulatory capture theory was used to argue that regulation was supplied in response to the demands of particular interest groups (Posner, 1974). Mitnick's (1980) conception of regulatory capture focused specifically on the relationship between regulatory bodies and the industries they were intended to regulate.

It considered how aspects of this relationship can promote, capture and result in the regulatory body making decisions and taking actions consistent with the preferences of the regulated industry (Mitnick, 1980). A study by Walker (1987), a former member of the Accounting Standards Review Board (ARSB) in Australia, who provided a personal account of the Australian accounting standard setting process used Mitnick's (1980) theory of regulatory capture to argue that the accounting standard setting process in Australia had been captured by the interest groups it was established to regulate. In developing his argument, Walker (1987) traced the early history of the ASRB and noted the lobbying power of the accountancy bodies in the early stages of the ASRB's formation, which ensured that the ASRB would not have independent research capabilities. He also argued that the profession had "managed to influence the procedures, priorities, and output of the Board", and further, that it had influenced appointments to the Board so that "virtually all members of the Board might reasonably be expected to have some community of interests with the profession" (Walker, 1987). Having provided a convincing argument for the regulatory capture of the ASRB, Walker (1987) concluded by stressing the importance of highlighting the process of accounting standard setting and examining the political arrangements surrounding the process.

3. METHODOLOGY

The data for this study were collected from the secondary source. These data were gotten fromthe Institute of Chartered Accountant of Nigeria Membership Year Bookand online research materials (Projects, Journals and Paper presentations).

4. RESULT AND DISCUSSION

The key role players in the practice of accounting in Nigeria are those organizations that aresaddled with the responsibility of providing established rules and standards in the preparation ofcorporate financial statements, its audit and investigation. In general, the accounting profession and the Federal Government of Nigeria have alwaysbeen entwined. Before Nigeria gained political independence in 1960, it had no registered body for professional accountants. The development of the accounting profession in Nigeria became feasible only with the movement towards political independence in the country. Comparatively, however, the accounting profession lagged behind most other professions in Nigeria. It was, for instance, observed that: Although clergymen, lawyers and doctors have been recognized as professionals in Lagos asfar back as the later part of the nineteenth century… accountants were not so recognized because the handful of this group of skilled practitioners at that time were either civil servants or employees of the foreign trading companies based in Lagos (Aribaba, 1990, pp.304).

Further, the handful of accountants in the country as at the time were foreigners and it was notuntil 1950 that Akintola Williams became the first Nigerian to qualify as a chartered accountant when he was admitted into the Institute of Chartered Accountants of England and Wales (ICAEW). By 1960 there were 15 Nigerian members of ICAEW, one Nigerian member of the Institute of Municipal Treasurers and Accountants (now the Chartered Institute of Public Finance and Accountancy) and 24 Nigerian members of the Association of Certified and Corporate Accountants (now the Chartered Association of Certified Accountants). The foundation and historical step has been a force of organization excellence in Nigeria, which have encourage foreign investors to Nigeria and its economy has appreciates immense development in the global market.

5. CONCLUSION AND RECOMMENDATION

Based on the findings of this study, it has been deduced that Accounting setting standards/policies have evolve over the years to guarantee business performance in Nigeria.The vast directions ofaccounting policies and information on financial reporting quality presents the most important relations between the challenges and technological responses in pointing out the way for future research in order to improve the alignment between adopted technology and organization performance. Like many other aspects of education, accounting education is of paramount importance and it embodies the task of instructing accountants systematically. The instructions given in this regard will educate accountants and help them realize the skills and expertise that should qualify them to improve organization performance in the competitive market. In addition, accounting education polishes accountants and widens their understanding of accounting practices.

It cannot be ruled out that Accounting policies have developed business and economy of Nigeria since independent by various sound achievements that the FIRS and GAAP has recorded over the years on financial statements of different organization in the various Industries. The study therefore recommends further investigations into the relationship between accounting information system and financial reporting quality especially in technological adapting economies such as Nigeria. For organization performance to be deepened, it must avoid the negative effect of political perspective theory - standard-setting process suggests that politics can have a first order effect on how accounting standards is set. Watts (1977) and Watts & Zimmerman (1978) have sought to develop and test economics-based theories of standard-setting that capture these political forces.They see political influence over standard-setting as a "purposeful intervention" in the standard-setting process by an economic entity with the goal of affecting the outcome of that process and to increase that entity's economic value or wealth. It can also be said that political influence occurs when it shifts the standard setters' position away from what they see as the "right answer," meaning a standard that achieves its objectives. On both sides politics should have positive effect on accounting setting standard to ensure business performance.

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