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Intercultural Human Resource Management Practices and Employees’ Satisfaction in Quoted Food and Beverages MNC in Nigeria

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Abstract

This study assessed the impact of intercultural human resource management practices (Recruitment and Selection practices, Employee empowerment practice, and Compensation practice) on employees’ satisfaction in food and beverages MNCs in Nigeria. The study adopted descriptive survey research design. The target population comprises 6,356 staff of quoted food and beverages MNCs in Nigeria. Taro Yamane statistical formulae was used to determine the sample size of 1,568. Purposive sampling technique was used to determine the respondents which included Nigerians and Other Nationals working in the quoted food and beverages MNCs. A structured survey questionnaire was adapted, validated, and used for the construct ranged between 0.61 and 0.93. The response rate to the 1,568 copies of the questionnaire administered was 74%. Data were analysed using descriptive and inferential (Student T-test of multiple regression analysis) statistics. Hypotheses were tested at 0.05 level of significance using SPSS 20. Findings revealed that, Recruitment and Selection practice, Employee empowerment practice, and Compensation practice had significant positive influence on employees’ satisfaction among Nigerians and Other Nationals in food and beverages MNCs in Nigeria (β = - .025 - .441 ; P< .000 ; β = - .025; P> .343; (β = - .124 -.514; P< .000); (β = .168 - .299; P< .000: β = -.15; P>.566; - .225 -.246; P< .000): (β = -.144 -.421; P< .000; β = -.004; P>.886); (β = -.105 -.456; P< .000 -.001) respectively, except for power distance that had negative and insignificant influence on employees’ satisfaction among Nigerians with respect to recruitment and selection and collectivity and individuality that had negative and insignificant influences on employees’ satisfaction among Nigerians with respect to compensation and employee empowerment.

Keywords: Intercultural human resource management practices, employees’ satisfaction, Multinational Corporations.
1. Introduction

External factors, most especially culture does play a vital role in the work environment of manufacturing organisations (Nerkede, 2011) and human resource management (HRM) practices have been said to directly influence the job satisfaction of employee as well as increase organisational commitment (Ulrich, cited in Onyema, 2014). Successful organisations have taken employees’ satisfaction of their diverse workforce very important especially in subsidiary operations where multinational corporations’ (MNCs) policies and practices influence how the host country employee works and the employee’s cultural values also impact on how he does his work (Gardmer, Anakwe, Jackson, Bjorkman and Budwar, cited in Oppong, 2013).

Multinational Corporations have been contending with challenges concerning which of the human resource management practices to transfer to their subsidiaries abroad (Bratton and Gold, 2012). Zhang (2012) posits that intercultural human resource management practice is increasingly being recognized as a major determinant of accomplishments and regrets in international business. Majority of U.S and Swiss Corporations have recorded losses in international business just because they have not taken into consideration the different socio-cultural realities on ground ((Anderline, 2011; Sang-Hun, 2006). Multinational Corporations have been relocating from one region to the other and up and down in the same sub-region: Michelin has since relocated to Ghana from Nigeria, and of recent, Off-line Xpress for Windows (OLX), an e-commerce business has divested and closed down its business citing high cost of doing business among other reasons (Ogunfunwva, 2018). In addition to these, there have been increase in the rate of business failure, closure and poor organizational performance due to low productivity of employees and commercial globalization mainly caused by continued lack of attention on the benefits inherent in human resource management practices, and this is negatively impacting employees’ well-being in Nigeria and causing staff dissatisfaction, strikes and desire to withdraw professional services especially in multinational corporations (Izuogu and Onyekwere, 2019;Ogunfunwa, 2018; Okogba, 2018; Onyema, 2014).). The recent and on-going retrenchment of workers across many manufacturing industries and the death of many newly introduced products in Nigeria are as a result of poor performance (Okogba, 2018; Zirra, Ogbu & Ojo, 2017; Desk research, 2019)).

2. Conceptual Framework

HRMP                                      EMPLOYEES’ SATISFACTION

R & S

FF

COMP

CULTURE

NIGERIANS

OTHER NATIONALS

Researchers’ conceptualisation (2019)
2.2 Theoretical Framework
This study discusses five theories which are relevant to it. These theories include the following because they have been identified with strategic human resource management practice in Multinational Corporations (De Cieri & Dowling, cited in Stahl & Bjorkman, 2006): Resource based theory; Resource dependence theory; Stakeholder theory; Systems theory and Contextually-based HR theory. The theory underpinning the study is contextually-based HR theory (Paauwe, 2004).

3. Methods
3.1 Research design
This study adopted descriptive survey research design. Quantitative research usually fit with deductive approaches in which there is a theory and/or hypothesis which justifies the variables and the objective of the research (Borrego, Strevelar, Miller & Smith, 2009). Through this approach, responses were sought from staff of Nestle Foods Plc, Unilever Plc, Cadbury Plc, GlaxoSmithKline Plc, International Breweries Plc and Guinness Nigeria Plc head offices by making use of structured questionnaires. These companies are considered not only because they are listed on the Nigeria Stock Exchange but also because they are the largest subsector of the Nigerian manufacturing firms on the Exchange (Okere, cited in Osundina, 2014).

3.2 Population of the Study and sample size and sampling technique
The population for this study consisted of all quoted food and beverages Multinational Corporations in Nigeria. The study made use of the entire population not only because most of them are based in Lagos (Osuagwu & Ezie, 2013), but also as a result of the fact that they are the largest subsector of the Nigerian manufacturing firms listed on the Exchange (Okere, cited in Osundina, 2014). The target population is six thousand, three hundred and fifty-six (6,356) full-time employees of the quoted food and beverages Multinational Corporations. The sample size was drawn using Yamane (1967) and the total sample calculated was 1,568. Purposive sampling technique (maximum variation sampling method) which is a deliberate choice of participants considering their qualities (nationalities) was employed in this study (Etikan, Musa, & Alkassim, 2016).

4. Results and interpretation
Recruitment and selection practices have no significant influence on employees’ satisfaction among Nigerians in food and beverages MNCs in Nigeria.

Table 1.1: Regression Coefficient

<table>
<thead>
<tr>
<th>Coefficientsa</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig,</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>3.021</td>
<td>.197</td>
<td>.321</td>
<td>15.320</td>
</tr>
<tr>
<td>RS</td>
<td>.441</td>
<td>.036</td>
<td>.321</td>
<td>12.286</td>
</tr>
<tr>
<td>PD</td>
<td>-.025</td>
<td>.027</td>
<td>-.025</td>
<td>-.948</td>
</tr>
<tr>
<td>UA</td>
<td>.362</td>
<td>.028</td>
<td>.369</td>
<td>12.889</td>
</tr>
<tr>
<td>COL</td>
<td>.382</td>
<td>.029</td>
<td>.389</td>
<td>13.223</td>
</tr>
<tr>
<td>MAS</td>
<td>.159</td>
<td>.027</td>
<td>.154</td>
<td>5.825</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Employees’ satisfaction for Nigeria
From the Table 1.1, the following regression equation was established
\[ ES_N = 3.021 + 0.441TD - 0.025PD + 0.362UA + 0.382COL + 0.159MAS \]
From the regression, the ES (Employees’ satisfaction) is 3.021 when other factors (Recruitment and Selection, Power Distance; Uncertainty Avoidance; Collectivity Vs Individuality and Masculinity Vs Femininity) were held constant. All the explanatory variables have positive and significant effect on employees’ satisfaction in Nigeria except PD which had negative and significant effect on employees’ satisfaction in Nigeria. Hence, a percent’ increase in RS, UA, COL and MAS will bring about 32.1%, 36.9%, 38.9% and 15.4% increases respectively on employees’ satisfaction in Nigeria while PD will bring about 2.5 decrease effect on employees’ satisfaction in Nigeria. Hence, recruitment and selection practices have significant influence on employees’ satisfaction among food and beverages MNCs in Nigeria. Hence, recruitment and selection practices have significant influence on employees’ satisfaction among Nigerians in food and beverages MNCs in Nigeria.

**Table 1.1: Result of Regression Analysis**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.577</td>
<td>.333</td>
<td>.330</td>
<td>.866</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Recruitment and Selection; Power Distance; Uncertainty Avoidance; Collectivity Vs Individuality and Masculinity Vs Femininity

Source: Data Analysis from SPSS 20 (2019)

The Table 1.1 indicated that the model had a correlation value of 0.577, which manifests a good linear relationship between dependent (employees’ satisfaction for Nigerians) and independent variable (Recruitment and Selection; Power Distance; Uncertainty Avoidance; Collectivity Vs Individuality and Masculinity Vs Femininity). The $R^2 = (0.333; p < 0.05)$ which depicted that 49% of the changes in dependent variable (employees’ satisfaction for Nigerians) was accounted for by the independent variable (Training and Development; Power Distance; Uncertainty Avoidance; Collectivity Vs Individuality and Masculinity Vs Femininity). The adjusted $R^2$ shows the actual contribution of the independent variable (Recruitment and Selection; Power Distance; Uncertainty Avoidance; Collectivity Vs Individuality and Masculinity Vs Femininity) to the dependent variable (employees’ satisfaction for Nigerians). The F value of 114.357 significant at .000 shows a good explanatory power of the independent variable. This showed that the model do not suffer from specification bias.

**Recruitment and selection practices on employees’ satisfaction of other nationals in Nigeria**

**Table 1.2: Regression Coefficient**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>.495</td>
<td>.171</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RS</td>
<td>.180</td>
<td>.034</td>
<td>.121</td>
<td>5.322</td>
</tr>
<tr>
<td>PD</td>
<td>.135</td>
<td>.020</td>
<td>.170</td>
<td>6.657</td>
</tr>
<tr>
<td>UA</td>
<td>-.124</td>
<td>.024</td>
<td>-.141</td>
<td>-5.114</td>
</tr>
<tr>
<td>COL</td>
<td>.171</td>
<td>.025</td>
<td>.201</td>
<td>6.767</td>
</tr>
<tr>
<td>MAS</td>
<td>.514</td>
<td>.028</td>
<td>.468</td>
<td>18.239</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Employees’ satisfaction for other nationals in Nigeria

From the Table 4.2, the following regression equation was established

$$E_{SN} = 0.495 + 0.180_{RS} + 0.135_{PD} - 0.124_{UA} + 0.171_{COL} + 0.514_{MAS}$$
From the regression, the $E_{FN}$ (Employees’ satisfaction) is 0.495 when other factors (Recruitment and Selection; Power Distance; Uncertainty Avoidance; Collectivity Vs Individuality and Masculinity Vs Femininity) were held constant. All the explanatory variables have positive and significant effect on employees’ satisfaction among other nationals in Nigeria except UA which had negative and significant effect on employees’ satisfaction of other nationals in Nigeria. Hence, a percent increase in RS, PD, COL and MAS will bring about 12.1%, 17.0%, 20.1%, and 46.8% increase respectively on employees’ satisfaction of other nationals in Nigeria while UA had negative and significant effect on employees’ satisfaction of other nationals in Nigeria. Therefore, based on the result of the study, it can be ascertained that recruitment and selection have positive and significant effect on employees’ satisfaction of non-nationals in Nigeria.

Table 1.2: Result of Regression Analysis

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.716</td>
<td>.512</td>
<td>.510</td>
<td>.681</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Recruitment and Selection; Power Distance; Uncertainty Avoidance; Collectivity Vs Individuality and Masculinity Vs Femininity

Source: Data Analysis from SPSS 20 (2019)

The Table 1.2 indicated that the model had a correlation value of 0.716, which manifests a good linear relationship between dependent (employees’ satisfaction for other nationals in Nigeria) and independent variable (Recruitment and Selection; Power Distance; Uncertainty Avoidance; Collectivity Vs Individuality and Masculinity Vs Femininity). The $R^2 = (0.512; p < 0.05)$ which depicted that 51.2% of the changes in dependent variable (employees’ satisfaction for other nationals in Nigeria) was accounted for by the independent variable (Recruitment and Selection; Power Distance; Uncertainty Avoidance; Collectivity Vs Individuality and Masculinity Vs Femininity). The adjusted $R^2$ shows the actual contribution of the independent variable (Training and Development; Power Distance; Uncertainty Avoidance; Collectivity Vs Individuality and Masculinity Vs Femininity) to the dependent variable (employees’ satisfaction for other nationals in Nigeria). The F value of 240.957 significant at .000 shows a good explanatory power of the independent variable. This showed that the model do not suffer from specification bias.

Employee empowerment practices have no significant influence on employees’ satisfaction among Nigerians in food and beverages MNCs in Nigeria.

Table 1.3: Regression Coefficient

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>1.507</td>
<td>.138</td>
<td>.286</td>
<td>.168</td>
</tr>
<tr>
<td>EE</td>
<td>.286</td>
<td>.028</td>
<td>.244</td>
<td>10.890 .000</td>
</tr>
<tr>
<td>PD</td>
<td>.259</td>
<td>.022</td>
<td>.297</td>
<td>11.599 .000</td>
</tr>
<tr>
<td>UA</td>
<td>.168</td>
<td>.024</td>
<td>.182</td>
<td>6.990  .000</td>
</tr>
<tr>
<td>COL</td>
<td>-.015</td>
<td>.027</td>
<td>-.016</td>
<td>-.573  .566</td>
</tr>
<tr>
<td>MAS</td>
<td>.299</td>
<td>.022</td>
<td>.339</td>
<td>13.531 .000</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Employees’ satisfaction for Nigerians

From the Table 4.3, the following regression equation was established
From the regression, the \( E_{SN} \) (Employees’ satisfaction) is 1.507 when other factors (Employee Empowerment Practices; Power Distance; Uncertainty Avoidance; Collectivity Vs Individuality and Masculinity Vs Femininity) were held constant. All the explanatory variables have positive and significant effect on employees’ satisfaction in Nigeria aside Uncertainty Avoidance which had negative and statistically insignificant effect on employees’ satisfaction of Nigerians in food and beverages firms in Nigeria. Hence, a percent’ increase in EE, PD, UA, and MAS will bring about 24.4%, 29.7%, 18.2% and 33.9% increase in the level of employees’ satisfaction of Nigerians working in food and beverages industry in Nigeria while COL will result to about 1.6% decrease in employees’ satisfaction of Nigerians working in food and beverages sector in Nigeria. Nonetheless, the study established that employees’ empowerment practices have significant influence on employees’ satisfaction among Nigerians working in food and beverages MNCs in Nigeria.

**Table 1.3 Result of Regression Analysis**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.736+</td>
<td>.541</td>
<td>.539</td>
<td>.710</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Employees’ Empowerment Practices; Power Distance; Uncertainty Avoidance; Collectivity Vs Individuality and Masculinity Vs Femininity

Source: Data Analysis from SPSS 20 (2019)

The Table 1.3 indicated that the model had a correlation value of 0.736, which manifests a good linear relationship between dependent (employees’ satisfaction for Nigerians) and independent variable (Employees’ Empowerment Practices; Power Distance; Uncertainty Avoidance; Collectivity Vs Individuality and Masculinity Vs Femininity). The \( R^2 = (0.541; p < 0.05) \) which depicted that 54.1% of the changes in dependent variable (employees’ satisfaction for Nigerians) was accounted for by the independent variable (Employees’ Empowerment Practices; Power Distance; Uncertainty Avoidance; Collectivity Vs Individuality and Masculinity Vs Femininity). The adjusted \( R^2 \) shows the actual contribution of the independent variable (Employees’ Empowerment Practices; Power Distance; Uncertainty Avoidance; Collectivity Vs Individuality and Masculinity Vs Femininity) to the dependent variable (employees’ satisfaction for Nigerians). The F-value of 269.148 significant at .000 shows a good explanatory power of the independent variable. This showed that the model do not suffer from specification bias.

**Employee empowerment practices and employees’ satisfaction among other nationals in food and beverages MNCs in Nigeria**

**Table 1.4: Regression Coefficient**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>2.213</td>
<td>.176</td>
<td></td>
</tr>
<tr>
<td>EE</td>
<td>.246</td>
<td>.034</td>
<td>.207</td>
<td>7.298</td>
</tr>
<tr>
<td>PD</td>
<td>.181</td>
<td>.022</td>
<td>.271</td>
<td>8.172</td>
</tr>
<tr>
<td>UA</td>
<td>-.225</td>
<td>.025</td>
<td>-.229</td>
<td>-9.189</td>
</tr>
<tr>
<td>COL</td>
<td>.190</td>
<td>.027</td>
<td>.179</td>
<td>7.023</td>
</tr>
<tr>
<td>MAS</td>
<td>.150</td>
<td>.022</td>
<td>.195</td>
<td>6.803</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Employees’ satisfaction for other nationals in Nigeria
From the Table 1.4, the following regression equation was established:

\[ ES_{FN} = 2.213 + 0.246EE + 0.181PD - 0.225UA + 0.190COL + 0.150MAS \]

From the regression, the \( ES_{FN} \) (Employees’ satisfaction) is 2.213 when other factors (Employees’ Empowerment Practices; Power Distance; Uncertainty Avoidance; Collectivity Vs Individuality and Masculinity Vs Femininity) were held constant. All the explanatory variables have positive and significant effect on employees’ satisfaction among other nationals in Nigeria aside Uncertainty Avoidance which had negative and statistically significant effect on employees’ satisfaction of other nationals in food and beverages firms in Nigeria. Hence, a percent’ increase in EE, PD, COL, and MAS will bring about 20.7%, 27.1%, 17.9% and 19.5% increase in the level of employees’ satisfaction of other nationals working in food and beverages industry in Nigeria while UA will result to about 22.9% decrease in employees’ satisfaction of other nationals working in food and beverages sector in Nigeria. Nonetheless, the study established that employees’ empowerment practices have significant influence on employees’ satisfaction among other nationals working in food and beverages MNCs in Nigeria.

### Table 1.4 Result of Regression Analysis

<table>
<thead>
<tr>
<th>Model Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>1</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Employees’ Empowerment Practices; Power Distance; Uncertainty Avoidance; Collectivity Vs Individuality and Masculinity Vs Femininity

### Source: Data Analysis from SPSS 20 (2019)

The Table 1.4 indicated that the model had a correlation value of 0.686, which manifests a good linear relationship between dependent (employees’ satisfaction for Nigerians) and independent variable (Employees’ Empowerment Practices; Power Distance; Uncertainty Avoidance; Collectivity Vs Individuality and Masculinity Vs Femininity). The \( R^2 = (0.471; p < 0.05) \) which depicted that 47.1% of the changes in dependent variable (employees’ satisfaction for other nationals) was accounted for by the independent variable (Employees’ Empowerment Practices; Power Distance; Uncertainty Avoidance; Collectivity Vs Individuality and Masculinity Vs Femininity). The adjusted \( R^2 \) shows the actual contribution of the independent variable (Employees’ Empowerment Practices; Power Distance; Uncertainty Avoidance; Collectivity Vs Individuality and Masculinity Vs Femininity) to the dependent variable (employees’ satisfaction for other nationals). The \( F \) value of 203.934 significant at .000 shows a good explanatory power of the independent variable. This showed that the model do not suffer from specification bias.

Compensation practices have no significant influence on employees’ satisfaction among Nigerians in food and beverages MNCs in Nigeria.

### Table 1.5: Regression Coefficients

<table>
<thead>
<tr>
<th>Coefficients</th>
</tr>
</thead>
</table>

119
From the Table 4.5, the following regression equation was established:

$$ES_N = 2.670 + 0.144 \text{COMP} + 0.350 \text{PD} + 0.421 \text{UA} - 0.004 \text{COL} + 0.206 \text{MAS}$$

From the regression, the $ES_N$ (Employees' satisfaction) is 2.670 when other factors (Compensation practices; Power Distance; Uncertainty Avoidance; Collectivity Vs Individuality and Masculinity Vs Femininity) were held constant. Compensation practices; Power Distance; Uncertainty Avoidance; and Masculinity Vs Femininity have significant positive effect on employees’ satisfaction which implies that a percent’ increase in COMP, PD, UA and MAS will bring about 13.3%, 43.4%, 47.6% and 26% increases in employees’ satisfaction of Nigerians in food and beverages firms in Nigeria while COL have 0.06% in employees’ satisfaction of Nigerian. Hence, it can be concluded based on the result of hypothesis three that compensation practices have positive and significant effect on Nigerian employees’ satisfaction of food and beverages in Nigeria.

**Table 1.5: Result of Regression Analysis**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>2.670</td>
<td>.151</td>
<td>17.699</td>
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<tr>
<td>COMP</td>
<td>.144</td>
<td>.027</td>
<td>.133</td>
<td>5.284</td>
</tr>
<tr>
<td>PD</td>
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<td>.023</td>
<td>.434</td>
<td>15.438</td>
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<td>UA</td>
<td>.421</td>
<td>.029</td>
<td>.476</td>
<td>14.695</td>
</tr>
<tr>
<td>COL</td>
<td>-.004</td>
<td>.029</td>
<td>-.006</td>
<td>-1.143</td>
</tr>
<tr>
<td>MAS</td>
<td>.206</td>
<td>.026</td>
<td>.260</td>
<td>7.789</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Employees’ satisfaction for Nigerians

**Source: Data Analysis from SPSS 20 (2019)**

The Table 1.5 indicated that the model had a correlation value of 0.660, which manifests a good linear relationship between dependent (Employees’ satisfaction) and independent variable (Compensation practices; Power Distance; Uncertainty Avoidance; Collectivity Vs Individuality and Masculinity Vs Femininity). The Table further showed that the $R^2 = 0.435; p<0.05$) which depicted that 43.5% of the changes in dependent variable (Employees’ satisfaction) is accounted for by the independent variable (Compensation practices; Power Distance; Uncertainty Avoidance; Collectivity Vs Individuality and Masculinity Vs Femininity). More so, the adjusted R square is 43.3% which further justified the fact that the result of the study is not bias. The F-value of 176.024 significant at .000 shows a good explanatory power of the independent variable. This showed that the model do not suffer from specification bias.

Compensation practices have no significant influence on employees’ satisfaction among other nationals in food and beverages MNCs in Nigeria.
Table 1.6: Regression Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
</tr>
<tr>
<td>(Constant)</td>
<td>2.589</td>
<td>.163</td>
<td>15.909</td>
</tr>
<tr>
<td>COMP</td>
<td>.150</td>
<td>.029</td>
<td>.126</td>
</tr>
<tr>
<td>PD</td>
<td>.316</td>
<td>.024</td>
<td>.357</td>
</tr>
<tr>
<td>UA</td>
<td>.280</td>
<td>.031</td>
<td>.289</td>
</tr>
<tr>
<td>COL</td>
<td>-.105</td>
<td>.031</td>
<td>-.130</td>
</tr>
<tr>
<td>MAS</td>
<td>.456</td>
<td>.029</td>
<td>.524</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Employees’ satisfaction for other nationals in Nigeria

Source: Data Analysis from SPSS 20 (2019)

From the Table 1.6, the following regression equation was established

$$ES_{FN} = 2.589 + 0.150COMP + 0.316PD + 0.280UA - 0.105COL + 0.456MAS$$

From the regression, the $ES_{FN}$ (Employees’ satisfaction for other nationals) is 2.589 when other factors (Compensation practices; Power Distance; Uncertainty Avoidance; Collectivity Vs Individuality and Masculinity Vs Femininity) were held constant. Compensation practices; Power Distance; Uncertainty Avoidance; and Masculinity Vs Femininity have significant positive effect on employees’ satisfaction of other nationals which implies that a percent increase in COMP, PD, UA and MAS will bring about 12.6%, 35.7%, 28.9% and 52.4% increases in employees’ satisfaction of other nationals in food and beverages firms in Nigeria while COL have 1.30% in employees’ satisfaction of other nationals in Nigeria. Hence, it can be concluded based on the result of hypothesis three for other nationals that compensation practices have positive and significant effect on employees’ satisfaction of other nationals in food and beverages in Nigeria.

Table 1.6: Result of Regression Analysis

Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>.674*</td>
<td>.454</td>
<td>.452</td>
<td>.774</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Compensation practices; Power Distance; Uncertainty Avoidance; Collectivity Vs Individuality and Masculinity Vs Femininity

Source: Data Analysis from SPSS 20 (2019)

The Table 1.6 indicated that the model had a correlation value of 0.674, which manifests a good linear relationship between dependent (Employees’ satisfaction for other nationals) and independent variable (Compensation practices; Power Distance; Uncertainty Avoidance; Collectivity Vs Individuality and Masculinity Vs Femininity). The Table further showed that the $R^2 = (0.454; p<0.05)$ which depicted that 45.4% of the changes in dependent variable (Employees’ satisfaction) is accounted for by the independent variable (Compensation practices; Power Distance; Uncertainty Avoidance; Collectivity Vs Individuality and Masculinity Vs Femininity). More so, the adjusted R square is 43.3% which further justified the fact that the result of the study is not bias. The F value of 189.937 significant at .000 shows a good explanatory power of the independent variable. This showed that the model do not suffer from specification bias.
Table 1.7: Validation of Hypotheses

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Independent Variable</th>
<th>Dependent Variable</th>
<th>p &lt; 0.05</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>H₀₁</td>
<td>Recruitment and Selection practices</td>
<td>Employees’ Satisfaction for Nigerians and Other Nationals</td>
<td>0.000</td>
<td>Reject H₀</td>
</tr>
<tr>
<td>H₀₂</td>
<td>Employees’ Empowerment Practices</td>
<td>Employees’ Satisfaction for Nigerians and Other Nationals</td>
<td>0.000</td>
<td>Reject H₀</td>
</tr>
<tr>
<td>H₀₃</td>
<td>Compensation Practices</td>
<td>Employees’ Satisfaction for Nigerians and Other Nationals</td>
<td>0.000</td>
<td>Reject H₀</td>
</tr>
</tbody>
</table>

Source: Data Analysis from SPSS 20 (2019)

The t-test was done to test the significance of each of the explanatory variables using the student t-distribution test. It is carried out on a two tail test and by comparing the t-cal and the t-tab.

**Decision Rule:**

If t-cal > t-tab, accept H₁ and reject H₀ and

If t-cal < t-tab, accept H₀ and reject H₁.

T-test would be employed at 95% confidence level i.e. 5% significance level.

From the Table 1.7, it is explicitly seen that all the independent variables (Recruitment and Selection; Empowerment Practices and Compensation Practices) have probability of 0.00 which is less than 0.05. As a result Recruitment and Selection; Employee Empowerment Practices and Compensation Practices have significant effects on Employees’ Satisfaction for Nigerians and Other Nationals working in Nigeria.

5. Discussion of Findings

**Recruitment and Selection and employees’ satisfaction with culture moderating**

Recruitment and selection positively and significantly affected employees’ satisfaction of Nigerians and other nationals working in food and beverages MNCs’ in Nigeria. The result is buttressed by the findings of Ibojo and Asabi (2014); Ihionkhan and Aigbomian, (2014); Imocho et al., (2017); Naveed and Jameel (2014); Onyema (2014). The finding of Alinno and Igwe (2017) contradicts this finding because it reported negative significant impact on employees, performance and invariably, employees’ job satisfaction. The control variable of power distance has negative and insignificant effect on employees’ satisfaction for Nigerians, which in effect means that employees in studied MNCs do not attach much importance to seniority on the job but rather on delivering on expectations of their different roles as spelt out by their job schedules (no wonder it was difficult to determine the status of the employees easily because they called one another by their first names), while uncertainty avoidance variable has negative and significant effect on employees’ satisfaction of other nationals in Nigeria and this means the employees of the studied MNCs are not affected by the socio-cultural peculiarities of a developing country that is still battling with leadership challenges, high-level of corruption and other vices as a result of which the ordinary masses outside the studied MNCs are aggressive and highly emotional.
Employee empowerment and employees’ satisfaction with culture moderating

Employee empowerment practices significantly and positively contributed to employees’ satisfaction among Nigerians and other nationals in Nigeria. The control variable of collectivity vs individuality has negative and insignificant effect on employees’ satisfaction of Nigerians while uncertainty avoidance has negative and significant effect on employees’ satisfaction of other nationals in Nigeria. Employee empowerment is the HR practice that offers allowances for individual employee’s discretionary powers and initiatives in the course of accomplishing organisational set goals and objectives. As noted by Cole and Kelly (2011), employee empowerment creates room for organisations to be more responsive to the market place, brings about reduction in number of levels- in structures- co called delay ring; encourages lateral integration and communication among work teams with minimal supervision; allows senior management to concentrate on longer term issues and help in making ultimate utilisation of available resources (especially HRs); pressure to meet the higher expectations of a better educated workforce and the development of learning organisations are all the driving forces of empowerment. However, Nwachukwu and Chladkova (2017) found insignificant and negative relationship between employee empowerment and employee satisfaction in financial institutions in Nigeria.

Compensation practices and employees’ satisfaction with culture moderating

Compensation practice has significant and positive effect on employees’ satisfaction among Nigerians and other nationals working in food and beverages industries in Nigeria. The result is in consonance with the findings of Hamid et al., (2017); Imocho et al.,(2017); Nwachkwu and Chladkova, (2017); Oladejo and Yunis (2014); Onyema (2014); Oyeniyi, et al., (2014). Individualism and collectivism has an insignificant negative effect on employees’ satisfaction of Nigerians while the same variable has significant negative effect on employees’ satisfaction of other nationals in Nigeria: This is a pointer to the fact that the MNCs’ employees are not in any way affected by the individualistic and collectivist dimension as theorised by Hofstede (1980) and that their orientation is neither exportive nor adaptive and this finding is corroborated by the submissions in the work of Iguisi (2014) which concluded that Western management assumptions in theories and models might not work when it comes to motivating workers in African subsidiary operations. However, compensation is a strategic policy in the organization which has effect on the employer’s possibility to attract new applicants, gain employees’ loyalty and ensure the maximum level of performance to meet the organization goal and objective. The result was not in agreement with the revelations of Hee and Jing (2018); Naveed & Jameel (2016) which found that compensation practices have negative significant effect on employee performance in food and beverage MNCs.

Conclusions

a) An appropriate and ethical recruitment/selelction processes of employees’ that are best suited for a particular position enhances employees’ performance and organizational growth;

b) Management of firms that provide their employees with empowerment practices gives room for more development based on new trend of successful happenings in other organisations which would enhance organisational productivity;

c) Through the adoption of well-structured compensation practices, employees’ are being motivated thereby making them more committed to the organization and thus, give their best for the progress of the firm;

Recommendations
Recruitment and selection process should be objective as much as possible. Job specifications should therefore, be developed and strictly adhered in the organization. An interview panels that are professional and not biased is also needed because when organizations hire hard, they will manage soft and vice versa; Organisations should make room for employees’ empowerment programmes in order to boost employees’ satisfaction thereby bringing creativity and innovation into the organisations; Good reward and compensation practices, such as commensurable pay, incentives, praises and friendly working conditions should be created for the sustenance of employees’ loyalty to the firm.

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Spotlight on Corporate Social Responsibility Thought in the Field of Non-Profit Public Sector Institutions: An Initiative to Promote CSR Thought in Libya

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Abstract
The poor performance of the NPPSIs in Libya, which can be described as a catastrophic performance, is the result of the NPPSIs’ flagrant failure to adhere to their social responsibilities towards the Libyan community. Problem: In a developing country such as Libya, the culture of CSR is almost completely non-existent, especially in the NPPSIs. The features of this thought are not clear to most NPPSIs until it is adopted. Purpose: To promote the idea of social responsibility in the NPPSIs, the features of this thought must be clearly defined and described in addition to determining how to evaluate the extent of these NPPSIs’ commitment to their responsibility. This is what this study seeks to achieve. Method "an innovative approach to reinforce the theory of CSR": The researcher used the idea of the purpose of establishing the institution in determining the content of economic responsibility, as well as the idea of economic capacity in determining the type of philanthropic responsibility. This study suggested adopting one of the concepts of managerial economics- which is the lost opportunity cost and economic savings, to evaluate the quality of financial decisions, "financial transactions and deals." In order to evaluate the extent of the institution’s commitment to its legal and ethical responsibility, the researcher recommends the need to adopt a method of comparison between the content of financial transactions, financial and administrative decisions, behaviors, practices, and requirements and directives contained in local laws, international instruments, noble human values, codes of ethics and professional conduct rules. Result: Theoretically, this study was able to define the features of social responsibility for NPPSIs, along with a description of how to evaluate the social performance of these NPPSIs in a logical manner. Originality/Value: The researcher expects that this study will receive great attention from officials in the Libyan state and leaders of the NPPSIs, as it will serve as a call to promote the idea of social responsibility in all NPPSIs. The researcher also expects the development of methods and procedures that can be used by departments of social performance evaluation in the NPPSIs in Libya to keep pace with the process of promoting social responsibility idea in these NPPSIs.

Keywords: Non-Profit Public Sector Institutions. Social Responsibilities. Effectiveness And Efficiency. Managerial Economics. Development.
1. INTRODUCTION
 Scholars have increasingly been studying the impact of CSR as a business strategy in for-profit institutions, and results frequently indicate benefits to the organizations such as increased reputation, sales, and reduced reputation damage during crises. Little is known about the impact of CSR on organizations from the nonprofit sector (Waters and Ott, 2014:1). The researcher confirms that the goal of establishing the institution plays a major role in determining the impact of social responsibility on these institutions. The aim of establishing a profit-making institution is to achieve profit (economic gains for owners), and thus the effect of commitment to social responsibility by these institutions lies in enhancing the competitive advantage that contributes to maximizing profit, especially in developed countries where markets are competitive. As for the purpose of establishing a non-profit institution is to provide free or almost free services with high quality to those who deserve it and at the lowest possible cost, taking into account compliance with all local laws and international instruments during the exercise of activities to achieve that goal in addition to commitment to noble human values, codes of ethics and professional conduct rules.

The final result of the commitment or lack of commitment of these institutions is reflected in the satisfaction or dissatisfaction of society with the performance of these institutions. Failure to adhere to social responsibility may mean wasting economic resources, "public money and human resources," and the growth of negative phenomena such as corruption within society. Moreover, the lack of commitment to social responsibility also negatively affects the country’s economy, and this happens when the services provided to those who deserve it, are of low quality. The matter that prompts people to buy these services from other countries "as is the case in Libya," and the consequent economic problems represented in the exit of hard currency outside the borders of the state. Based on this analysis, it can be said with almost total certainty that the impact of the commitment to social responsibility is not on the non-profit institution in the public sector, but on society, as a financier of this institution and not as is the case in the for-profit sector institutions, where the most affected party are the owners or shareholders. Compared with the private sector, the reader will note that there are few scientific writings that have reviewed the issue of the social responsibility for NPPSIs, for the following reasons:1) Many governments resorted to privatization in the 1980s and 1990s to remedy the perceived problems of providing public services; 2) Mostly, public sector institutions are directly subject to government oversight and its regulatory agencies; 3) Mostly, the activities carried out by these institutions are harmless to the environment; 4) There is no material philanthropic responsibility in such institutions; 5) The lack of interest of scholars in issuing scientific initiatives to define the content of the economic responsibility of these institutions “lack of clarity of economic responsibility in these institutions.” The researcher believes that the reasons that led to scholars’ interest in writing on the topic of social responsibility for profitable private sector enterprises are:1) The for-profit private sector institutions are far from the eyes of direct government oversight; 2) Environmental pollution caused by the for-profit private sector institutions is much more than that caused by public sector institutions; 3) Profitable private sector institutions are more problematic in relation to rights and social justice compared to public sector institutions; 4) The social responsibilities of the for-profit private sector enterprises are defined and clear, and not as is the case for public sector institutions.

Throwing the Spotlight on the Problem
 In general, the culture of CSR is not prevalent within Libyan society. In a more precise sense, the culture of social responsibility is almost non-existent in profit and non-profit organizations. Wasting public money, corruption, mediation and favoritism are all bad characteristics that characterize the non-profit public sector in Libya. The low level of services provided to the public has created a state of discontent among the general population in Libya. Libyan society’s
dissatisfaction with the poor performance of the NPPSIs especially in recent years is due to the poor services provided by these institutions to the beneficiaries. As well as the resentment and complaint of the employees of the NPPSIs resulting from their failure to obtain their material and moral rights and their harsh criticism that never ceases in all social media, which often amount to the point of describing the NPPSIs’ leaders as the corrupt elite, which puts more than one question mark about all the leading personalities in these institutions. The frequent dismissals and appointments- replacement of leaders, to leadership positions, that take place at the level of senior management and executive management in these institutions. All of the above indicates that the NPPSIs are not committed to their social responsibility towards the Libyan society. To promote and entrench the idea of social responsibility in the NPPSIs in Libya, the features of that thought must be defined for these institutions. The main features of this thought are unclear to NPPSIs, especially since the thought of social responsibility was mainly associated with the institutions of the private sector (the for-profit sector) and developed through them. The culture of social responsibility of profit and non-profit organizations has not yet been entrenched within Libyan society. The adoption of the idea of social responsibility by the NPPSIs in Libya is still like a cake in the sky. This thought did not have a good chance to be a scientific subject taught in universities and higher institutes during the eighties and nineties of the last century and up to the present time. This deficiency contributed to the low level of knowledge about this thought among most of those working in the NPPSIs. The general idea or public perception in the minds of most people about the concept of social responsibility is limited to charitable donations made by private sector institutions to the communities in which they operate, while the thought of social responsibility goes further than that. This misconception may be responsible for the lack of a clear vision of social responsibility in NPPSIs. The absence of a culture of social responsibility with clear features in the Libyan society” in general” and in the NPPSIs “in particular” contributed to the lack of interest of these institutions in instilling the idea of social responsibility within their walls and buildings. That is why the NPPSIs do not disclose their social performance and social responsibility policies in their financial reports and statements. In the future, if that culture and idea of social responsibility are allowed to become entrenched in the NPPSIs, another problem will arise, which is how to evaluate the social performance of these institutions to determine the extent of their commitment to their social responsibilities.

The Purpose of the Study
This theoretical study aims to define the features of CSR thought in the NPPSIs. To achieve this goal, an accurate definition of social responsibility must be found, which is in harmony with the nature of the role of these institutions in contemporary societies. As well as defining the dimensions of that responsibility, its types and the contents of these types, with an explanation of how to evaluate social performance in these non-profit institutions. Therefore, this study will be concerned with determining the following:
1) An accurate definition of the social responsibility of the NPPSIs and its dimensions.
2) The types of social responsibilities of the NPPSIs and their contents.
3) How to evaluate the social performance of the NPPSIs.

The Importance of Studying
Defining the features of the idea of the social responsibility of the NPPSIs by describing its theoretical construction and intellectual content will contribute to the understanding and the adoption of this thought by the Libyan authorities, leaders and workers in NPPSIs with ease and without any difficulties. The adoption of this idea by the NPPSIs in Libya will contribute to improving the performance of these institutions and pushing forward the wheel of the
development and growth in Libya. Also, strengthening the presence of this thought in the NPPSIs will contribute to developing social responsibility policies and improving internal control systems to include how to evaluate the social performance of these institutions through a specific package of procedures and methods necessary for that.

The Study Methodology
The literature review will include a statement of the content of the social responsibilities of the for-profit sector institutions. In addition to the role of internal audit departments in evaluating the level of commitment of NPPSIs to their social responsibility, With reference to the five deviations that affect the quality of these institutions ‘commitment to their social responsibilities, namely:

1) The deviation from planned economic performance;
2) The deviation from the economic rationality;
3) The deviation from the financial and administrative policies;
4) The deviation from the codes of ethics and professional conduct rules;
5) The deviation from the local laws and International instruments.

Method “An Innovative Approach to Reinforce the Theory of CSR”
To determine the differences between the features of the CSR in the for-profit sector and the non-profit sector, the researcher used the idea of the goal of establishing the institution for the purpose of determining the content of the institution’s economic responsibility, as well as adopting the idea of financial capacity “economic capacity” and the idea of the goal of establishing the institution for the purpose of determining the type of philanthropic responsibility of the institution. To evaluate the commitment of the NPPSIs to their economic responsibility, the quality of financial decisions must be evaluated to judge the efficiency of the administration in using the available economic resources “good use of public money and human resources.” This study indicated the importance of adopting the concept of lost opportunity cost “the concept of economic savings” by internal audit departments to evaluate financial transactions to judge the extent of commitment to economic responsibility. To achieve this, the researcher developed a method that simulates decision-making steps as follows:

1) Determining the desired benefit of the financial transaction “financial decision”; 2) Determining the available alternatives to achieve that desired benefit; 3) Choosing the best alternative that achieves that desired benefit with the highest degree of efficiency “at the lowest cost”. For example, to evaluate financial transactions related to the purchase of hotel services “providing accommodation for delegations from outside the city of Benghazi.” The desired benefit from this transaction must be precisely defined, which is the provision of housing and accommodation for the delegation. The alternatives available to achieve this desired benefit are “hotel accommodation - staying in the NPPSI’s houses - renting a house for delegations. All of these alternatives achieve the same quality of service.” The ideal choice will depend on the cost factor and the quality of service. The best alternative is the one that achieves the same quality of service at the lowest cost. The researcher also used the necessity criterion in evaluating financial deals. More precisely, was there a need to conclude a financial deal? The researcher relied on some managerial economics concepts to evaluate the quality of financial decisions and to judge the efficiency of the administration in the use of public money, such as the concepts of effectiveness and efficiency, lost opportunity cost, and economic savings. As well as evaluating the quality of financial and administrative policies by studying the extent of their consistency with prevailing conditions, local laws and international instruments. As for the evaluation of legal and ethical responsibilities, the matter will depend on the extent to which the content of decisions, policies, deals, practices and behaviors is consistent with local laws, international instruments, codes of ethics and professional conduct rules.

2. LITERATURE REVIEW
“Corporate social responsibility (CSR) indicates to strategies and polices that corporations put into action as portion of corporate governance that are designed to ensure the corporation’s operations are legal and ethical and beneficial for community” (CFI, n.d.). For several decades now, the CSR is in the spotlight. Where CSR is not a new notion, only it was under the lack of awareness and appropriate regulatory authorities to monitor. This is the reason still CSR is not having a universally defined definition and clear features. So CSR is under discussion and controversy (Deore, et al.2016:96). The researcher describes the theory of CSR as a plane that took off from the airport runway and did not settle in the air yet. CSR has taken on an increasingly distinguished role in the business world in recent decades, especially after realizing that it is an important tool for creating the development within contemporary societies. CSR has grown so popular that nearly every major company in the U.S. now integrates a significant commitment to social and/or environmental programs into its business model. CSR can be loosely defined as the adoption of socially beneficial and environmentally sustainable practices by corporate actors. The rise of CSR can be attributed to growing public disenchantment with traditional business practices that degrade the environment and compromise worker wellbeing, and resulting pressure from consumers and nonprofits on the private sector to reform itself. Instead of simply complying with government regulation, a company that is “socially responsible” adopts more stringent self-regulation ensuring that it is acting to minimize negative impact on the environment, its employees, its customers, and the community (Leedy, 2009:2).

Social Responsibilities of Private Sector Institutions “Corporate Social Responsibilities”
CSR have been categorized by scholars into four main types as follows: economic responsibility; legal responsibility; ethical responsibility; philanthropic responsibility. There is no controversy about this classification. This classification is considered reasonable and accepted in the scientific community.

Economic Responsibility
The researcher divides the corporate economic responsibility according to their impact into:

1) Corporate Economic Responsibility at the Level of the Corporation’s Economy: Economic Responsibilities: "Be profitable, maximize revenues and minimize expenses." Economic responsibilities relate to business’s provision of merchandise and services in community. Earnings result from this activity and are necessary for any other responsibilities to be carried out. It is assumed that corporations will be as profitable as possible, maintain a powerful competitive position and maintain a high level of operating efficiency. It is well known that many developing countries suffer from a shortage of foreign direct investment, as well as from high unemployment level and widespread poverty. It is no surprise, therefore, that the economic contribution of companies in developing countries is highly prized, by governments and communities, alike (Carroll, 1991: 40; Al Am, 2020:334).

2) Corporate Economic Responsibility at the Level of the Country’s Economy as a Whole
This concept should be strengthened and adopted in developing and poor countries, which particularly states the following: ” when seeking to maximize profits, corporations must not harm the national economy of the state, even if the laws do not criminalize this.” Corporations should contribute to strengthening the national economy of the state, "strengthening the state’s national wealth." Corporations are one of the main components of any country’s economy, and they can influence it, either positively or negatively. We may applaud the profitable corporation “the company that made the highest profit,” and at the same time we may regret the negative effects that this corporation has left at the level of the country’s economy as a whole. For example, hiring foreign workers and ignoring national workers. This behavior “action” contributes to increasing unemployment rates in society and also contributes to the exit of hard currency outside the borders.
of the state. Another example, reducing sales prices in order to sell a larger quantity of products may contribute to pushing another competitor out of the market. Corporate economic responsibility can be viewed from two angles: maximizing the company's profit and strengthening the national economy of the state (Saleh, 2021: 50).

**Legal Responsibility:** "Obey the laws and Regulations"

Corporate legal responsibility is the corporation's compliance with local laws and international instruments while practicing its activities to achieve its goals. The activities carried out by Institutions in various sectors "for profit and non-profit" in order to achieve their goals must be consistent with the financial and administrative policies and regulatory controls and procedures "the financial and administrative regulations of the institution." Violating these policies creates chaos within these institutions. These institutions must comply with local laws, such as tax laws, customs laws, social security laws, labor laws, working women's rights laws, workers' rights laws, environmental protection laws, consumer protection laws and service recipients, etc. These institutions must comply with international instruments issued by global or international organizations, such as those issued by the United Nations, the World Health Organization, the International Labor Organization, the International Standardization Organization, etc. The state and its institutions are part of the global system. Compliance with these charters means not violating the international legal order and desire specified in those conventions.

1) **Legal Laws:**

The Institutions in various sectors "for profit and non-profit" are free to do business "to achieve their goals" however they want but only within the limits of regulations and national laws such as labor law, environmental law, etc. Failure to respect laws by an institution leads to chaos and loss of rights within the community in which the organization operates. All organizations must work within the framework of laws and regulatory legislation and not to deviate from that framework in order to preserve private and public interests.

2) **International Instruments**

Respect for laws and regulations is not limited to local laws "national legislation," but includes laws and international instruments issued by international organizations such as the United Nations, International Labor Organization, etc. The country in which the business organization operates is part of the international system, and in order not to have any problems with the international community, all laws and international instruments must be respected. These charters contain general directives and instructions on specific topics that must be followed and not violated. Also, the local laws must be in conformity with all the directives and instructions contained in those international instruments. The aim of adhering to these instruments is to promote the concepts of justice, peace, freedom, safety and well-being for all peoples of the world, wherever they are, as they are an integral part of the international community.

**Ethical Responsibility:** "Be ethical"

The normative expectations of most societies hold that laws are essential but not sufficient. In addition to what is required by laws and regulations, society expects businesses to operate and conduct their affairs in an ethical fashion. Taking on ethical responsibilities implies that organizations will embrace those activities, norms, standards and practices that even though they are not codified into law, are expected nonetheless. Part of the ethical expectation is that businesses will be responsive to the “spirit” of the law, not just the letter of the law. Another aspect of the ethical expectation is that businesses will conduct their affairs in a fair and objective fashion even in those cases when laws do not provide guidance or dictate courses of action. Thus, ethical responsibilities embrace those activities, standards, policies, and practices that are expected or
prohibited by society even though they are not codified into law. The goal of these expectations is that businesses will be responsible for and responsive to the full range of norms, standards, values, principles, and expectations that reflect and honor what consumers, employees, owners and the community regard as consistent with respect to the protection of stakeholders’ moral rights. The distinction between legal and ethical expectations can often be tricky. Legal expectations certainly are based on ethical premises. But, ethical expectations carry these further. In essence, then, both contain a strong ethical dimension or character and the difference hinges upon the mandate society has given business through legal codification (Carrol, 2016:3). The activities carried out by the Institutions in various sectors "for profit and non-profit" in order to achieve their goals, must be consistent with the noble human values and the code of ethics and the rules of professional conduct. These institutions must combat administrative and financial corruption. These institutions should contribute to promoting social justice among employees "equal opportunities for all". These institutions must prevent all forms of racial discrimination within their walls, etc.

**Philanthropic Responsibility: " Be a good corporate citizen"

"Philanthropic responsibility can include things such as funding educational and cultural programs, supporting health and social welfare initiatives, donating for humanitarian or development reasons, and supporting community beautification projects" (CFI, n.d.). It is the moral and material support that companies provide to the society in which they operate. It involves being a good corporate citizen and including active participation in acts or programs to promote human welfare or goodwill (AlAm, 2020:335). Corporate philanthropy is the material and immaterial sacrifices that corporations make for the benefit of other entities outside the walls and buildings of those corporations, without waiting for any economic benefits other than enhancing the competitive advantage. Corporate philanthropy in its broadest sense means improving the quality of life for the community or one of its sectors by providing a helping hand and material and non-material assistance to all parties outside the corporation’s walls and buildings (Saleh, 2021:48).

**Features of the Thought of Social Responsibility for NPPSIs**

The nature of the activity of NPPSIs and their objectives differ from the for-profit institutions. Therefore, the features of social responsibility will differ in the two sectors, "profit and non-profit. " The difference will lie in the content of economic responsibility and the type of philanthropic responsibility.

**Non-Profit Public Sector Institutions” (NPPSIs)”**

After the emergence of the Marxist Socialist Ideology - which calls for a welfare state, which permits the state authorities to administer all economic activities, with its commitment to provide all goods and services to citizens to achieve justice and equality and redistribute income among the classes of society in the interest of the destitute class (Aljamal, 2016:1688). At the present time, many countries of the world - including Libya, are adopting the idea of the partnership between the public and private sectors in managing their economic systems due to the inability of the governments of those countries to manage the affairs of all economic activities on their own without involving the private sector.

The NPPSIs are the part of the country’s economy and one of its main pillars, that is controlled and financially supported by the government, and which aims to provide free or almost free services to the general population or certain groups in the society in order to improve the quality of life and achieve prosperity for them.

**Definition of Social Responsibility for NPPSIs**
The researcher defines the social responsibility of the NPPSIs as follows: The social responsibility of the NPPSIs means achieving the institution’s goals effectively and efficiently in accordance with local laws, international instruments, noble human values and the code of ethics and the rules of professional conduct.

**Interpretation of the Definition**

In socialist societies "in which the state’s economy depends on public sector institutions" or societies that adopt the socialist and capitalist system together "in which the state’s economy depends on public and private sector institutions", people benefit from the free or almost free benefits and services provided by NPPSIs for them. In most cases, these institutions are fully funded by the state treasury to provide certain benefits and services to the citizens of the state. People can judge the performance of these institutions by the quality of those services and the benefits provided to them. Societies provide their economic resources to these institutions to manage them in a rational manner or with economic rationality that meet the citizens' needs for services and benefits, which are supposed to be of a high degree of quality. On that, it can be said that NPPSIs are established by societies with the aim of providing free or almost free services to those who deserve them with high quality (effectiveness, which means providing services with high quality, which is the goal that these institutions strive to achieve) and at the lowest possible cost (efficiency, which means economic rationality or good use of economic resources). The activities carried out by these institutions - to achieve their desired goals, must be compatible with all local laws, such as labor laws, tax law, social security law, etc., as well as international instruments, such as instruments issued by the United Nations, International Labor Organization, World Health Organization, International Standardization Organization, etc. Also, the activities carried out by these institutions - to achieve their desired goals, must be compatible with all the noble human values, and code of ethics and the rules of professional conduct.

**Social Responsibilities of NPPSIs**

NPPSIs must adhere to four types of social responsibilities, are: economic, legal, ethical, and non-material philanthropic. With regard to NPPSIs, there is a difference in the meaning of economic responsibility, as it does not mean profit maximization as it is the case for private sector institutions "for profit-oriented institutions". There is no material philanthropic responsibility in the list of social responsibilities of the NPPSIs because these institutions are non-profit organizations, they do not seek to achieve profit, and therefore they have no obligation to this responsibility, which requires economic resources to finance it, but they can engage in non-material charitable activities "such as consultations, trainings and workshops, etc." In a more specific sense, the social responsibilities that must be adhered to in the private sector (the for-profit sector) are the same responsibilities that must be adhered to in NPPSIs with a difference in the meaning and manner of commitment in relation to economic responsibility and philanthropic responsibility between the for-profit and non-profit sectors.

**Economic Responsibility:** It means the proper use of the available economic resources - efficiently achieving the goals of the institution, or the optimum utilization of the available economic resources (the economic rationality), and the provision of high-quality services to those who deserve them. In the event that citizens do not obtain high-quality services, it may contribute to those citizens resorting to request those services from other countries. For example, the low quality of health services provided by Libyan public hospitals has contributed to hundreds of thousands of citizens leaving the Libyan borders to seek health care in neighboring countries such as Tunisia and Egypt. This failure led to the transfer of millions of dollars in favor of hospitals in those
countries, which resulted in a decrease in the amount of the foreign exchange within the Libyan state and the emergence of many economic problems associated with that decrease.

**Non-Material Philanthropic Responsibility**: It is the moral “non-material” charitable activities that are provided by the NPPSIs to the communities in which they operate and which do not require the payment of funds or assets in order to achieve them, such as students’ training, providing advice to other governmental and non-governmental bodies and organizations, educating the community about some issues, etc.

**Dimensions of the Social Responsibility for NPPSIs**
There are five dimensions of the social responsibility for NPPSIs are:

**The Economic Dimension**
The institution must fulfill its economic responsibility towards the community that funds it, by committing to the following: 1) The proper use of the available economic resources - efficiently achieving the goals of the institution, or the optimum utilization of the available economic resources (the economic rationality); 2) The provision of high-quality services to those who deserve them.

**The Legal Dimension**
As a regulated and compliant entity, the institution has to meet its legal responsibility towards the local and international community, through commitment to the following: 1) Compliance with administrative and financial policies of the institution “internal administrative and financial regulations”; 2) Compliance with local laws; 3) Compliance with international instruments. The institution must comply with the contents of the international conventions issued by international organizations, especially if the country to which the institution belongs is a member of those organizations- those contents that are supposed to be included in the local laws of the member state.

**The Ethical Dimension**
Ethical dimension refers to behaviors and activities that are permitted or prohibited by organization members, community, society, even if they are not codified by law (Nicolaie and Sabina, 2010:238). The ethical dimension means the exercise of activities by organizations to achieve their desired goals in accordance with codes of ethics and professional conduct rules. When it comes to pursuing stated goals, fulfilling local commitments, organizations should consider the following ethical requirements: 1) Keeping away from all practices that may distort social justice in the society and that may cause moral harm to others; 2) Keeping away from all immoral practices and behaviors that offend the moral system of a society; 3) Respecting the customs, traditions, cultures and religions of the society. In short, staying away from everything that is not accepted by a society and that may provoke its dissatisfaction, even if it is not indicated in the laws.

**The Philanthropic Dimension**
NPPSIs are institutions financed by the state treasury to cover their own expenses in order to provide free services to the beneficiaries. These institutions do not achieve profits through which they can make in kind donations to the community in which they work, but they can participate in the development of that community through volunteer activities that do not require the payment of money or the provision of assets such as training students, conducting public awareness and education campaigns to raise awareness about some issues, providing free consultations, etc.

**The Environmental Dimension**
All institutions are subject to environmental laws and regulations regarding pollution emissions, the handling of hazardous materials, and the protection of natural resources. Public sector institutions contribute to creating the traffic congestion within cities due to the influx of large numbers of service seekers "entry and exit to and from these institutions," in addition to the large number of workers in these institutions. In view of the health problems caused by crowding for people, these institutions must contribute to addressing the problem of the traffic congestion in a civilized manner. Any government in any country can redistribute the administrative headquarters of these institutions over the entire geographical area of the state in order to revive remote areas and reduce the overcrowding in large cities.

**The Desired Goals of Commitment to Social Responsibility by NPPSIs**

NPPSIs' commitment to their social responsibility contributes to achieving the following gains: 1) Preserving public funds "optimum utilization of available economic resources"; 2) Providing services to those who deserve it with high quality; 3) Promoting the principles of social justice "principles of justice and equality" and basic human rights within and outside these institutions" Promoting the principles of justice and equality and instilling them deeply in all social groups"; 4) Strengthening the national economy of the state.

**Evaluating the Social Performance of NPPSIs**

Internal control departments in the NPPSIs can evaluate the social performance of these institutions by studying the extent of their commitment to their four responsibilities, "economic, legal, ethical, and philanthropic." Economic responsibility can be evaluated by: 1) Study the quality of services provided to those who deserve them, which reflects the extent of the beneficiaries' satisfaction with those services; 2) Study the quality of financial transactions and decisions "or what is known as the good use of available economic resources" to determine whether those transactions resulted in a waste of public money or contributed to achieving economic savings. As well, legal responsibility can be evaluated by: 1) Study the extent to which the institution’s executive management follows the established administrative and financial policies to implement the plans necessary to achieve the desired goals; 2) Study the extent to which the institution follows local laws and international instruments while achieving its objectives. As for the ethical responsibility, it can be assessed by studying the decisions issued by the management as well as the behaviors monitored within that institution and the extent of their consistency with the codes of ethics and the rules of professional conduct. Finally, philanthropic responsibility can be evaluated by studying the extent of the institution’s interaction with the issues and aspirations of the society in which it operates.

**The Role of Internal Control in NPPSIs**

The internal control system is the safety valve for any organization or business - whether in the public or private sector. The internal control system is the first and last responsible for ringing early alarm bells to draw the attention of officials about potential financial risks "financial bottlenecks and low level of economic performance" to discuss the best ways to address them. Given the importance of this system in enhancing the survival and continuation of any business organization in performing its economic activity in the environment in which it operates, especially in the competitive environments, the traditional role of protecting movable and immovable funds from embezzlement" unethical and irresponsible practices" is no longer sufficient to ensure the survival of these organizations. The examination of financial transactions and verification of the approved financial and administrative procedures and policies is only part of the role of internal control in the modern era. The role of the internal control system goes further. It goes beyond the
documentary examination of financial transactions. In the modern era, with the adoption of the idea of social responsibility by business organizations, the role of the internal control system has evolved to include the evaluation of the organization’s social performance in addition to its economic performance. The role of internal audit in the NPPSIs goes beyond documentary examination - as is common practice for the internal audit profession in Libya. Mostly, internal auditing in the NPPSIs in Libya focuses its attention on documentary examination of financial transactions as a failed attempt to preserve public money from theft and embezzlement without evaluating those transactions from an economic perspective. The focus is on embezzlement and not on waste "uneconomical use of available resources."

Financial and Administrative Deviations
The relationship between the internal control system and the CSR can be explained as follows: The existence of an internal control system in any institution is to ensure that the desired goals are effectively and efficiently achieved. Effectiveness means the percentage of achieving the desired and planned goals by the institution’s higher management. As for efficiency, it reflects the extent of the executive management’s commitment to the requirements of social responsibility that are considered necessary to achieve these goals. In fact, the evaluation of social responsibilities "economic, legal, ethical, and philanthropic" by the internal control systems is an evaluation of the extent of compliance with the requirements of those responsibilities by the executive management that is concerned with the implementation of the desired goals.

Financial and administrative deviations in the NPPSIs mean that there is a state of total or partial non-commitment to social responsibility. Those deviations that can be detected by the internal control systems are: 1) Positive and negative deviations resulting from comparing actual performance with planned performance; 2) Deviation from codes of ethics and professional conduct rules "the practice of unethical behaviors such as theft, embezzlement, etc."; 3) Deviation from economic rationality "misuse of available economic resources."; 4) Deviation from the approach set for achieving the goals, "violation of administrative and financial policies and organizational procedures."; 5) Deviation from local laws and international instruments issued by global organizations.

The Independence of the Internal Audit in the NPPSIs
Among the common mistakes that undermine the role of internal audit departments in the NPPSIs and that contributed to the exacerbation of the phenomenon of corruption is the lack of independence of these departments and their subordination to the higher managements in those institutions. The higher and executive departments in public institutions are often appointed by the general assemblies of these institutions, as is the case in Libya. Chairman and members of the general assembly of any institution - they are from outside that institution, are chosen by the government to oversee and monitor that institution on behalf of the government and society. The general assembly is responsible for choosing the board of directors of the institution "the senior management" and the general manager of that institution "executive management", who are mainly employees working in that institution. Except when absolutely necessary, the general assembly does not intervene in selecting the leaders of the regulatory systems within the institution. The subordination of the internal audit department is to the higher management "the board of directors of the institution, and the general manager - the executive management," and not to the general assembly. This subordination makes the internal audit department not independent in performing its tasks to the fullest. It will get worse in the absence of direct communication between the internal audit department and the general assembly. Reports with negative implications (the
bad performance) issued by the internal audit department and which are often not in the interest of the higher management and the executive management of the institution will be obscured and disappeared into the offices of these departments and may result in a change of leaders in the departments and sections of the internal audit of the institution. In order to activate the role of internal audit in public sector institutions, the internal audit departments must be subordinate to the general assemblies, the "as a neutral party", and not the institutions' higher managements.

The Importance of Using Managerial Economics Concepts in the Internal Auditing

The quality of the financial transactions executed by the executive management cannot be judged unless those financial transactions are subject to study and evaluation from an economic perspective. To evaluate the efficiency of the executive management to judge its performance through executed financial transactions- by the internal audit department in the institution, there are two questions that must be answered for each financial transaction: 1) Was there a need to conclude that financial deal? 2) Did the executive management take into account the concept of the economic rationality when concluding that deal?. The answer to the first question depends on the personal assessment and realistic evaluation of the situation. As for the answer to the second question, it depends on the concept of lost opportunity cost and the concept of economic savings in accordance with the method suggested by the researcher, which simulates the method of decision-making steps as follows: 1) Determining the desired benefit of the financial transaction "financial decision", 2) Determining the available alternatives to achieve that desired benefit; 3) Choosing the best alternative that achieves that desired benefit- with high quality, with the highest degree of efficiency "at the lowest cost".

3. RESULTS

Theoretical Construction” Conceptual Framework” of the Thought of Social Responsibility for NPPSIs:

1) According to the researcher’s perception, any definition of social responsibility for NPPSIs must include the meanings of the following two concepts: effectiveness and efficiency. Effectiveness is the percentage of goal achievement, which means providing services to those who deserve it with high quality. Efficiency is the material and moral "non-material" costs incurred in achieving the goal. Material costs are related to the concept of economic rationality" the efficient and optimal use of the available economic resources". As for the intangible costs, they are related to the amount of compliance with policies, plans, regulatory procedures, local laws, international instruments, codes of ethics and professional conduct rules.

2) Mostly, the NPPSIs are monopolistic. These institutions operate in a non-competitive environment, so adopting the idea of the social responsibility in these institutions is for the purpose of preserving public economic resources "public money and human resources"; improving the quality of services provided to those who deserve it; promoting social justice; enhancing compliance with the local laws and international instruments; adhering to codes of ethics and rules of professional conduct.

3) After the emergence of the idea of CSR and its adoption in the private and public sectors- as a tool for development, the role of the internal control system in the NPPSIs must evolve from the stage of documentary examination of financial transactions and administrative decisions to the stage of evaluating the extent of commitment to social responsibilities, as follows: evaluation of the economic rationality” economic responsibility “; the evaluation of the compliance with
administrative and financial policies and regulatory procedures, local laws and international instruments” legal responsibility”; Evaluating the extent of adherence to noble human values, codes of ethics and rules of professional conduct” ethical responsibility.”

4) The social responsibility of the NPPSIs (such as hospitals, schools, institutes, universities, electricity companies, government services agencies, cleaning companies, authorities of gardens, parks and recreation areas and museums, water and sanitation authority, security agencies, etc.) differs from the social responsibility of private sector enterprises in terms of the goal of commitment, the first is to gain community satisfaction and the second is to obtain a competitive advantage. Also, the economic responsibility of the NPPSIs differs from that of the private sector, the first is to make good use of available economic resources ”public money and human resources” and provide services to those who deserve it with high quality, while the second is to maximize profit. As well as, the number of types of responsibilities in the two sectors is not different” with some modification in the philanthropic responsibility.” The social responsibilities of NPPSIs are "economic, legal, ethical, and non-material philanthropic “, while the social responsibilities of private sector institutions are "economic, legal, ethical, and non-material and material philanthropic.” the NPPSIs are not for the purpose of maximizing profits, as they receive financial support from the state’s public treasury. They specialize in providing free services to people. There are no profits through which to engage in charitable activity that requires payment of funds or assets. Therefore, there is no material philanthropic responsibility in these institutions.

4. CONCLUSION
This study contributed to enriching the thought of CSR and removing ambiguities about its features in the NPPSIs. This study identified the different aspects of this thought and its features in the non-profit sector - which differ from its features in the for-profit sector, as follows: 1) The economic responsibility of the NPPSIs has a special meaning and nature that differs from the economic responsibility of for-profit institutions. It means good use of public money, ”optimum use.”; 2) The philanthropic responsibility of the NPPSIs is nonmaterial, it is moral or intangible” non-monetary philanthropic responsibility.” NPPSIs can have a great role in interacting with the issues and aspirations of the societies in which they operate through their involvement in programs and activities of intangible charitable work such as free training for students, providing free consultations, educating the local community, moral support to solve social issues and problems, etc.

To evaluate whether the NPPSIs are committed to their social responsibility towards the communities in which they operate or not, and to issue reports on the social performance of these institutions, specific focus must be placed on studying and evaluating the following five axes by the internal control systems, ”internal audit departments” in these institutions, according to concepts of effectiveness and efficiency. Those axes are: 1) Evaluating the quality of financial decisions and deals, "evaluating the level of economic rationality in those decisions and deals.”; 2) Evaluating the quality of the actual spending by comparing it with the planned spending; 3) Evaluating the quality of administrative and financial policies and their consistency with the goals, plans, and local laws and international instruments; 4) Evaluating the extent to which the specified approach is followed to achieve the goals, ” policies and organizational procedures.”; 5) Evaluating the extent of compliance with the codes of ethics, and professional conduct rules.

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Analysis of the Subjective Economic Welfare and Well-Being of Pyrethrum Farmers in Makete District; Tanzania

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Abstract

This paper made an analysis of the subjective economic welfare and well-being of pyrethrum farmers in Makete District; Tanzania. The study employed a quantitative approach and a cross-sectional study design was opted. The Leyden approach was employed to analyze farmers' subjective economic welfare by posing the empirical basis of the Income Evaluation Question (IEQ) developed by Van Praag (1971). The result for the want parameter (a proxy of welfare function) was 13.9537 (I=e^{13.937}). The exponent of want parameter represented the average income an individual was considered insufficient (Tshs. 1,148,193/- per annum). The result implies that farmers needed an annual total average income of more than Tshs. 1,148,193/- for satisfying their needs or wants. This amount is less than the annual minimum wage of Tshs. 1,200,000/- (URT, 2013a). Satisfaction with life as a whole question was also employed to evaluate subjective well-being using descriptive analysis. Results show that: 57.7% and 4.1% of farmers were satisfied and very satisfied respectively with the way they lived after starting selling pyrethrum. On marketing factors, however, results reflected high dissatisfaction levels. This study recommends that agricultural produce and marketing policies for rural pyrethrum farmers should be considered in a multidimensional strategy in a move to improving the subjective economic welfare and well-being of pyrethrum farmers in Makete district.

Keywords: The Leyden Approach, Subjective Economic Welfare, Well-being, Pyrethrum marketing
1. Introduction

Pyrethrum production is the major economic activity in Makete district. It constitutes to about 99.9% of cash crops. In the year 2010/2011 pyrethrum contributed most of the revenue at a total of Tsh.109, 171,500 (MDC Socio-economic profile, 2011). However, economic welfare and well-being of pyrethrum farmers is considered low (MDC, Socio-economic profile, 2011). This fact was supported by the outcome results of the Household Population Index Survey of the year 2009 which showed that the per capita income in the district was Tshs. 200,000/- and the Gini Coefficient rate of 32 percent marked Makete district as having the worst uneven distribution of wealth in the Njombe region. The regional Gini Coefficient rate was 43 (NBS, 2013).

The marketing of agricultural produce at rural primary marketing level is a vital economic activity within the output phase (United Republic of Tanzania, 2011). It is marketing which guarantees their produce to generate income which in turn would determine economic welfare and well-being of farm households. Pyrethrum farmers in some countries of the world and East Africa like Tanzania, face severe pyrethrum marketing constraints towards accessing marketing factors for effective and efficient marketing activities at primary marketing level (URT, 2011). This situation leads to rural income deficiency which leads to the decline of the economic welfare and well-being of pyrethrum farmers in the country (URT, 2011). This paper therefore, wanted to investigate the extent the economic welfare and well-being of pyrethrum farmers in Makete district have been affected. The analysis was done by employing the Leyden Approach.

The Leyden approach is a Dutch tradition of studying subjective welfare in connection with the economic circumstances of the household, e.g., income, family composition, age and employment (Van Prang and Ferrer-i-Carbonell, 2004). Within this research tradition the Leyden approach measures of subjective poverty lines and income evaluation have been developed. The Leyden approach is mainly empirical and data-oriented. It focuses on evaluation of income, utility of income, income satisfaction, that is, economic welfare and well-being. In this study we might, in some cases, drop the adjective “economic”, but when the term “welfare” was used, we meant welfare derived from income. The Leyden approach is based on the assumptions that individuals are able to evaluate income levels in general and their own income in particular. In the context of this paper, such terms as “very insufficient”, “insufficient”, “sufficient”, et cetera were used. We call these terms; “verbal qualifiers” which are translated into the Individual Welfare Function of Income (WFI) (Van Praag, 1971). They describe how a farmer could have evaluated different income levels, under the basis of Income Evaluation Question, (IEQ) to measure subjective economic welfare.

The empirical findings based on subjective questions of welfare and well-being, are all from developed countries in the “western” literature. There exists no literature in Tanzania except one of Dimoso (2009) which looks at the household subjective welfare and well-being in the Leyden approach. It is because of this non-existence of local literature that motivated this study use, with adaptations, the “western” structure of individual well-being and welfare in the Leyden Approach structure. The phrase “with adaptations” suggests that while the structure and methodology of analysis remain the same, determinants of subjective welfare and subjective well-being would either be added, or deducted, or redefined to fit the local context.

2. Theoretical Perspectives and a Brief Review of Empirical Studies

There are two concepts in this study; namely welfare and well-being. The former stands for the narrow concept of satisfaction derived from income or monetary welfare. The latter concept is a much wider concept; it stands for satisfaction with life as a whole. Figure 1 shows how these two concepts fit together. In a mathematical language, welfare is a subset of well-being while well-being is a full set. Figure 1 introduces also another concept, that is, standard of living.
standard of living refers to material issues only (material welfare), such as income, wealth and goods (Antonides and Raaij, 1998). As such, in mathematical language, standard of living is a subset of welfare. This study considers mainly the welfare and well-being concepts in its analysis.


Figure 1: Standard of living, welfare and well-being concepts

In the Leyden approach; subjective economic welfare is considered to be known as income satisfaction (Van Praag, 1971). This approach speaks of utility of income. The income concept considered here is the after-tax (disposable Income) annual household income (Van Praag, 1971). The Individual welfare function is considered as the need parameter (symbolized by $\mu$) and denoted by the log income that was evaluated at 0.5 on the [0,1] welfare scale. Individual welfare function varies with need parameter $\mu$ and parameter sensitivity $\sigma$ which is the sensitivity parameter of the welfare function (Van Praag, 1968). In the context of this study, for each respondent, three income levels were connected to three utility levels. The shape of the welfare function can be inferred from these three combinations. Many functions can be fitted using these three points. However, in Van Praag (1968), it was argued on theoretical reasons, that it would be a lognormal distribution function. The reason of this study to use a distribution function is that, we assumed roundedness of the utility function, there is a worst and a best position in terms of welfare (satisfaction). Main contributors of Leyden approach were Van Praag, Kapteyn, Wansbeek, Hagenaaars, Van der Sar, Plug, and Frijters.

This argument on theoretical reasons in Van Praag (1968) on lognormal distribution function is supported by Van Herwaarden & Kapteyn (1981) who showed that the points of the welfare function found empirically, best fitted a lognormal curve within the class of distribution functions. A welfare function is considered to be concave but not for all income levels; for low incomes a welfare function takes a convex shape (Van Praag, 1991). In economics, it is conventional wisdom, that utility function of income is always concave. This is called a Law of Decreasing Marginal Utility, also known as Gossen’s first law (Van Praag, 1991). But scientific experiments with insurance or gambling behavior show this is not always true; it thus follows that a utility function may be convex in certain regions (Kahneman, 1991).

On the other hand, following the Leyden Approach, subjective well-being was measured using a satisfaction-with-life question developed by Gurin et al. (1960) (See details in Section 3.3.).

3. Materials and Methods

This paper employed cross-sectional study design and quantitative approach in data analysis. The main type of data was primary. Sources of data were farm household heads (units of analysis). Primary data was collected in the year 2014 from Southern highlands, in Makete district, Njombe region, Tanzania. This study was conducted in Makete district, where its people depend on pyrethrum crop as the main traditional cash crop for their livelihoods. Most
farm household heads (pyrethrum farmers) are believed to derive their economic welfare and well-being from pyrethrum sales’ income. Research survey was conducted in Ivilikinge, Isapulano, Ibaga, Kidope, Makwaranga, Matenga, Kinyika, Igumbilo and Ludilu the pyrethrum growing villages among others. The study area has the volcanic soils due to the past volcano explosions in Livingstone Mountains; with the altitude of between 1500 to 3000 meters above sea level and this makes the area to experience temperate climatic conditions with low temperatures ranging from 2º Centigrade to 20º Centigrade in the highlands are suitable and conducive for growing pyrethrum. In lowlands with temperatures, 20º Centigrade to 30º Centigrade, pyrethrum flowers are not grown.

3.1 Descriptive Analysis

This paper employed a variety of measures of central tendency dispersion which include: frequencies, percentages, means and standard deviations to describe the properties of Units of Analysis. The results of pyrethrum farmers’ characteristics, subjective welfare, subjective well-being and marketing factors are presented in Tables and Figures.

3.2 Individual Welfare Function of Income

Individual Welfare Function of Income (WFI) is an operationalized version of the cardinal utility function of income. Individual Welfare Function of Income (WFI), describes how a pyrethrum farm household head evaluated different income levels and need parameter (a proxy of welfare function) was estimated by posing the Income Evaluation Question, (IEQ). The income evaluation question was given as:-

"Which yearly household disposable income would you consider being very insufficient, insufficient and sufficient?"

<table>
<thead>
<tr>
<th>Satisfaction level</th>
<th>Amount in Tanzanian Shillings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very insufficient</td>
<td></td>
</tr>
<tr>
<td>Insufficient</td>
<td></td>
</tr>
<tr>
<td>Sufficient</td>
<td></td>
</tr>
</tbody>
</table>

The three IEQ answers of pyrethrum farm households head \(i\) are denoted by \(q_{ij}\). The individual welfare function is of the form:

\[
\mu(I) = \Lambda(I; \mu_i, \sigma) = N(\ln I; \mu_i, \sigma) \quad (i = 1,...N)
\]

(1)

Where: \(\Lambda\) represents the log-normal function and \(N\) represents the normal distribution function. The individual welfare function varies with \(\mu_i\) and \(\sigma\) is estimated in the form shown:

\[
\mu_i = \frac{1}{J} \sum_{j=1}^{J} \ln(q_{ij}) \quad i = 1,..N; j = 1,2,3
\]

(2)
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\[ \sigma_i = \sqrt{\frac{1}{(J-1)} \sum_{j=1}^{J} (\ln q_{ij} - \mu)^2} \]  

(3)

Where: \( \mu \) is the need or want parameter of the individual welfare function and it denotes the log-income that was evaluated at 0.5 on the [0,1] welfare scale. \( \mu \) determines the position of utility with respect to the income. However, if \( \mu \) increases, the individual becomes less satisfied with the same amount of income, that is \( \mu \) decreasing in \( \mu \). \( \sigma \) is the sensitivity parameter of the welfare function which defines the slope of the welfare function (Van Praag, 1968). If \( \sigma = 0 \) it is a limiting case where individuals are completely unsatisfied with any income until their income reaches \( e^\mu \), and where they are completely satisfied if their income exceeds \( e^\mu \). And q_{ij} stands for the three income levels \( (q_1, q_2, q_3) \) these were reported in the IEQ by a pyrethrum farm household \( i \). For us to succeed in using the IEQ for welfare comparisons, we made the assumption that all pyrethrum farm households in the language community attach the same verbal label and to the same welfare level.

3.3 Subjective Well-Being

The Gurin-question asked in the survey was:

“Taking everything into account, how satisfied are you these days? Choose one response.”

| Very dissatisfied | 1 |
| Dissatisfied      | 2 |
| Satisfied         | 3 |

The answers obtained, denoted by \( v_i \), are numbers on a (1,3) scale, where 1 stands for very dissatisfied, 2 stands for dissatisfied and 3 stands for satisfied. The answer to this question was taken as a proxy of an individual’s subjective well-being (see Frey and Stutzer, 2002b; Luttmer, 2005). Individual answers were then explained as per the hereunder model:

\[ SWB_i = \alpha + \beta X_{ki} + \varepsilon \]

\[ SWB_i = v \leftrightarrow \pi_v \leq SWB_i^* < \pi_{v+1} \]

Where \( SWB \) is the abbreviation for Subjective Well-Being. \( SWB \) is the answer to the satisfaction question, \( SWB^* \) is an unobserved latent variable, \( i \) represents the individual, \( v \) are the three discrete categories (1 to 3), \( \pi_v \) are two estimated intercept terms also known as “threshold parameters”, \( X_k \) is a set of \( k \) explanatory variables, and \( \varepsilon \) represents the usual error term. Firstly, \( SWB^* \) is a categorical variable and thus we cannot observe the exact level of satisfaction but only its range. Secondly, the answer to the subjective well-being question provides an ordinal (and not cardinal) ranking. Thirdly, ordinal interpersonal comparability is
assumed. This means, for example, that an individual answering “3” is more satisfied or happier than one answering “1”, but not necessarily three times as happy or satisfied (Ferrer-i-Carbonell and Frijters, 2004). The ordered probit model with three alternatives could be used to run the hereunder model.

\[ SWB_i^* = \begin{cases} 1 & \text{if } SWB_i^* < \pi_v \\ 2 & \text{if } \pi_v \leq SWB_i^* < \pi_{v+1} \\ 3 & \text{if } \pi_{v+1} \leq SWB_i^* \end{cases} \]

Where \( \pi_v < \pi_{v+1} \).

This is because the alternatives are hierarchical ranging from negative to positive. This paper, however, didn’t go that far. The results herein inscribed are thus merely descriptive.

4. Results

Results of evaluates from descriptive analysis are presented in Table 1. Results show that the minimum age of pyrethrum farm household heads interrogated in the survey was 19 years and the maximum was 88 years. Mean age of pyrethrum farm household heads was 46.85 years with a standard deviation of 13.762 years. The results indicate that age distribution of heads of households was highly dispersed between 19 and 88 years. Empirically the normal distribution rule states that 68% of the observation falls within 1\( \sigma \) (1 times the standard deviation). This is in accord to Wheeler & Chambers (1992). Based on this theory, 68% of pyrethrum farm household heads were in the age between 33 years and 61 years. This supplicates a suggestion that more than 68% of pyrethrum farm household heads were of the working-age which is 15 years to 64 years (NBS, 2013).

<table>
<thead>
<tr>
<th>Variable</th>
<th>No. of observations</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age of the household head</td>
<td>267</td>
<td>19</td>
<td>88</td>
<td>46.85</td>
<td>13.762</td>
</tr>
<tr>
<td>Number of household members</td>
<td>267</td>
<td>1</td>
<td>8</td>
<td>4.10</td>
<td>1.636</td>
</tr>
<tr>
<td>Total size of land owned by household in acres</td>
<td>267</td>
<td>.50</td>
<td>10.00</td>
<td>2.1105</td>
<td>1.61057</td>
</tr>
<tr>
<td>Household pyrethrum sales in kilograms</td>
<td>267</td>
<td>13</td>
<td>5500</td>
<td>418.69</td>
<td>706.098</td>
</tr>
<tr>
<td>Total household pyrethrum income obtained from first and previous season selling</td>
<td>267</td>
<td>16600</td>
<td>9150000</td>
<td>720097.94</td>
<td>1215762.833</td>
</tr>
<tr>
<td>Yearly average income received by household from other sources of income by each household member</td>
<td>267</td>
<td>40000</td>
<td>9060000</td>
<td>897471.16</td>
<td>1150660.854</td>
</tr>
<tr>
<td>Yearly average income in Tanzania shillings</td>
<td>267</td>
<td>88700</td>
<td>10300000</td>
<td>1600236.89</td>
<td>1795162.280</td>
</tr>
</tbody>
</table>
Which yearly household disposable income would you consider to be Very dissatisfied

<p>| | | | | |</p>
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</tr>
</thead>
<tbody>
<tr>
<td>267</td>
<td>180000</td>
<td>8430000</td>
<td>1325059.93</td>
<td>1353363.639</td>
</tr>
</tbody>
</table>

Which yearly household disposable income would you consider to be dissatisfied

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</thead>
<tbody>
<tr>
<td>267</td>
<td>300000</td>
<td>10050000</td>
<td>1597640.45</td>
<td>1559237.467</td>
</tr>
</tbody>
</table>

Which yearly household disposable income would you consider to be satisfied

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<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>267</td>
<td>390000</td>
<td>12480000</td>
<td>1868200.37</td>
<td>1795948.120</td>
</tr>
</tbody>
</table>

Want parameter

<p>| | | | | |</p>
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<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>267</td>
<td>12.62</td>
<td>16.14</td>
<td>13.9537</td>
<td>.75337</td>
</tr>
</tbody>
</table>

Sensitivity parameter

<p>| | | | | |</p>
<table>
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<tr>
<th></th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>267</td>
<td>.05</td>
<td>.56</td>
<td>.2144</td>
<td>.09192</td>
</tr>
</tbody>
</table>

Valid N (list wise)

<p>| | |</p>
<table>
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<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>267</td>
<td></td>
</tr>
</tbody>
</table>

Source: Computed from field data

In Figure 1 results show that on the sex of pyrethrum farm household heads, 18% of household heads who participated in the study were female and the remaining 82% were male. The results indicated that the majority of household heads in the study area were male and few households were headed by a female. Importance of gender in this study was to unveil if this difference in heading households (either by male or female) had any influence on household head’s subjective economic welfare and subjective well-being.

![Sex of Household Head](image)

**Figure 1 Sex of household heads.**

Figure 2 shows results on education of farm household heads. The results show that 11.6% were illiterate (had not gone to school), 76.8% had a maximum of primary education, 10.9% had a maximum of secondary education, 0.4% had a maximum education of vocational training and the remaining 0.4% had education at university level. These results indicate that the majority of pyrethrum farm household heads in the study area had primary education compared to other education levels.
Figure 2  Education of household heads

Figure 3 shows results on the occupation of household heads. The results show that 91% of pyrethrum farm household heads were farmers; 3.4% were government employees, 1.9% were private-sector employees, 3% were retired and 0.7% were businessmen or women. This means that the majority of household heads who took part in the study were farmers who never worked as employees elsewhere. The fact that some of the pyrethrum farm household heads were also businessmen or women, retired and employees; this would reveal their subjective economic welfare and well-being differences compared to those who are only pyrethrum farmers.

Figure 3 Occupation of households’ heads

In Table 2 results show that the minimum number of farm household members was 1 and the maximum number was 8. The mean was observed to be 4.1 with a standard deviation of 1.636. The results imply that on average the household size was 4 individuals per farm household. The standard deviation of 1.636 indicates that pyrethrum farm households were experiencing varying household size which in turn would differently influence their wants. The average household size of 4.1 individuals per household was below that of Rural Tanzania Mainland which is 5 individuals per household, but equal to that of the Njombe region which is 4.1 individuals per household (URT, 2014).

The essence of having a larger household size of up to a maximum of 8 household members can be linked to pyrethrum farm household heads’ satisfaction with cheap labour from household members especially for pyrethrum harvesting which is normally done on weekly basis after first blossoms. In Table 1 results show that the minimum farm size was 0.5 acres while the maximum was 10 acres. The mean was 2.1105 acres with a standard deviation of 1.61057. Since the standard deviation was relatively small it indicates that majority of pyrethrum farm household heads owned an average of 2 acres of land for their pyrethrum farming and few pyrethrum farm household heads had big farm size of up to 10 acres. In accordance with TPB (2011) 1 acre has a potential of producing up to 1000 kilograms of pyrethrum dried flowers.
In this situation the results imply that pyrethrum farm households in the study area had a potential of harvesting an average of up to 2000 kilograms of pyrethrum in an acre. In Table 1 results show pyrethrum farm households were likely to harvest between the minimum of 13 kilograms and the maximum of 5,500 kilograms of pyrethrum dried flowers. The mean harvest was 418.69 kilograms with a standard deviation of 706. The huge standard deviation indicates that pyrethrum harvests were highly varying among pyrethrum farm households. Moreover, the fact that on averages the farm size was 2 acres reveals that on average pyrethrum farm households were harvesting about 209.35 kilograms per acre which is less than the potential of 1000 kilograms per acre yearly (TPB, 2014).

This finding shows there is still more than enough opportunity among pyrethrum farm households in the study area to utilize resources and maximize production, resulting to great sales of pyrethrum dried flowers which in turn would inevitably improve their economic welfare and well-being. Also, in Table 1 results show that pyrethrum farm households in the study area were earning a minimum of Tshs. 16,600/- and the maximum of Tshs. 9,150,000/- from pyrethrum sales. The mean income earned by pyrethrum farm households from pyrethrum sales was Tshs. 720,097.94/- with a standard deviation of Tshs. 1,215,762.83/-. The huge standard deviation indicates that pyrethrum farm households were exhibiting varying degrees of annual pyrethrum sales income levels between the minimum which was Tshs. 16,600/- and the maximum which was Tshs. 9,150,000/- The fact that an average income earned by pyrethrum farm households from pyrethrum sales was about 50% of the total annual average income, one can suggest that pyrethrum is the main source of income in the study area.

The observation reflects the general consideration that 75.9% of rural populations depend on agriculture as the main source of income (URT, 2013b).

It is therefore empirically evident that the influence of income on pyrethrum farm household heads’ subjective economic welfare and subjective well-being is largely derived from pyrethrum as a source of income in the study area. In Table 2 results show that, pyrethrum farm household heads in the study area, were earning a minimum of Tshs. 40,000/- and the maximum of Tshs. 9,060,000/- from other sources. The mean income earned from other sources was Tshs. 897,471.16/- with a standard deviation of Tshs. 1,150,660.85/-. The huge standard deviation indicates that pyrethrum farm households were exhibiting varying degrees of annual income levels from other sources between the minimum which was Tshs. 40,000/- and the maximum which was Tshs. 9,060,000/=. It was thus observed that other sources of income apart from pyrethrum sales constituted about 50% of the total annual average household income.

Table 2 shows other main sources of income with their percentages in brackets. These are food crop cultivation (76%), poultry and livestock keeping (12%), wood cultivation (3%), small businesses (0.7%), employment (5.2%) and remittances (3%). These results were not shocking, since were reflecting the occupation distribution of pyrethrum farm household heads as observed earlier where the majority were farmers and few were small businessmen and businesswomen or employees. Results show that, all these activities had a collective contribution of about 50% of the annual average household income implying that having more than one source of income is of importance for both economic welfare and well-being improvement among pyrethrum farm households. This is based on the fact that unlike pyrethrum sales, other sources of income are less seasonal and can even finance necessary inputs for pyrethrum cultivation.

<table>
<thead>
<tr>
<th>What are the major other sources of household income</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
</table>
In Table 1 results show that the minimum annual household income was Tshs. 88,700/- and the maximum was Tshs. 10,300,000/-. The mean annual household income was Tshs. 1,600,237/- with a standard deviation of Tshs. 1,795,162/-. The huge standard deviation indicates that pyrethrum farm households were exhibiting varying degrees of annual income levels between the minimum which was Tshs. 88,700/- and maximum which was Tshs. 10,300,000/-. The annual total average income exceeds the lower minimum wage of Tshs. 1,200,000/- as determined by the government minimum wage policy (URT, 2013a). This reflects the fact that pyrethrum farm households’ heads were earning income above the minimum wage which is considered enough for subsistence.

Figure 4 Access to agricultural extension services.

Extension services in agriculture are meant for agricultural modernization and technical service provision to farmers (NIFA, 2015). In Figure 4, the results show that 68.2% were accessing agricultural extension services from village extension officers, 29.6% were accessing agricultural extension services from ward extension officers and the remaining 2.2% were accessing agricultural extension services from other non-formal sources like friends and colleague farmers. These results reveal a varying degree of access to extension services among pyrethrum farm households in Makete district. While some have extension services readily available as close to the village level, others must find the same services as far as the ward offices away from their localities. 2.2% of other pyrethrum farm households fail to obtain extension services from trained personnel but depend on non-formal sources like friends and colleague farmers.

4.2 Marketing Factors

Figure 5 shows that 80.9% of pyrethrum farmers were very dissatisfied with non-technological drying facilities, 16.1% were dissatisfied and the remaining 3% were uncertain.
These results indicate that pyrethrum farm households were experiencing difficulties tied with the use of non-technological facilities in drying their pyrethrum harvests. The results were in line with pyrethrum farmers’ complaints on lack of such facilities coupled with difficulties associated with drying pyrethrum during rainy seasons. Lack of technological drying facilities is normally associated with both quantity and quality of pyrethrum dried flowers for marketing. The situation stimulates rural income deficiency and the decline of the economic welfare and well-being of pyrethrum farmers in the country (PIDTF, 2011). Figure 5 further shows that 73% of farmers were very dissatisfied with rural farm transport, 20.6% were dissatisfied and the remaining 6% were uncertain. These results imply that pyrethrum farmers were using local transportation mechanisms which made them very dissatisfied as portrayed by the types of transport in Table 3, where results show that 0.4% were using cattle for rural farm transport, 37.1% were using donkey, 6.7% were using bicycles, 48.7% carried on their heads and 7.1% used locally made trucks. These results reveal that the majority of farmers were carrying raw pyrethrum flowers on their heads. This can also be associated with a number of challenges like quality and bulkiness of harvested raw pyrethrum flowers, especially during rainy seasons. The results concur with Mathur (1971) who asserted that, the transportation of harvested agriculture products from farm households’ small scale farms to households becomes bulky and sometimes it is impossible all together to transport, particularly during rainy season when most farm roads are impassable.

**Table 3 Local rural farm transport**

<table>
<thead>
<tr>
<th>How do you transport pyrethrum from farm to household</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cattle</td>
<td>1</td>
<td>.4</td>
<td>.4</td>
<td>.4</td>
</tr>
<tr>
<td>Donkey</td>
<td>99</td>
<td>37.1</td>
<td>37.1</td>
<td>37.5</td>
</tr>
<tr>
<td>Bicycle</td>
<td>18</td>
<td>6.7</td>
<td>6.7</td>
<td>44.2</td>
</tr>
<tr>
<td>On head</td>
<td>130</td>
<td>48.7</td>
<td>48.7</td>
<td>92.9</td>
</tr>
<tr>
<td>Local truck</td>
<td>19</td>
<td>7.1</td>
<td>7.1</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>267</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Computed from field data.
Marketing information is very important for making informed decisions which are more likely to facilitate access to good markets and competitive higher prices (Marocchino, 2009) and it is through marketing information that pyrethrum farmers can get to know market dynamics and decide on how much to produce. From Figure 5 the results show that, 79.8% of pyrethrum farmers were very dissatisfied with marketing information, 16.5% were dissatisfied, 3.4% were uncertain and the remaining 0.4% were satisfied. This was based on the fact that there was limited formal way of getting marketing information as presented in Table 4 where results show that 25.1% of farmers got marketing information from their friends, 28.8% get marketing information from pyrethrum buyer vendors, 5.2% get marketing information from ward executive officers (WEOs), 7.5% get marketing information from village executive officers (VEOs) and 33.3% get marketing information from village pyrethrum selling agents. These results imply that pyrethrum farmers get market information from price setters, like pyrethrum buying agents (PCT Ltd) while advocates like WEOs and VEOs play a little role on the same.

Table 4 Source of market information

<table>
<thead>
<tr>
<th>Source</th>
<th>Valid</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Friend</td>
<td>67</td>
<td>25.1</td>
<td>25.1</td>
<td>25.1</td>
<td>25.1</td>
<td>25.1</td>
</tr>
<tr>
<td>Buyer vendors</td>
<td>77</td>
<td>28.8</td>
<td>28.8</td>
<td>53.9</td>
<td>93.9</td>
<td></td>
</tr>
<tr>
<td>WEO</td>
<td>14</td>
<td>5.2</td>
<td>5.2</td>
<td>59.2</td>
<td>98.2</td>
<td></td>
</tr>
<tr>
<td>VEO</td>
<td>20</td>
<td>7.5</td>
<td>7.5</td>
<td>66.7</td>
<td>95.7</td>
<td></td>
</tr>
<tr>
<td>Village pyrethrum selling agents</td>
<td>89</td>
<td>33.3</td>
<td>33.3</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>267</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: Computed from data

Market stability is essential for predictable prices and demand. Stability of pyrethrum prices and high demands together strengthen the supply side of pyrethrum farm households (Mulagoli, 2015). It is evident that, with market stability pyrethrum farmers are likely to benefit a consistent income welfare. In Figure 5, results show that 82.4% of pyrethrum farmers were very dissatisfied with market stability, 10.9% were dissatisfied, 3.4% were uncertain and the remaining 3.4% were satisfied. The results indicate that market for pyrethrum was less stable and thus pyrethrum farm households experienced unpredictable market and price fluctuations for their produce. Pyrethrum farmers failed to get consistent income for their welfare.

4.3 Subjective economic welfare

In Table 1 it was shown that the minimum annual household income considered very dissatisfactory was Tshs. 180,000/- and the maximum was Tshs. 8,430,000/-. The mean annual household income considered very dissatisfactory was Tshs. 1,325,060/- with a standard deviation of Tshs. 1,353,364/-. The results indicate that pyrethrum farm households needed about Tshs. 1,325,060/- for income that was very dissatisfied. Then results in Table 1 further show that the minimum annual household income considered dissatisfactory was Tshs. 300,000/- and the maximum was Tshs. 10,050,000/-. The mean annual household income considered dissatisfactory was Tshs. 1,597,640/- with a standard deviation of Tshs. 1,559,237/-. The finding indicates that pyrethrum farm households need about Tshs. 1,597,640/- for income that is however dissatisfactory. In addition, the results in Table 1 showed that the minimum annual household income considered satisfactory was Tshs. 390,000/- and the maximum was Tshs. 12,480,000/-. The mean annual household income considered satisfactory was Tshs. 1,868,200/- with a standard deviation of Tshs. 1,795,948/-. The results imply that pyrethrum
farm households in the study area needed at least Tshs. 1,868,200/- yearly as disposable income for satisfying their needs. Details are discussed together with findings on the want parameter in Section 4.3.1.

4.3.1 Want Parameter

Table 1 shows that the minimum want parameter was 12.62 and the maximum was 16.14. The mean want parameter was 13.9537 with a standard deviation of 0.75337. Since the want parameter was expressed by means of the natural logarithms of income the exponent of the want parameter represents the average income, an individual is considering dissatisfactory \( I = e^u, \quad I = e^{13.9537} \). Therefore the average annual disposable household income considered dissatisfactory was Tshs. 1,148,193/- . This amount is less than the annual minimum wage of Tshs. 1,200,000/= (URT, 2013a). The result implies that pyrethrum farmers needed an annual total average income of more than Tshs. 1,148,193/- for satisfying their needs. This supports the observed perceived level of the satisfactory annual average income of about Tshs. 1,868,200/- .

4.3.2 Sensitivity Parameter

The sensitivity parameter of the welfare function defines the slope of the welfare function (Van Praag, 1968). Table 1 shows that the minimum sensitivity parameter was 0.05 and the maximum was 0.56. The mean sensitivity parameter was 0.2144 with a standard deviation of 0.09192. Since the standard deviation of sensitivity parameter was small it implies that the sensitivity parameter was close to the mean of about 0.2144. Sensitivity parameter of zero was not observed and there was no case of pyrethrum farm household heads being completely dissatisfied with any income less than \( e^u, \) (Tshs. 1,148,193/-) and completely satisfied if exceeds \( e^u, \) (Tshs. 1,148,193/-). The result implies that pyrethrum farm household heads appeared with different levels of satisfaction with income and the two extremes were not likely.

4.4 Subjective Well-being

Subjective well-being (SWB) is a self-reported measure of well-being, typically obtained by questionnaire (Diener, 1984).

![Figure 6 Satisfaction with life after selling pyrethrum](image)

In Figure 6, results show that 10.5% of pyrethrum farmers were very dissatisfied with the way they lived after selling pyrethrum, 11.6% of farmers were dissatisfied with the way they lived after selling pyrethrum, 16.1% of farmers were uncertain with the way they lived after selling pyrethrum, 57.7% of farmers were satisfied with the way they lived after selling pyrethrum and 4.1% of farmers were very satisfied with the way they lived after selling pyrethrum. These results imply that, after starting selling pyrethrum dried flowers farmers were experiencing high levels of satisfaction with life in general that attained their subjective well-being. The findings revealed that after selling pyrethrum dried flowers, farm household heads get income.
to fulfill their farm households’ needs and appear satisfied with the way of living compared to when they were not selling pyrethrum.

5. Conclusion and Recommendations

According to the presented results, it is evident that, pyrethrum farmers in the Makete district need an annual total average income of more than Tshs. 1,148,193/- for satisfying their needs which is supported by observed perceived level of the satisfactory annual average income of about Tshs. 1,868,200/-. The study also shows that, majority (57.7%) of pyrethrum farm household heads were satisfied and (4.1%) were very satisfied with life in the way they lived after starting selling pyrethrum. The study further reveals that about 38.2% of pyrethrum farmers were very dissatisfied, dissatisfied or uncertain with life in the way they lived after starting selling pyrethrum. On marketing factors, the study shows that the majority of pyrethrum farmers were very dissatisfied (73%) with rural farm transport and on local rural farm transport majority (48.7%) of the farmers were carrying pyrethrum harvests on their heads; on technological type of drying facilities paper shows that majority (80.9%) were very dissatisfied; on market information it is shown that the majority (79.8%) of pyrethrum farmers were very dissatisfied with way accessed market information. Inadequately pyrethrum farmers accessed information from Village Executive Officers (VEO) and Ward Executive Officers (WEO) compared to pyrethrum farmers accessed market information from other. Also on market stability this paper has shown that majority of pyrethrum farmers (82.4%) were very dissatisfied with market stability. Basing on these results, this study recommends that welfare and well-being policies for rural pyrethrum farmers should be multidimensional and oriented as to solving problems of poor rural farm transport, lack of modern technological type of drying facilities for drying raw pyrethrum white flowers, poor access to market information and poor access to stable markets; in order to facilitate for effective and efficiency pyrethrum marketing and to improve economic welfare and well-being of farmers in Makete district, Tanzania.

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Disclosure

The authors declare that they have no competing interests.
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Impact of Deposit Money Banks on Poverty Reduction: A Focus on Microfinance Banks in Nigeria

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Abstract
This paper investigates the impact of Deposit Money Banks (DMBs) on poverty reduction; a focus on microfinance banks in Nigeria from 1990 - 2019. The co-integration test is conducted using Bound Test and Autoregressive Distributed Lag (ARDL) model which are employed for the analyses. From the study, the current period of loans from microfinance banks and one period lag of interest rate have positive and significant impact on poverty level. Current period of access to microfinance banks and current period of interest rate have positive but insignificant impact on the poverty level. One period lag of access to microfinance banks and current period of deposits liabilities of microfinance banks have negative and insignificant impact on poverty level.

Keywords: Deposit Money Banks, Poverty Reduction, Nigeria

1. Introduction
Globally, Microfinance Institutions are considered as an important instrument for poverty reduction with assumptions that the bank has the license and capacity to give financial assistance (such as soft or long term loan) to poor individuals in order to startup own businesses, earn more income, accumulate savings, and improve consumption, in order to help overcome poverty circle. This Assumption has made international financial institutions to believe that microfinance banks have the capacity to reduce poverty, a belief that is on the premise that microfinance must serve as a medium of efficient and effective way of providing continuous financial inclusion for those that have been financially excluded from financial services (Armendariz & Morduch, 2005).

Since the 1990s, microfinance banks have been the key in the implementation of development policy targeted at poverty alleviation. According to Adjei, Arun and Hossain (2009), micro financing is an important component in achieving GOAL 1 of Sustainable Development Goals of
United Nations which is to put an end to poverty in all forms and everywhere. This makes the role of deposit money banks at reducing poverty in Nigeria very important and cannot be over emphasized. Deposit money banks have different models implementing financial support to the poor and the low income earners which has led to a continuous debate among stakeholders within and outside the financial sector whether microfinance banks have the capacity to alleviate poverty or not and to what extent can they contribute to the reduction of poverty?

Microfinance bank in Nigeria has many objectives which include financial intermediation through promotion of rural development, stimulation of productive activities in the rural sector, encourage banking habits among rural dwellers (Abdulai & Tewari, 2017). Microfinance banks have faced many challenges over the years in a bit to carry out the above objectives, but there has been a significant improvement in the way the microfinance banks reaching out to the poor and achieving the objective of poverty reduction especially in the rural areas. This achievement of reaching out to the poor can be measured by the number of people that have access to microfinance loans, number of microfinance bank in the rural areas among others.

In the view of Nwanne (2015), financial facilities to the poor at an affordable rate are important in development of strategy to reducing poverty among the poor. In the post-independent period, Keynesian school of taught holds the belief that public intervention is important in stimulating the economy and supporting the micro financing and financial markets through the provision of credit facilities, subsidies and other government financial support at alleviating poverty among the poor.

Due to the activities of the colonial master, Nigeria came out after independence as a poor country with many of her resources tapped and taken away by the British authority. This situation became pathetic due to mal-administration, poor leadership and corruption in Nigeria. Nigeria has always been rated by different international agencies as the poverty capital of the world. In confirming this, National Bureau of Statistics in its poverty and inequality survey report, released in 2020 states that 40.1 percent of total populations are classified as poor. In other words, 4 out of 10 individuals in Nigeria have real per capita expenditures below ₦137,430.00 (US$381.75) per year or US$1.05 per day. This translates to over 82.9 million Nigerians who are considered extremely poor, by national standards, out of a population of about 200 million (NBS, 2020).

From the above analysis, it is clear that poverty in Nigeria is trending upward, so as to scale back this trend, the federal government established the microfinance institution as an instrument to scale back poverty to the barest minimum. This study tends to answer the subsequent questions: How do microfinance loans have the capacity to reduce poverty in Nigeria? To what extent do Nigerians have access to microfinance banks? In what way does deposit liability of microfinance banks significantly impact poverty in Nigeria? The remainder of this article is grouped as follows: Section 2 is concerned about the related studies while section 3 deals with the methods adopted for the study. Section 4 reveals the results and findings while section 5 concludes the study.

2. Review of Related Studies

Evidence from empirical literatures show that the poor benefits from microcredit of microfinance banks (Zaman, 2001; Robinson, 2002; Dahiru and Zubair, 2008). Hulme and Mosley (1996) in their study on the role of microfinance at alleviating poverty state that microfinance is not a universal remedy for poverty reduction and this has made some poor to become more poorer and making their situation worse-off with microfinance activities.

Ehiabhi (2019) examines the effect of microfinance institutions on reduction of poverty as well as entrepreneurial activities in Nigeria. The study employs a survey research instrument through the administration of questionnaires to two hundred (200) micro and small-scale business
enterprises in Ikpoba Okha Local Government Area of Edo State, Nigeria. The study adopts Pearson correlation, multivariate regression techniques, heteroskedasticity diagnostic test and Ramsey RESET test for data analyses. The results show that microfinance institution and poverty alleviation are positively and significantly related while entrepreneurial activity and poverty reduction are positively and insignificantly related.

Using Error Correction Model (ECM), Usifoh and Ezeanyeji (2017) explore the microfinance banks as a panacea for poverty alleviation and economic growth in Nigeria from 1992 – 2016. Findings show that the asset of microfinance has significant effect on poverty alleviation and economic growth in Nigeria; deposit liabilities of microfinance banks have positive but insignificant effect on poverty alleviation and economic growth in Nigeria; and loans and advances of microfinance banks have negative significant effect on poverty alleviation and economic growth in Nigeria. However, the overall significance of the model finds that the activities of the microfinance banks cannot be undermined in the pursuance of poverty alleviation and sustainable economic growth in Nigeria.

In the same vein, Ugochukwu and Onochie (2017) use OLS regression analysis to assess the impact of micro credit on poverty reduction in Nigeria. The result shows the expected negative relationship between micro finance lending and poverty. However, the regression result and analysis have shown that there is a lot of room for improvement. The impact of micro financing on poverty reduction is still low and not significant in wiping out poverty from our land. In addition, Okafor, Ezeaku and Ugwuegbe (2016) in their study on Nigeria evaluate the impact of microcredit on poverty reduction from 1999 - 2014. The study also captures the effects of microfinance banks size on the poverty alleviation agenda. The error correction model (ECM) analytical technique was used to estimate the model. The findings show that microcredit has negative and non-significant impact on poverty reduction in Nigeria. Interestingly, the size of microfinance banks in Nigeria has a positive impact on poverty reduction. The study concludes that microcredits have not played any significant role in alleviating poverty in Nigeria, which may be attributed to the inefficiency of the microfinance institutions due to widening interest rate gap.

Concerning the relationship between poverty alleviation and micro credit to small scale enterprises in Nigeria for the period 1980 – 2014, Lawanson (2016) uses error correction model (ECM) as methodology with the main variable of interest, the credit to small scale enterprises which has positive but non-significant effect on HDI in Nigeria. The coefficients of Unemployment Rate, Inflation rate, Exchange rate and Interest rate have negative and statistically significant effect on HDI. The coefficient of the error-correction term is correctly negatively signed and statistically significant. Thus, the ECM is in a position to correct any deviation within the relationship between HDI and the explanatory variables.

Okafor (2015) used microfinance banks, interest rate, liquid liability and federal government capital expenditure and poverty index variables to investigate the impact of microfinance banks activities on poverty alleviation in Nigeria from 1993-2012. Multiple linear regression is adopted for the test of the hypothesis. The result shows that microfinance banks activities impact on poverty alleviation in Nigeria is negative.

In another study conducted in rural areas of the Upper Sindh, Pakistan to analyze the consequences of microfinance on the poverty alleviation, Iram and Turab (2015) used questionnaire to collect data from 30 respondents and the data are analysed using Nvivo 10. They conclude that microfinance facilities do have positive impact on the rise of income level of the people that have taken these facilities. And there is difference in their lives before and after taking
finance from the microfinance institutions. People that have taken microfinance are observed having better income than those that have not taken such facilities.

Using descriptive and inferential statistical analysis from the collected rural sample data to evaluate the impact of micro financing on poverty alleviation among rural dwellers in Nigeria, Ofoegbu (2013) shows that credits receive from corporative societies have more significant impact on the alleviation of poverty than those obtained from microfinance banks. The study attributes this non-significant effect to the high rate of interest charged by microfinance banks, which the respondent customers reported to be very high.

In the same vein, Akinlo and Oni (2012) study the impact of microfinance on poverty alleviation in Ondo State, Nigeria using structured questionnaires to get information from 240 beneficiaries of microcredit loans in Ondo State. They found that the majority of the beneficiaries of microcredit loans are educated youth between the age brackets of 18 and 40 years. This indicates that loan empowerment features a significant positive effect on beneficiaries’ welfare. Access to credit allows the beneficiaries to take advantage of loan through the use of economic opportunities by providing a fundamental basis for planning and expanding business activities.

3. Theoretical Framework and Methodology

The theoretical framework for this study is rooted on the Marxian theory of poverty which is additionally referred to as power theory of poverty. Microfinance is the channel for reducing poverty because argument in support of microfinance is that it improves the productive base of the poor when having access to microcredit which can successively enhance income growth (Weiss & Montgomery, 2005). Generally, access to credit by the poor will improve their social networks, function cushion against unforeseen events and enhance consumption smoothening. In the same vein, credit supply to the poor will assist them to create more additional income and improve their consumption (Idohor & Imhanlahimi, 2011).

3.1. Model Specification

The methodology employed in this study is the Autoregressive Distributed Lag model (ARDL). The study adapts the models of Okafor (2015); Usifoh and Ezeanyeji (2017) by modifying the models and incorporating poverty index as dependent variable while access to microfinance banks, deposit liabilities of microfinance banks, loans of microfinance banks as the explanatory variables.

Thus, the functional sort of the model is stated as follows:

\[ \text{POV} = f(\text{LMB}, \text{AMB}, \text{DLM}, \text{INT}) \]

In order to capture the responsiveness of the poverty index to the explanatory variables, we took the log of equations (1) which may be expressed for the estimation of the parameters as follows:

\[ \ln \text{POV} = \beta_0 + \beta_1 \ln \text{LMB} + \beta_2 \ln \text{AMB} + \beta_3 \ln \text{DLM} + \beta_4 \ln \text{INT} + \mu \]

Thus, the ARDL model is often express as follows:

\[ \Delta \text{POV}_t = \beta_0 + \sum \beta_1 \Delta \text{LMB}_{t-1} + \sum \beta_2 \Delta \text{AMB}_{t-1} + \sum \beta_3 \Delta \text{DLM}_{t-1} + \sum \beta_4 \Delta \text{INT}_{t-1} + \sum \beta_5 \Delta \text{POV}_{t-1} + \epsilon_t \]

Where \( \text{POV} \) stands for poverty index which is the proxy for poverty level in Nigeria, \( \text{LMB} \) represents loans from microfinance banks; \( \text{AMB} \) is access to microfinance banks which is proxy by number of microfinance banks in Nigeria while \( \text{DLM} \) and \( \text{INT} \) represent Deposits liabilities of microfinance banks and rate of interest respectively. \( \beta_0 \) is the intercept while \( \beta_1 - \beta_5 \) are the slopes of the regression and \( \epsilon_t \) is the error term. The \textit{a priori} expectations are determined by the principle...
of theory guiding the economic relationship among variables under study. It is expected that $\beta_1 - \beta_3 > 0$ while $\beta_4 < 0$.

4. Estimation and Discussion of Results

4.1. Descriptive Statistics

The summary statistics shows the behaviour of the variables during the review period. It contains details for the mean, maximum values, minimum values, median, standard deviation, skewness, kurtosis and Jarque-Bera statistics.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>Median</th>
<th>Maximum</th>
<th>Minimum</th>
<th>Std. Dev.</th>
<th>Skewness</th>
<th>Kurtosis</th>
<th>Jarque-Bera</th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>POV</td>
<td>44.20208</td>
<td>43.29302</td>
<td>54.17946</td>
<td>40.10699</td>
<td>3.932915</td>
<td>1.118657</td>
<td>3.305917</td>
<td>6.161482</td>
<td>0.175925</td>
</tr>
<tr>
<td>MFL</td>
<td>45509.93</td>
<td>11353.80</td>
<td>207961.3</td>
<td>127.5000</td>
<td>64478.57</td>
<td>1.508371</td>
<td>4.031660</td>
<td>12.28277</td>
<td>0.062152</td>
</tr>
<tr>
<td>AMF</td>
<td>826.8966</td>
<td>828.0000</td>
<td>1368.000</td>
<td>66.00000</td>
<td>279.9194</td>
<td>-1.026633</td>
<td>5.263388</td>
<td>11.28442</td>
<td>0.003545</td>
</tr>
<tr>
<td>DLM</td>
<td>104851.4</td>
<td>34162.30</td>
<td>408353.5</td>
<td>453.5000</td>
<td>130458.9</td>
<td>1.154464</td>
<td>3.086369</td>
<td>6.450822</td>
<td>0.089739</td>
</tr>
<tr>
<td>INT</td>
<td>18.85759</td>
<td>17.98000</td>
<td>29.80000</td>
<td>13.54000</td>
<td>3.305389</td>
<td>1.568195</td>
<td>5.839363</td>
<td>21.62787</td>
<td>0.000020</td>
</tr>
</tbody>
</table>

Source: Author’s Computation, 2020.

From table 1, the result from the summary statistics shows that Jarque Bera estimated values of probability for POV, MFL and DLM are normally distributed due to their probability value of 0.175925, 0.062152 and 0.089739 which are above the probability of 0.05 while AMF and INT with probability values of 0.003545 and 0.000020.

4.2. Unit Root Test

<table>
<thead>
<tr>
<th>Variables</th>
<th>ADF Statistics</th>
<th>Prob.</th>
<th>Order of Integration</th>
</tr>
</thead>
<tbody>
<tr>
<td>POV</td>
<td>-8.8954</td>
<td>0.0000***</td>
<td>I(1)</td>
</tr>
<tr>
<td>MFL</td>
<td>-6.2548</td>
<td>0.0001***</td>
<td>I(0)</td>
</tr>
<tr>
<td>AMF</td>
<td>-3.2333</td>
<td>0.0024***</td>
<td>I(0)</td>
</tr>
<tr>
<td>DLM</td>
<td>-4.0708</td>
<td>0.0212**</td>
<td>I(1)</td>
</tr>
<tr>
<td>INT</td>
<td>-4.3032</td>
<td>0.0127**</td>
<td>I(0)</td>
</tr>
</tbody>
</table>

a: (*)Significant at the 10%; (**)Significant at the 5%; (***) Significant at the 1% and (no) Not Significant
b: Lag Length based on SIC

Source: Author’s computation, 2020.

To test for Stationarity, we use Augmented Dickey-Fuller to regress all variables on trend and intercept to work out if they need trend. It has been discovered that all the variables have trend
and intercept, hence the unit root test involves trend and intercept. INT is stationary at I(0) while POV, MFL, NMF and DLM are all found to be stationary after first difference.

4.3. Bound Test for Co-Integration Result

The co-integration test is conducted using ARDL Bound test having established that all the variables are not stationary at an equivalent order. The co-integration test allows for the testing of the long-run equilibrium relationships among the series.

Table 3: ARDL Bounds Test Result

<table>
<thead>
<tr>
<th>Null Hypothesis: No long-run relationships</th>
<th>Value</th>
<th>K</th>
</tr>
</thead>
<tbody>
<tr>
<td>F-statistic</td>
<td>8.409110</td>
<td>4</td>
</tr>
</tbody>
</table>

Critical Value Bounds

<table>
<thead>
<tr>
<th>Significance</th>
<th>I0 Bound</th>
<th>I1 Bound</th>
</tr>
</thead>
<tbody>
<tr>
<td>10%</td>
<td>2.45</td>
<td>3.52</td>
</tr>
<tr>
<td>5%</td>
<td>2.86</td>
<td>4.01</td>
</tr>
<tr>
<td>2.5%</td>
<td>3.25</td>
<td>4.49</td>
</tr>
<tr>
<td>1%</td>
<td>3.74</td>
<td>5.06</td>
</tr>
</tbody>
</table>

Source: Author’s computation, 2020

ARDL bounds test results show that the result confirms the presence of an extended long-run relationship between variable within the model. This is indicated by the calculated F statistic of 8.409110 which is greater than the upper critical values at 10%, 5%, 2.5% and 1% significance level (3.52, 4.01, 4.49 and 5.06) thus, shows there is the existence of long-run relationship among the variables. In other words, the Null hypothesis of no co-integration are often rejected at 10%, 5%, 2.5% and 1% significance levels because F test statistic is greater than the critical upper bounds value I(1).

4.4. Estimated ARDL Result

Table 4: ARDL Long Run Estimate

<table>
<thead>
<tr>
<th>Dependent variable is POV</th>
<th>Using the ARDL Approach ARDL (2, 1, 1, 1, 2) Selected based on Akaike info criterion (AIC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variable</td>
<td>Coefficient</td>
</tr>
<tr>
<td>POV(-1)</td>
<td>-0.057076</td>
</tr>
<tr>
<td>POV(-2)</td>
<td>0.559283</td>
</tr>
<tr>
<td>LMB</td>
<td>2.165492</td>
</tr>
<tr>
<td>LMB(-1)</td>
<td>7.907348</td>
</tr>
<tr>
<td>AMB</td>
<td>0.013140</td>
</tr>
<tr>
<td>AMB(-1)</td>
<td>-0.014390</td>
</tr>
<tr>
<td>DLM</td>
<td>-0.867802</td>
</tr>
<tr>
<td>DLM(-1)</td>
<td>-6.718407</td>
</tr>
<tr>
<td>INT</td>
<td>0.050386</td>
</tr>
<tr>
<td>INT(-1)</td>
<td>0.672344</td>
</tr>
<tr>
<td>INT(-2)</td>
<td>0.366646</td>
</tr>
<tr>
<td>C</td>
<td>12.15072</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.735246</td>
</tr>
<tr>
<td>Adjusted R-squared</td>
<td>0.541094</td>
</tr>
</tbody>
</table>
The result in table 4 reveals that current period of LMB has positive and significant impact on the pov which is the dependent variable while AMB shows a positive and significant impact on the pov. One period lag of AMB has negative and significant impact on pov. Also, current period of DLM has negative and insignificant impact on pov. Current period of INT has positive but insignificant impact on pov. One period lag of INT has positive and significant impact on pov while second lag period of INT has positive but insignificant impact on pov.

In the same vein, the R-Squared indicates that 74% after taking into consideration the degree of freedom, the variations in poverty rate is explained by the independent variables within the model. The adjusted R-Squared coefficient of determination also indicates that, 54% variation in poverty rate is explained by the independent variables. The model is of good fit because the F-statistic of 3.786952 has probability value of (0.009338) shows overall level of significance of independent variables jointly in explaining dependent variable.

4.5. Post Estimation Test

![Figure 1: Normality Test](source: Author’s Computation, 2020.)

<table>
<thead>
<tr>
<th>Series: Residuals</th>
<th>Sample 1992 2018</th>
<th>Observations 27</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>7.33e-15</td>
<td></td>
</tr>
<tr>
<td>Median</td>
<td>-0.146251</td>
<td></td>
</tr>
<tr>
<td>Maximum</td>
<td>4.143898</td>
<td></td>
</tr>
<tr>
<td>Minimum</td>
<td>4.051492</td>
<td></td>
</tr>
<tr>
<td>Std. Dev.</td>
<td>2.074875</td>
<td></td>
</tr>
<tr>
<td>Skewness</td>
<td>0.017884</td>
<td></td>
</tr>
<tr>
<td>Kurtosis</td>
<td>2.371484</td>
<td></td>
</tr>
<tr>
<td>Jarque-Bera</td>
<td>0.445850</td>
<td></td>
</tr>
<tr>
<td>Probability</td>
<td>0.800175</td>
<td></td>
</tr>
</tbody>
</table>

![Table 5: Serial Correlation Test Result](source: Author’s Computation, 2020.)

<table>
<thead>
<tr>
<th>Breusch-Godfrey Serial Correlation LM Test:</th>
</tr>
</thead>
<tbody>
<tr>
<td>F-statistic</td>
</tr>
</tbody>
</table>
Table 6: Heteroskedasticity Test Result

<table>
<thead>
<tr>
<th></th>
<th>F-statistic</th>
<th>Prob. F(11,15)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heteroskedasticity Test: Breusch-Pagan-Godfrey</td>
<td>1.889824</td>
<td>0.1251</td>
</tr>
<tr>
<td>Obs*R-squared</td>
<td>15.68338</td>
<td>0.1533</td>
</tr>
<tr>
<td>Scaled explained SS</td>
<td>3.319368</td>
<td>0.9858</td>
</tr>
</tbody>
</table>

The post estimation test was conducted using residual diagnostic tests such as Heteroscedasticity test, Breusch-Godfrey Serial Correlation LM test and Normality Test. The results of those tests show that, the model passes all the diagnostic tests since the probability values of Normality which is 0.800175, Serial Correlation which is 0.4311 and Heteroscedasticity tests which is 0.1251 and therefore the values are all greater than 0.05 significance level. The result of the diagnostic tests indicates that the ARDL model is well specified and there is no problem of heteroscedasticity and serial correlation.

5. Conclusion and Recommendations

Microfinance banks are considered as a really important institution for poverty reduction in Nigeria. They are anchored on providing microfinance services like savings, loans, domestic fund transfers and other financial services to the economically active poor, micro-enterprises, small and medium enterprises through the providing of monetary supports to the citizens so as to finish vicious circle of poverty. The facilities has been wrongly applied over the years making the activities of the microfinance banks having little or no significant impacts on the poverty line in Nigeria. Apparently, the many impact of microfinance services to poverty rate indicated that the importance of micro financing cannot be overemphasized in Nigeria. These have potentials and skill to extend economic process and reduce poverty. Undoubtedly, these policy instruments can therefore be utilized in the short, medium and future development programmes of a nation so as to place economy into the steady state and economic progress.

The study therefore recommends the following based on the findings. The Central Bank of Nigeria should make deliberate policy to encourage the establishment and effective operation of microfinance banks in rural areas in order to increase savings mobilization, access to credit facilities which will help in reducing poverty rate. The monetary authority should continue to play its regulatory roles by ensuring that microfinance banks fulfill their obligations to the customers and the boards of the banks ensure corporate governance in the banks. The Central Bank of Nigeria should ensure that the cost of credit is not more than single digit to allow business enterprises easy access to credit and repay credit facilities granted to them. Microfinance banks should come up with financial products and services structured to fit into the environment of the micro credit customers in Nigeria. The monetary authority should ensure that microfinance banks should focus on the needs of the micro, small and medium enterprises and monitor the use of credit given to them in order to avoid diversion of the credit to unproductive ventures.
References


Evaluating Online Recruitment and Organisational Effectiveness in Modern Competitive Environment

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Abstract  
The study evaluated online recruitment and organisational effectiveness with reference to modern competitive environment in Nigeria. The study was carried out in Access banks and Guarantee Trust Bank in Ado-Ekiti. A descriptive survey research design was embraced and the sample size was 80 using simple random sampling. Primary data used for the study were gathered through the administration of structured questionnaire. Data gathered were analyzed using standardized linear regression analysis. The result showed that online recruitment significantly affect organisational effectiveness (t= 3.376, p<0.05). Thus, in conclusion, it was shown that online recruitment was significantly and positively related to organisational effectiveness in modern competitive environment in Ado-Ekiti.  

Keyword: Effectiveness, Organisation, Online Recruitment  

1. INTRODUCTION  
The rapid technological change in recent time and introduction of information and communication into people’s daily lives has seriously increased the amount of information available at all levels of their social environment. Steadily, People have been embracing internet for knowledge and skills improvement as well as developing their career. In addition, job seekers are increasingly using Web services such as LinkedIn, mails, job search sites and social media platforms (Faliagka, Tsakalidis & Tzimas, 2012). Contrarily, many organisations use online knowledge management systems in hiring employees, exploiting the advantages of the World
Wide Web. In view of the above, the system is termed electronic recruitment systems and automates the process of publishing positions and receiving applicant's curriculum vitae (Alateyah, 2019). In recent times, the importance of having an effective human resource management system cannot be underestimated as it is concerned with staff and management policies as well as the systems that influence the workforce. An organization is made up of four major resources namely: manpower, money, materials and machineries. However, other resources are coordinated, controlled and utilized through man which makes man among other resources the most powerful and relevant resources (Daniel, 2019).

Internet recruitment is one of the greatest recruitment techniques available to recruiters currently for discovering talents and best job candidates suitable for vacant positions in organisations. However, this has rendered traditional means like newspapers advertising an obsolete recruitment method. Therefore, the process of using internet to identify and attract potential employees to organization has been termed as electronic recruitment which interchangeably referred to as online recruitment in the context. Online recruitment has proved to be an advantage for the job seekers over the past decade. Internet is a medium which connects the job seekers and the employer for the recruitment purpose. Consequently, the electronic recruitment takes care of the entire recruitment process, from placing the job advertisements, receiving the resumes and selecting the right candidates for the right job in a simplified and cost effective manner (Ashok & Priyanka, 2014).

In view of this, it is understood that poor recruitment decisions can continue to affect organizational performance and limit organisational goal achievement. With this, it will take a long time for organisations particularly banks in Nigeria to identify and implement new, effective recruitment strategies which acquiring and retaining high quality talent is critical to an organization’s success. As the job market becomes increasingly competitive especially in the banking industry and the available skills grow more diverse, recruiters need to be more selective and critical without any preference in their choices, since poor recruiting decisions can create long term negative effects on organisational performance among them is high training and development costs. Therefore, there need to minimize the incidence of poor performance and high turnover which can affect staff morale, quality of services and staff retention as the outcome of the organisation dictates its competitive strength through effective internal coordination of resources.

**Problem Statement**

According to Daniel (2019), the quality of staff of an organization is one of the factors that determine the level organizational success with respect to realizing organisational objectives of increased productivity, efficiency and effectiveness. One of the most effective ways of enhancing and maintaining high level of performance in any organization is through recruiting qualified and well-motivated candidates based on online source. Lack of information and evidence of recruitment and selection processes within banking industry may inhibit organizational set goals and objectives. The overall target of the banking sector can be jeopardized if adequate recruitment practice is not effectively put in place. Therefore, there is the need for management to put in place strategies that will assist recruitment of best and skilful employees to achieve organizational goals and objectives.

Banking sector is one of the most competitive private business sectors in Nigeria. However, the quality of service rendered is very germane as it affects customer patronage, customer retention, market share, profitability, effectiveness and competitiveness. Customers are very important assets to banks recently which banks need to handle and relates with them professionally. In view of this, banks in their best interest must embrace any technological change that can ensure their
competitiveness and improve the quality of service rendered to customers and also, to minimize operation cost. In most developed parts of the world, recruitment is being practiced through the internet in both public and private organizations. Currently, it is also adopted in the Nigerian banking sector indicating how workers are recruited and selected (Daniel 2018). To this end, this study would investigate the nexus between online recruitment and organisational effectiveness and competitiveness in the Nigerian context with reference to selected banks in Ado-Ekiti.

**Research Objectives**

The specific objectives are to:

Examine the influence of online recruitment on organizational effectiveness in modern competitive environment.

**Significance of the Study**

This study would be of immense benefit to the selected banks understudy as regards the importance and role of online recruitment to organisation success, effectiveness and competitiveness. Furthermore, the study shall be of great help to managers of Nigerian banks on the need to change with recent digital technological trend globally. Finally, the study would serve as support academically to widen the researcher’s knowledge in the field of human resources management.

**2. LITERATURE REVIEW**

**Online Recruitment**

Online Recruitment is the process of hiring a suitable candidate for the vacant position using electronic devices and other social media. Firms employed internet to reach large number of applicants in order to hire the best talented person at less cost compared to physical recruitment process. The process covers the entire recruitment process like screening, souring, interviewing and recruiting them with respect to the job requirement more effectively and efficiently. Job vacancies of an organisation can be posted on the net, where the jobseekers can easily find out job according to their education and qualification. By doing so, it has helped to reduce fraud advertisement and fake agencies online. Therefore, it is left to the applicants to enquire once a twice before they could spend on it. Banks re-undertake their online portals during every new opening. It will be easier for the jobseekers to get updated without any queries and it is in the interest of the applicants to be a part of a firm or not. Thus the website of an organisation seems to be official and considered to be an essential element of electronic recruitment (Akila, Vasantha & Thirumagal, 2020).

Electronic recruitment is defined, according to Ashok and Priyanka (2014) as the process of using internet to identify and attract potential employees to the organization. Also, Taylor (2001) defined electronic recruitment as the online process of attracting suitable candidates via electronic means. It also, according to them, provides convenience in selection process where it instantly matches candidate’s qualification, skills, experience with job description, consequently informing the prospective candidate for its selection prospects. Parry and Wilson (2009) assert that electronic recruitment can be understood as recruitment carried out by the use of various electronic means. They view online, internet or web-based recruiting as the use of internet to identify and attract potential employees such as advertising a vacant position and attracting a pool of applicants through corporate websites and internet job board (Borstorff et al., 2007). Cole (2002) the principal purpose of electronic recruitment is to attract sufficient and suitable employees to apply for vacancies in the organization.
An electronic recruitment system is a back-office system for administering the recruitment process which is normally designed to allow applicants to submit their data electronically. Electronic recruitment can thus be perceived as an umbrella term covering recruitment activities performed using various electronic means and the internet, including online recruitment and electronic recruitment system (Anna, 2010). Hausdorf and Duncan (2004) stated that internet recruitment involves the use of the internet as a channel through which jobs are posted and information is provided with respect to the application process. In the same vein, Kuhn (2003) defines internet recruitment as taking advantage of internet technology to fill job vacancies of an organization. Harris (2005) described the definition of internet recruitment as any method of attracting applicants to apply for a job that relies heavily on the internet.

Furthermore, Lievens and Harris (2003) distinguish internet recruitment methods between we-find-you approaches and you-find-us approaches. He said we-find-you approaches refer to methods where the organizational recruiter searches for applicants, you-find-us approaches refer to methods where the organization placed job advertising and the initiative to apply lies with the potential job applicant. Online recruitment as a technological innovation, online recruitment improves the process of recruiting knowledge through the internet. It also allows organizations save costs, update job offers and status at any point in time, shortens the recruitment cycle time, identifies and selects the best knowledge potentials out of a wider range of candidates while giving the organizations opportunities to improve their profiles and images. Furthermore, better and faster recruiting constitutes a competitive advantage against organizations businesses within the same banking industry. Most job seekers are comfortable with applying for jobs online compared to the traditional methods due to cost minimization and time saving with the possibility of browsing through a wider range of job offers (Daniel, 2018).

Organisational Effectiveness and Competitiveness

Organizational Effectiveness involves examining the alignment between the key areas of the organisation and improving them, nullifying the trade-offs between reliability, speed and quality in those areas, designing of effective strategies in those core areas and facilitating capability building, redesigning structure, modifying processes. Effectiveness is thus a broad concept that takes into consideration a range of variables at various levels. Organisational effectiveness evaluates the extent to which the multiple goals are attained. Organizational effectiveness is a perception of how effective an organization is with respect to achieving organisational pre-determined objectives. An effective organization is one in which all element of the organization are satisfied. Therefore, such organization is in a better position to transform the inputs into output. Thus effectiveness shows the capacity of resource utilization of an organization (Dalvi & Shelankar, 2018). However, this study embraces productivity, performance, quality service, market share and profitability and increased patronage in the context of organisational effectiveness.

Oluremi and Gbenga (2011) asserted that business organisation willing to succeed must develop a clear understanding of the trends of business environment and forces that shape competition particularly in the banking sector where there is intense competition compared to other private sectors in Nigeria. The understanding in question will enable the organization to choose the appropriate strategy that fit the trends in the business environment which mostly centred on technology arrived at through environmental scanning analysis with focus on the variables such as strengths, weaknesses, opportunities and threat (SWOT). Similarly, Adeoye (2012) supported that the dynamic and rapidly changing environment in which most business organizations compete is important that organizations maintain their performance measurement system through adoption of appropriate strategies that would provide information found to be relevant
to the issues that are of paramount importance. Therefore, to compete favourably, there must be proper coordination of resources and effective technology handling in this global world.

3. METHODOLOGY

The study was conducted in Ado-Ekiti. The study is a descriptive survey design. Data were gathered through primary source and structured questionnaire was administered to the target respondent. The study’s population comprised the entire staff of the selected (Access and GT bank) banks. The banks were selected based on their technological advantage and capacity. Forty (40) staff were randomly sampled in each bank bring the total to eighty (80) staff. The research instrument was subjected to content and face validity. Inferential statistic including the use of simple percentages and frequency table was used to analyze the demographic information. The data generated through questionnaire was analyzed via linear regression.

Data Analysis

Description of Respondent

Structured questionnaires were administered to 80 respondents while 60 questionnaires were retrieved for analysis.

Table 1: Respondents Demographic Distribution

<table>
<thead>
<tr>
<th>Variables</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>32</td>
<td>53.3</td>
</tr>
<tr>
<td>Female</td>
<td>28</td>
<td>46.7</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>100.0</td>
</tr>
<tr>
<td>Marital Status</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single</td>
<td>14</td>
<td>23.3</td>
</tr>
<tr>
<td>Married</td>
<td>46</td>
<td>76.7</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>100.0</td>
</tr>
<tr>
<td>Academic Qualification</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OND</td>
<td>13</td>
<td>21.7</td>
</tr>
<tr>
<td>HND/B.Sc</td>
<td>43</td>
<td>71.7</td>
</tr>
<tr>
<td>MBA/M.Sc</td>
<td>4</td>
<td>6.6</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>100.0</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Below 30</td>
<td>29</td>
<td>48.3</td>
</tr>
<tr>
<td>31-40</td>
<td>17</td>
<td>28.3</td>
</tr>
<tr>
<td>41 Above</td>
<td>14</td>
<td>23.4</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Field Survey, (2020)

Table 1 depicted that (32) 53.3% of the respondents are Male while (28) 46.7% of the respondents are Female which implies most of the respondents are Male. Considering marital status, it was shown that (14) 23.3% of the respondent were single while (46) 76.7% of the respondents were married thus implies majority of the respondent were married. Educational background depicted that (13) 21.7% of the respondents were OND holder, (43) 71.7% of the respondents were B.Sc/HND holder and (4) 6.6% of the respondents were MBA/M.Sc holder thus implies that
majority of the respondent were HND/B.Sc holders. Looking at Age status, (29) 48.3% of the respondents are below 30 years of age, (17) 28.3% of the respondents are between 31-40 years of age while (14) 23.4% of the respondents are above 41 years of age thus implied that most of the respondent falls below 30 years of age.

4. INTERPRETATION OF RESULT

Table 1: Effect of Online Recruitment on Organisational Effectiveness

<table>
<thead>
<tr>
<th>Variables</th>
<th>Beta</th>
<th>T-Statics</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>1.846</td>
<td>2.402</td>
<td>.000</td>
</tr>
<tr>
<td>Online Recruitment</td>
<td>0.373</td>
<td>3.376</td>
<td>.000</td>
</tr>
</tbody>
</table>

\[ R = 0.604^* \]
\[ R^2 = 0.365^* \]
\[ R^2 = 0.309^* \]

**Source:** Author’s Field Survey, (2020)

Table 2 revealed that the regression co-efficient between online recruitment and organisational effectiveness showed a positive figure of 0.604, this indicates that there is a strong positive relationship between organisational effectiveness and online recruitment thus implied that the explanatory variable has a positive effect on organisational effectiveness. The co-efficient of multiple determinant (\(R^2\)) with a co-efficient of 0.365 shows that the explanatory variable can explain 36.5% of the behaviour of organisational effectiveness while the remaining 63.5% can be explained by the stochastic variable or other variables that were not put into consideration. The adjusted \(R^2\) further confirms the result of the \(R^2\) with a co-efficient of 0.309, which shows 30.9% explanation of the behaviour of organisational effectiveness by the explanatory variables after adjustment while the remaining 69.1% is explained by the error term.

From the table it can be deduced that the value of constant parameter is given as 1.846 and organisational effectiveness is 0.373 respectively. The regression result above shows that organisational effectiveness is constant at 1.846; this implies that if the explanatory variable is held constant, organisational effectiveness will increase by 1.846%. The co-efficient of online recruitment is given as 0.373, this showed that the online recruitment has positive effect on organisational effectiveness and therefore implies that an increase in online recruitment will result to 37.3% increases in organisational effectiveness. Since the T statistic showed the significance of online recruitment on organisational effectiveness, the study accepted alternate hypothesis and rejected otherwise. Hence online recruitment has a positive and significant effect on organisational effectiveness.

5. DISCUSSION OF THE FINDINGS

This study analysed and interpreted the data collected from the respondents through linear regression and tested the hypothesis through T-statistic. It is discovered from the findings that there is significant relationship between online recruitment and organisational effectiveness in the banking sector. However, the study revealed the tendency for cost reduction, time saving and information accuracy stemming out of online recruitment and its implications in determining the effectiveness of organisation and improving organisation competitiveness in the banking sector. The outcome of the study was however revealed from the opinion of the selected banks in Ado Ekiti.
Conclusion and Recommendation

This study assessed an evaluation of online recruitment and organisational effectiveness in modern competitive environment. The study found that online recruitment has positive and significant effect on organisational effectiveness. However, alternate hypothesis was accepted and the null hypothesis was rejected. Hence, concluded that online recruitment is positively related to organisational effectiveness in the banking sector.

Based on the study findings, it is recommended that banking management should encourage and embrace online recruitment since it is cost effective and help to increase competitiveness in the banking industry. Furthermore, the adoption of online recruitment will ensure effective hiring of best brains attracts talents and bring in skillful employee to fill the vacant position without bias and preference for any applicants.

Reference


Borstorf, P. C., Marker, M. B., & Bennett, D. S. (2007). Online recruitment: Attitudes and


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Abstract

The study investigates the composite effects of monetary policy on bank lending and Nigeria economic performance: Using the Unrestricted SVAR approach for the period of 35 years which cover 1986-2020 The study addressed broad money supply, monetary policy rate, aggregate lending to private and public sectors, exchange rate and inflation rate as monetary policy indicators while real gross domestic product was regressed as economic performance. This study adopts secondary data sourced from Central bank of Nigeria and National Bureau of statistics. The econometric approach was carried out on aforementioned Macroeconomic variables using descriptive analysis, correlation analysis and econometric modelling of structural VAR in evaluating and analysing the composite effects of monetary policy on banks’ lending and its effects on Nigeria economic performance. The estimation techniques of Augmented Dickey Fuller (ADF) stationarity test was also applied on the macroeconomic variables. The result of findings from structural VAR discovered that monetary policies on banks’ lending and economic performance were significantly correlated. Individually, the result revealed that money supply, monetary policy rate, exchange rate, and bank lending have positive and significant effect on economic performance while inflation had negative but insignificant effect on economic performance. The findings outcome reveals that MPR and BL are the major factors that permeate economic performance this implies that monetary policy rate and lending to private and public sectors exerts meaningful influence on economic performance in Nigeria. The negative trend of inflation is thereby sending bad signals to investors. Hitherto, the rate of inflation and exchange is always on the increase. Government is implored to put forward proactive measures and programmes that can significantly bring down the increasing exchange rate and inflation rate which has sent many investors away from doing business in Nigeria.

Keywords: Monetary policy, Bank lending, Economic performance, SVAR
1. INTRODUCTION

The objective of monetary policy on price stability is essential because it provides the basis for the nation's economic activity. In carrying out monetary policy, the Central Bank of Nigeria influences the formation of interest rates for the purpose of currency and monetary control, by means of its operational instruments, such as Treasury bill and money market operations. The Central Bank of Nigeria Act 1958 empowers the Bank to focus on monetary policy "aimed at achieving price stability, thereby contributing to the robust and healthy development of the national economy."

The formulation of monetary policy is decided by the Monetary Policy Committee (MPCs) at their quarterly meetings. At the Monetary Policy Committee (MPCs) meetings, committee discusses the economic and financial situations ravaging in the country decides the operandi for money market operations and the Central Bank's monetary policy stance. The financial instability is reflected in rising inflation on nearly all countries. Hence governments’ task is to ensure economic and price stability through its monetary mechanism.

Price stability is important because it provides the basis for the nation's economic activity, "Price" here means the total level of prices of different goods and services. It is very crucial to present the Bank's basic view in carrying out monetary policy and assessing the developments of the economy and prices in a timely and clear manner, from the viewpoint of fulfilling the Bank's accountability to the public since the banks’ act as the financial intermediaries and transmission mechanism of monetary policy in use (Bank of Japan, 2021). In addition, since monetary policy works through financial markets, the effects of monetary policy will influence more smoothly if market players gain a deeper understanding of the Bank’s direction of economic target. Though one of the monetary policy issue that is difficult to deal with can be found in informal financial intermediaries, including: saving and loan associations, insurance companies, pension funds, cooperative societies etc, which deal in “near money”, the highly liquid deposits of the public. These financial intermediaries cannot create money like commercial banks but can affect the money supply indirectly through their actions, over which the monetary authorities have little or no control (Adeusi, 2005). Money deposit banks act as a conduit for the transmission of monetary policy and monetary policy pronouncements affects the reserve basis of deposit money banks in lending capacity to investors or entrepreneur.

Statement of the Problem

The development of any nation’s economy depends to a large extent on the strength of its banking sector (Driga, 2006) as cited by (Kolapo, 2019). In Nigeria, the objective and techniques of monetary policy have been changing over the years by the CBN via monetary policy committee. Each set of objectives has produced certain effects on banks’ lending and the economic performance. Moreover, this mixed effects of concern needed clarification on the multi-target use of monetary policy instruments to money deposit banks. Since most of DMBs in Nigeria today operate under pressure to meet performance goals set by stakeholders while competition has increased dramatically in a complex, volatile and dynamic economic environment with many of them facing decline in performance.

At times, one is prompted to ask whether monetary policy dynamics is responsible for the distress syndrome as it was witnessed in the banking industry in Nigeria before banks’ consolidation, since some banks cannot meet customers’ demand on withdrawals cum lending to customers and firms to pursue plant expansion, and this distress syndrome is still signalling in the Nigeria banking industry with reference to the current Skye Bank Plc liquidation in September 2018 (NDIC, 2018). Hence, the effects of monetary policy on banks’ lending and economic performance in Nigeria need to be examined and in the process, highlight its constraints and the measures put
in place to bring more positive impacts on banking operations and the economic performance as a whole in Nigeria. Though there were lots of studies mostly in Nigeria on the effects of monetary policy on bank lending but this study is driven by the urge to establish the composite effect or effects of monetary policy on bank lending and economic performance using unrestricted SVAR so that the macroeconomic variables in use can interact freely without any restrictions or shocks.

In the light of the above, the following fundamental research questions were raised to establish the composite effects of monetary policy on banks’ lending and Nigeria’s economic performance:

i. to what extent has the composite effects of monetary policy on bank lending aided Nigeria economic performance?

ii. to what are the effects of monetary policy on banks’ lending in Nigeria?

The objective of this study is to:

i. investigate the composite effects of monetary policy on bank lending and Nigeria’s economic performance and

ii. investigate the effects of monetary policy on banks’ lending in Nigeria from 1986 – 2020.

For the purpose of this research, the following hypotheses were formulated and tested in line with the stated objectives. Which were formulated thus:

i. the composite effects of monetary policy on banks’ lending have no significant effects on Nigeria’s economic performance.

ii. monetary policy instruments do not have significant effects on banks’ lending in Nigeria

**Review of related concepts and empirical studies**

**Concept of Monetary Policy**

The beginning of monetary policy dated back to late 19th century, when it was used to maintain the gold standards. Monetary policy by definition refers to the important action taken by the Central Bank to control the value, supply and cost of money in the economy with a view to achieving government’s macroeconomic objectives. In order to maintain price stability and an improved balance of payment position, monetary management depends on the use of monetary instruments such as credit ceilings, selective credit controls, administered interest and exchange rates, as well as the prescription of cash reserve requirements and special deposits. (Olofinlade et al, 2021). According to Nnanna (2004), macroeconomics policies in developing countries are designed to stabilise the economy, stimulate growth and reduce poverty. Over the years, these major economic goals have been the focus of the CBN. The use of market-based instrument was not visible at that point because of the infant nature of the financial market and the intentional restraint of interest rate by the Central Bank. The economic environment that piloted monetary policy before 1986 was characterised by the dominance of oil sector and the expanding functions of public sector in the economy is over-dependence on the external sector.

The most important and useful instrument of monetary policy was issuance of credit rationing guidelines, which primarily set the rate of change for the components and aggregate of commercial banks’ loan and advance to the private sector and the sectorial allocation of bank credit according to CBN’s guidelines (CBN, 2019). This was to facilitate the productive sector and thereby curtailing inflation pressures towards economic growth. The fixing of interest rates at relatively low level was done primarily to encourage investment and growth. Occasionally, special deposits were introduced to reduce the amount of free reserves and crediting capacity of commercial banks. These objectives are necessary for the achievement of internal and external balance and the promotion of long-run economic growth (CBN, 2006). Monetary policy is referred to as
contractionary if it reduces the size of money supply or increases it slowly, or if it raises the interest rate. An expansionary policy increases the size of the money supply more rapidly, or decreases the interest rate. Furthermore, monetary policies are described as follows: accommodative, if the interest rate set by the central monetary authority is intended to create economic growth; neutral, if it is intended neither to create growth nor combat inflation; or tight if intended to reduce inflation. There are more than two monetary policy tools available to achieve these ends: increasing interest rate by fiat; reducing the monetary base; and increasing reserve requirements. All have the effect of contracting the money supply; and, if reserved, expand the money supply. (Google Search and CBN, 2018) [Accessed Online] 17/2/2020.

Concept of bank lending

Conceptually, bank lending is the collection of money from the lender to the borrower. Spencer (1977) noted that lending refers to a promise by one party to pay another for borrowed money or goods and services received. Lending is undoubtedly the heart of banking business. Therefore, its administration requires considerable skill and dexterity on the part of the bank management. Credit cannot be separated from the banking sector as banks serve as the medium for funds to be received by those who need funds for productive purpose. Banks are, therefore, debtors to the depositors of funds and creditors to the borrower of funds. Bank credit is the borrowing capacity provided to an individual, governments, firms or organisation by the banking system in form of loans and overdraft. According to the CBN (2006), the amount of loans and advances given by the banking sector to economic agents constitute bank credit. Bank credit is often accompanied with some collateral that helps to ensure the repayment of loan in the event of default.

Moreover, credit diverts savings into productive investment thereby encouraging economic activities to be carried out, which is important for the growth of the economy. The total domestic bank credit can be divided into two: credit to the private sector and credit to the public sector.

Lending which may be short, medium or long term basis is one of the services that banks do render to their customers. In other words, banks do grant loans and advances to individuals, business organisations as well as government in order to enable them embark on investment and developmental activities as a means of aiding their growth in particular or contributing towards the economic development of a country in general.

Lending practices in the world could be traced to the period of industrial revolution which increased the pace of commercial and production activities thereby bringing about the need for large capital outlays for projects. Many captains of industry at this period were unable to meet up with the sudden upturn in the financial requirements and therefore turn to the banks for assistance (Nwannkwo, 1991).

Economic Performance

Economic performance is an increase in the capacity of an economy to produce goods and services, compared from one period of time to another. The performance of an economy is usually estimated in terms of the achievement of economic objectives. These goals can be long term, such as sustainable growth and development, or short term, such as the stabilisation of the economy in respect of sudden and unpredictable events, called economic shocks.

The business dictionary viewed economic performance as an assessment of an organisation of its success in areas related to its assets, liabilities and overall market strength. Many business operators take regular stock on either a formal or less formal basis of the general economic performance of their company to make sure that it remains on the right track financially. Performance, according to Okwu, et al (2011) is the willingness of an organisation to achieve.
objectives such as high profit, quality product; large market share, good financial results and survival at pre-determined time using relevant strategy of action.

One of the early studies on emerging market economies is the work of Olofinlade, Oloyede and Oke (2020) that examined the effects of monetary policy on bank lending and economic performance in Nigeria applying econometric technique of Augmented Dickey Fuller, and ordinary least regression on some macroeconomic variables, the result outcome revealed that there is a meaningful effect of some variables on bank lending and the study concluded that monetary policy meaningfully permeates the economic performance in Nigeria.

Chaiporn, Markus and Matthias (2017) in their study examined the chain of causality from macroeconomic financial policy to the microeconomic investment function. Precisely, the study objective is an in-depth analysis of the nexus between the monetary policy of Central Banks, the loan policy of commercial banks, and the investment pattern of firms. The study aimed on countries that carried out monetary policy under the inflation-targeting framework i.e US, Switzerland, Germany and Thailand. First, after controlling for the US monetary policy, the monetary policy in Germany and Thailand appears to permeate the banks’ lending rate in the short run (i.e. within two months), however, the monetary policy in Switzerland seems to be ineffective at permeating the banks’ lending rate in the short run. Second, the outcome results revealed that the banks’ lending rate has a reverse effect on their loans and that this reverse effect is weakened by their growth chances. Third, the result outcome revealed that the supply of bank loans plays a more effective function in establishing firms’ investment than the lending rate. Last but not least, the result document revealed that neither the lending rate nor the loan-to-assets ratio moderates the fragility of the firms’ investment to growth chances.

Olaoluwa and Shomade (2017) examined and carried out the performance of monetary policies on commercial banks’ lending behaviour in Nigeria banking industry from 1980-2014, Ordinary least square method (OLS), augmented dickey fuller test (ADF), co-integration test and Error correction model (ECM) were used as estimation techniques. Pre-estimation findings outcome revealed that some variables did not arrive to their long run equilibrium until they were at first differenced. The empirical finding established that there was a long run relationship between monetary policy and commercial banks' lending behaviour in Nigeria. From the findings, the lesson to be learnt is that the credit openness of commercial banks depends on the economic stand at a particular point in time and should strive to create a convenient environment for sound macroeconomic decision making for a smooth working in the economy. The findings also revealed that banks’ lending behaviour is determined by interest rate, exchange rate, deposit rate and reserve requirement for the time under investigation. It was also revealed in the findings that only interest rate and reserve requirement has a reverse and meaningful effect on commercial banks' lending rate while other variables have a positive nexus.

2. METHODOLOGICAL FRAMEWORK

Model was formulated to detect the underlying long term economic correlation and estimate their relative importance coupled with their effects. The basic structural VAR model in the study contained seven variables which are real gross domestic product used as dependent variables while aggregate lending to private and public sector (BL), monetary policy rate, prime lending rate, exchange rate, money supply and inflation rate were used as independent variables that form the matrix model for the investigation in the study. The model is presented below as:

\[ Y_t = \sum\alpha_i Y_{t-1} + \epsilon_t \]

Where:

\[ Y = \text{is the vector containing the six endogenous variables,} \]
A = is a square matrix of coefficients to be estimated,
β = is the coefficients of other variables in the SVAR
₤ = is a vector of shocks or innovations,
i = is the observatory period and
k = is the number of delays while
t, t-1 = are the information on time and time lagged
E = is the error term

Reduced the model when summing over 1 is expressed as follows

\[
\begin{bmatrix}
\text{RGDP} & ₤1 \\
\text{MS2} & ₤2 \\
\text{PLR} & ₤3 \\
\text{MPR} & ₤4 \\
\text{INF} & ₤5 \\
\text{EXG} & ₤6 \\
\text{BL} & ₤7 \\
\end{bmatrix}
= \begin{bmatrix}
A (L) X
\end{bmatrix}
\]

Where the left hand side of the equation contains endogenous variables A (L) is a squared matrices of coefficients associated with lagged variables and structural shocks through the Column vector (₤). The identification of structural shocks is required by Blanchard and Quah (1989) as well as the imposition of long term economic constraints which are presented in the matrix denoted by A (L). Following the method of Blanchard and Quah (1989), the identification of the system requires the imposition n (n-1)/2 constraints. In this model, the study imposes 21 constraints, given that n = 7, then, the constraints of normalisation and independence of structural innovations were twenty one.

The matrix A (l) of long term constraints are presented as follows based on the outcome of correlation test:

\[
\begin{bmatrix}
1 & NA & 0 & 0 & 0 & 0 \\
0 & 1 & NA & 0 & 0 & 0 \\
0 & 0 & 1 & NA & 0 & 0 \\
0 & 0 & 0 & 1 & NA & 0 \\
0 & 0 & 0 & 0 & 1 & NA \\
0 & 0 & 0 & 0 & 0 & 1 \\
\end{bmatrix}
\]

Estimation technique variables, samples and data source

This study adopts descriptive analysis, correlation analysis, Augmented Dickey- Fuller (ADF) unit root test and econometric modelling using structural VAR in evaluating and analyzing the composite effects of monetary policy on banks’ lending and its effect on economic performance in Nigeria. The study made use of secondary data obtained from the Central Bank of Nigeria statistical bulletin and National Bureau of Statistics. All the annual series data were sourced from the download facility of the Central Bank of Nigeria and National Bureau of Statistics on real gross domestic product (RGDP), aggregate lending to private and public sector (BL), monetary
policy rate (MPR), prime lending rate (PLR), exchange rate (EXG), money supply (MS) and inflation rate (INF) from 1986 – 2020.

A priori expectation is determined by the principles of economic theory and it refers to the expected relationship between the explained variable and the explanatory variable(s). It is expected that changes in monetary policy pronouncements will affect the deposit money banks positively or negatively depending on the direction the Central bank takes regarding the economy.

$$\beta_0 \neq 0; \beta_1 \geq 0; \beta_2 \geq 0; \beta_3 \geq 0; \beta_4 \geq 0; \beta_5 \leq 0; \beta_6 \geq 0$$

3. PRESENTATION OF RESULTS AND DISCUSSION

The results of the findings from the study are presented sequentially and discussed as follows:

Stationarity Test or Unit Root Test

The study performed the Augmented Dickey–Fuller (ADF) unit root test to ascertain the stationarity of the time series variables in order to avoid spurious result from modelling non-stationary variables. The result of the test is presented in Table 1.

<table>
<thead>
<tr>
<th>Variables</th>
<th>ADF test statistic</th>
<th>Critical value 5%</th>
<th>Integration</th>
<th>Remark</th>
</tr>
</thead>
<tbody>
<tr>
<td>RGDP</td>
<td>-3.161318</td>
<td>-2.957110</td>
<td>1(1)</td>
<td>Stationary</td>
</tr>
<tr>
<td>MS2</td>
<td>-3.492146</td>
<td>-2.957110</td>
<td>1(1)</td>
<td>Stationary</td>
</tr>
<tr>
<td>PLR</td>
<td>-5.739094</td>
<td>-2.957110</td>
<td>1(1)</td>
<td>Stationary</td>
</tr>
<tr>
<td>MPR</td>
<td>-6.964028</td>
<td>-2.957110</td>
<td>1(1)</td>
<td>Stationary</td>
</tr>
<tr>
<td>EXR</td>
<td>-6.042668</td>
<td>-2.957110</td>
<td>1(1)</td>
<td>Stationary</td>
</tr>
<tr>
<td>INF</td>
<td>-3.994322</td>
<td>-2.957110</td>
<td>1(1)</td>
<td>Stationary</td>
</tr>
<tr>
<td>BL</td>
<td>-4.979052</td>
<td>-2.957110</td>
<td>1(1)</td>
<td>Stationary</td>
</tr>
</tbody>
</table>

Source: E view 9 Statistical, (2020)

The unit root test in Table 1 showed that all the monetary policy variables used were stationary at first difference. The real gross domestic product, money supply, prime lending rate, monetary policy rate, exchange rate and inflation rate failed stationary test at level but all became stationary at first difference. The reason behind this is that the Augmented Dickey Fuller (ADF) test statistics of each of the monetary policy variable was greater than 5 percent critical value of each of the monetary policy variables in absolute terms. This result implies that there is a short run equilibrium relationship among the economic variables under investigation. The dynamic nature of the monetary policy variables as revealed by the unit root test led to the adoption of descriptive, correlation and fitted structural vector autoregressive test as an appropriate models to determine the composite effects among the monetary policy, banks’ lending and economic performance in Nigeria.

Descriptive Analysis
The descriptive analysis made use of time series data spanning between 1986 through 2020. It was used because it presented the result in a more meaningful way for simpler interpretation of data result and simpler summary of results to helps determine the normalcy of the distribution.

Table 2 Descriptive Statistics

<table>
<thead>
<tr>
<th>Obs.</th>
<th>RGDP</th>
<th>MS₂</th>
<th>PLR</th>
<th>MPR</th>
<th>INF</th>
<th>EXR</th>
<th>BL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>35</td>
<td>4.474286</td>
<td>2.942480</td>
<td>1.252015</td>
<td>1.113766</td>
<td>1.135092</td>
<td>1.686913</td>
</tr>
<tr>
<td>Median</td>
<td>35</td>
<td>4.388548</td>
<td>3.023646</td>
<td>1.249611</td>
<td>1.130334</td>
<td>1.066856</td>
<td>2.028076</td>
</tr>
<tr>
<td>Maximum</td>
<td>35</td>
<td>4.839000</td>
<td>4.349538</td>
<td>1.474216</td>
<td>1.414973</td>
<td>1.862131</td>
<td>2.485324</td>
</tr>
<tr>
<td>Minimum</td>
<td>35</td>
<td>4.139226</td>
<td>1.303324</td>
<td>0.966142</td>
<td>0.778151</td>
<td>0.695482</td>
<td>0.294907</td>
</tr>
<tr>
<td>Std. Dev.</td>
<td>0.232557</td>
<td>1.026142</td>
<td>0.100883</td>
<td>0.129231</td>
<td>0.315843</td>
<td>0.670057</td>
<td>1.095880</td>
</tr>
<tr>
<td>Skewness</td>
<td>0.302351</td>
<td>-0.166034</td>
<td>-0.516920</td>
<td>-0.446124</td>
<td>0.843271</td>
<td>-0.951585</td>
<td>-0.103401</td>
</tr>
<tr>
<td>Kurtosis</td>
<td>1.637071</td>
<td>1.672696</td>
<td>4.469874</td>
<td>4.021347</td>
<td>2.783442</td>
<td>2.471347</td>
<td>1.598209</td>
</tr>
<tr>
<td>Jarque-Bera</td>
<td>3.149592</td>
<td>2.652006</td>
<td>4.574915</td>
<td>2.605613</td>
<td>4.096039</td>
<td>5.527171</td>
<td>2.928019</td>
</tr>
<tr>
<td>Probability</td>
<td>0.207050</td>
<td>0.265536</td>
<td>0.101524</td>
<td>0.271768</td>
<td>0.128990</td>
<td>0.063065</td>
<td>0.231307</td>
</tr>
</tbody>
</table>

Notes: RGDP-Real gross domestic product, PLR-Prime lending rate, INF-Inflation, MPR-Monetary policy rate, MS²-Money supply, EXR-Exchange rate, BL-Aggregate lending to public and private sector

Source: E view 9 Statistical Package, (2020)

Table 2 showed the descriptive analysis results of all the variables involved in the analysis of monetary policy on bank lending and Nigeria’s economic performance for the period of 1986 to 2020. The result reveals that on average, RGDP, MS₂, PLR, MPR, INF, EXR and BL varies from 4.47, 2.94, 1.25, 1.11, 1.13, 1.68 and 2.96 respectively to minimum of 4.13, 1.30, 0.96, 0.77, 0.70, 0.29 and 1.29. The maximum of the variables were recorded as 4.83, 4.34, 1.47, 1.41, 1.86, 2.49 and 4.43. Also, the standard deviation values 0.23, 1.03, 0.10, 0.13, 0.32, 0.67 and 1.09 indicated that the variables in the study were being deviated from their respective average or expected value. More so, it was discovered that RGDP and INF variables were positively skewed with the skewness coefficient of 0.30 and 0.84 respectively which implied that the distribution of RGDP and INF under the study had a long tail to the right while MS₂, PLR, MPR, EXR and BL variables were negatively skewed with the skewness coefficient of -0.17, -0.52, -0.45 and -0.10 respectively under the study consideration which implied that the variables had a long tail to the left. Kurtosis measures the peakedness or flatness of the distribution of the series. If the kurtosis is above three, the distribution is peaked or leptokurtic relative to the normal and if the kurtosis is less than three, the distribution is flat or platykurtic relative to normal. From Table 2, RGDP, MS₂, INF, EXR and BL with coefficient of 1.64, 1.67, 2.78, 2.47 and 1.59 were less than three which implies
flat or platykurtic, that is, flatter than a normal distribution with wide peak while only PLR and MPR with coefficient of 4.67 and 4.02 were more than three therefore it implied peaked or leptokurtic distribution that is sharper than a normal distribution for extreme value. The Jarque - Bera and probability values revealed that all the variables, that is, RGDP, MS\(_2\), PLR, MPR, INF, EXR and BL were statistically significant in examining the relationship between the monetary policy on banks’ lending and economic performance in Nigeria.

**Result of correlation analysis**

Correlation test indicates the degree of association among the studied variables in the model.

<table>
<thead>
<tr>
<th></th>
<th>RGDP</th>
<th>MS(_2)</th>
<th>PLR</th>
<th>MPR</th>
<th>INF</th>
<th>EXR</th>
<th>BL</th>
</tr>
</thead>
<tbody>
<tr>
<td>RGDP</td>
<td>1.000000</td>
<td>0.971780</td>
<td>0.006291</td>
<td>0.344275</td>
<td>0.160670</td>
<td>0.830167</td>
<td>0.978134</td>
</tr>
<tr>
<td>MS(_2)</td>
<td>0.971780</td>
<td>1.000000</td>
<td>0.042254</td>
<td>0.299429</td>
<td>0.124153</td>
<td>0.927640</td>
<td>0.997980</td>
</tr>
<tr>
<td>PLR</td>
<td>0.006291</td>
<td>0.042254</td>
<td>1.000000</td>
<td>0.486888</td>
<td>0.515421</td>
<td>0.234884</td>
<td>0.004768</td>
</tr>
<tr>
<td>MPR</td>
<td>0.344275</td>
<td>0.299429</td>
<td>0.486888</td>
<td>1.000000</td>
<td>0.398564</td>
<td>0.093378</td>
<td>0.302507</td>
</tr>
<tr>
<td>INF</td>
<td>0.160670</td>
<td>0.124153</td>
<td>0.515421</td>
<td>0.398564</td>
<td>1.000000</td>
<td>0.001474</td>
<td>0.160697</td>
</tr>
<tr>
<td>EXR</td>
<td>0.830167</td>
<td>0.927640</td>
<td>0.234884</td>
<td>0.093378</td>
<td>0.001474</td>
<td>1.000000</td>
<td>0.913617</td>
</tr>
<tr>
<td>BL</td>
<td>0.978134</td>
<td>0.997980</td>
<td>0.004768</td>
<td>0.302507</td>
<td>0.160697</td>
<td>0.913617</td>
<td>1.000000</td>
</tr>
</tbody>
</table>

**Source:** Eview 9 Statistical Package, (2020)

Tables 3 revealed the correlation results among the variables of real gross domestic product, money supply, prime lending rate, monetary policy rate, inflation, exchange rate and aggregate banks’ lending rate respectively. Table 3 explicitly revealed that there is a positive correlation between real gross domestic product (RGDP) and money supply (MS\(_2\)), real gross domestic product (RGDP) and prime lending rate (PLR), real gross domestic product (RGDP) and monetary policy rate (MPR), real gross domestic product (RGDP) and inflation (INF), real gross domestic product (RGDP) and exchange rate (EXR) real gross domestic product (RGDP) and aggregate banks’ lending (BL) with the correlation coefficient of 0.97, 0.01, 0.34, 0.16, 0.83 and 0.97 respectively. Thus, it can be established based on the result of the correlation matrix that monetary policy variables contributed significantly and serve as an engine device to drive the banks’ lending and economic performance in Nigeria.

**Fitted Structural Vector Autoregressive (SVAR)**

**Lag Order Selection**

To start with, the vector autoregressive lag orders were determined to choose the appropriate lag for the autoregressive model. To determine the vector autoregressive lag order selection, Akaike information criterion, Schwarz information criterion and Hannan-Quinn information criterion were used. The result is presented in Table 4.
Table 4 showed the result of the vector autoregressive lag order to be selected for this research. From the result, vector autoregressive lag order of three (3) is selected based on the statistical significance of Akaike information criterion, Schwarz information criterion and Hannan-Quinn information criterion values of -14.2379, -8.7666 and -12.6110 respectively at 5 percent significance level. Thus, a vector autoregressive model of lag order three (3) is required for the analysis of structural VAR.

Moreover, it should be recalled in the research question, objectives and hypotheses raised in the study to investigate the composite effects of monetary policy on banks’ lending and Nigerian’s economic performance. The SVAR test used is to allow the macroeconomic variables used to interact freely with each other without any restrictions to enable them present their results without subjecting it to shocks. The estimated result is presented in Table 5.

### Table 5 Structural VAR Estimate

<table>
<thead>
<tr>
<th>Model: $Ae = Bu$ where $E[uu'] = I$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Restriction Type:</strong> short-run pattern matrix</td>
</tr>
</tbody>
</table>

\[
A = \begin{bmatrix}
1 & 0 & 0 & 0 & 0 & 0 \\
0 & 1 & 0 & 0 & 0 & 0 \\
0 & 0 & 1 & 0 & 0 & 0 \\
0 & 0 & 0 & 1 & 0 & 0 \\
0 & 0 & 0 & 0 & 1 & 0 \\
0 & 0 & 0 & 0 & 0 & 1
\end{bmatrix}
\]

<table>
<thead>
<tr>
<th>B =</th>
</tr>
</thead>
</table>
| \[
B = \begin{bmatrix}
1 & 0 & 0 & 0 & 0 & 0 \\
C(1) & 1 & 0 & 0 & 0 & 0 \\
C(2) & 0 & 1 & 0 & 0 & 0 \\
C(3) & 0 & 0 & 1 & 0 & 0 \\
C(4) & C(6) & 0 & 0 & 1 & 0 \\
C(5) & 0 & 0 & 0 & 0 & 1
\end{bmatrix}
\]

<table>
<thead>
<tr>
<th>Variables</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>$z$-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>RGDP ← MS</td>
<td>2.325220</td>
<td>0.192450</td>
<td>12.08220</td>
<td>0.0000</td>
</tr>
<tr>
<td>RGDP ← PLR</td>
<td>3.263083</td>
<td>0.192450</td>
<td>16.95548</td>
<td>0.0000</td>
</tr>
<tr>
<td>RGDP ← INF</td>
<td>-0.676698</td>
<td>0.195027</td>
<td>-3.469773</td>
<td>0.0005</td>
</tr>
<tr>
<td>RGDP ← MPR</td>
<td>9.644291</td>
<td>0.246659</td>
<td>39.09962</td>
<td>0.0000</td>
</tr>
</tbody>
</table>
The result in Table 5 revealed the statistical and theoretical significance of the estimated parameters of the structural vector autoregressive (SVAR) model. The result’s output showed that the structural vector autoregressive model was over-identified. This implied that sufficient information was made available from the collected data to estimate the structural vector autoregressive model and to assess the statistical significance of the estimated parameters of the model. Considering the result of the estimated parameters individually, it was discovered that there is an inverse relation between RGDP and INF while a positive relationship exists between MS, PLR, MPR, EXR, BL and RGDP. Hence, 1% change in MS, BL, MPR, EXR, BL and RGDP will cause the economy to grow at the rate of 2.33, 3.26, 9.64, 0.68 and 0.80 percent respectively. On the other hand, a change in the INF will hamper the RGDP by 0.68 percent. The probability value 0.000 revealed that the estimated parameters such as MS, BL, MPR, EXR, BL and INF are statistically significant at 5 percent level in determining RGDP. Lastly, inflation appeared to be negative and significant with the value of -0.6766 on banks’ lending in Nigeria. This implied that inflation rate has propensity to decrease the fortune of banks’ lending by contributing about 67.6% decrease to the dependent variable. The Chi-square value and the probability of Chi-square value given as 721.5191 > χ²₀·₀₅(14) = 24.996 and 0.000 < 0.05 respectively established the reliability of fitted structural vector autoregressive model. Overall, the theoretical implications of the study indicated that monetary policies and banks’ lending contributed significantly to economic performance in Nigeria.

4. CONCLUSION

The research investigates the composite effects of monetary policy on banks’ lending and economic performance in Nigeria and this is meaningful to existing literature particularly in Nigeria. However, establishing from empirical investigation all the variables were stationary after first differencing which implies that there is short run equilibrium nexus among the variables. Moreover, The Jarque - Bera and probability values revealed that all the variables, that is, RGDP, MS₂, PLR, MPR, INF, EXR and BL were statistically significant in examining the relationship between the monetary policy on banks’ lending and economic performance in Nigeria. RGDP and INF variables were positively skewed with the skewness coefficient of 0.30 and 0.84 respectively which implied that the distribution of RGDP and INF under the study had a long tail to the right. Table 3 explicitly revealed that there is a positive correlation between real gross domestic product (RGDP) and macroeconomic variables used. The SVAR result reveals in the empirical findings that monetary policy and banks’ lending co-jointly significantly impact economic performance in Nigeria. From the findings the outcome reveals that MPR and BL are the major factors that permeate economic performance this implies that monetary policy rate and lending to private and public sectors exerts meaningful influence on economic growth in Nigeria. The negative trend of inflation is thereby sending bad signals to investors. Hitherto, the rate of inflation and exchange is always on the increase. Government is implored to put forward proactive measures and programmes that can significantly bring down the increasing exchange rate and inflation rate which has sent many investors away from doing business in Nigeria. The study established that monetary policy play an important role in the continuous performance of
Nigeria economy with the continuous increase in aggregate bank lending to entrepreneurs as indicated in the research findings.

Recommendations

The following recommendations were put forward based on the findings

1. The design of monetary policy and its implementation should be made in such a way that the conflict of target is avoided.

2. The monetary policy proposals of the Central Bank of Nigeria must constitute an input into the overall budget of the federal government of Nigeria.

3. Loans and advances, if made available and are adequately utilised will go a long way in improving the economy of the country (Nigeria)

4. The CBN needs to supervise thoroughly the banks’ activities to enable them comply with all the monetary regulations frameworks as issued.

References


CBN slashes monetary policy rate (2019, March, 26). The *Punch*. (Retrieved from Punch.ng.com)


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Burn-Out Syndrome and Vocational Commitment: A Conceptual Study on Pre-School Teachers

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ABSTRACT

In the present-day work environment, burn-out syndrome and vocational commitment are among the concepts that have begun to attract the attention of many scholars not only in the field of management but also in other fields such as education as well. The main reason for the very popularity of these two concepts can be put down to the work settings or environment requiring more and more human interaction. Especially, in the service sector, where human to human interaction is in its summit, the concepts of burn-out and vocational commitment gained more and more popularity. On the other hand, there is no doubt that pre-schooling occupies the most important phase of development in people’s life. Ranging from the cognitive to motor skills, pre-schooling is for sure the indispensable part of an academic life of any given person. The labour and service intensive structure of pre-schooling period, especially from the perspective of teachers, brings the interaction to the fore and at this very point in order to sustain effectiveness and efficiency of the service-providers; that is, teachers, the two concept under consideration deserve a closer approach in terms of the relation of teaching. This in mind, the main objective of this study is to shed light on the concepts of burn-out and vocational commitment and then to examine the relation of the concepts with specific reference to pre-school teachers.

Keywords: Burn-out syndrome, vocational commitment, professional commitment, pre-school teachers

I. Introduction

In today’s conditions, the school is obliged to perform certain tasks beyond the need for students to be informed. Children need to be able to turn all this into behaviors, as well as the knowledge and skills they get. These achievements are also among the main tasks of the school. Providing detailed information about raising children of parents, the school should be the place to apply first in creating proposals for solutions to all kinds of problems that may occur in the family (Oktay, 2002).

A teaching activity is an activity that involves intense stress. Daily interactions with students and colleagues, continuous teaching activity and a sense of responsibility cause internal pressures and stress (Aḵamete, 2001). A number of physiological, psychological and behavioural problems caused by this stressful environment include the phenomenon of burnout. Burnout, which is a fairly bad experience for a person and causes bad situations throughout his or her life, is explained as a three-dimensional condition with sub-dimensions of emotional exhaustion, desensitization and low personal success. Emotional exhaustion refers to exhaustion of one's emotional resources and emotional overload. Desensitization is associated with numbness and stiffness. Low personal success means a person’s feelings of competence and a decrease in success at work (Kapıkiran, 2003).

The above-mentioned concepts are among the ones that are usually associated with the employees offering service face-to-face and involving interaction with people to a large extent. This being the case,
the organization of the paper is as the following: this paper first of all reviews burnout syndrome and explains its relationship with specific reference to teaching. After that, the emphasis is shifted upon the concept of vocational commitment, which is also examined in an elaborative manner. Then, in the conclusion part the place of pre-schools and their nature is explained finally. The paper is a conceptual one, which is the main method employed throughout the rest of the paper.

2. Burn-Out Syndrome

Herbert Freudenberger made the first accepted and accepted definition of the concept of burnout in 1974 as “a state of exhaustion that occurs in an individual’s internal resources as a result of failure, attrition, decreased energy and power, or unsatisfied desires” (Freudenberger, 1974:159).

According to Edelwich, burnout is an ever-increasing loss in idealism, energy and purpose, seen as a result of working conditions, in individuals working in professions that provide assistance to others (Edelwich, 1980).

Exhaustion is a condition caused by the accumulation of what situations that seem impossible to change draw on the human soul. It is an “Occupational Autism”. This condition refers to the collapse of the human soul. It is a sneaky process. Creativity disappears, not for the better (Storlie, 1979).

Research shows that exhaustion is a phenomenon that lives on an individual level; it involves a negative emotional life and is based on a chronic, continuous emotion (Shirom 1989).

Vocational burn-out is a state of physical, emotional and mental exhaustion caused by environments that constantly consume individuals emotionally Physical exhaustion is characterized by decreased energy, chronic fatigue and weakness. Emotional exhaustion, the second dimension of burnout, includes feelings such as helplessness, despair, being trapped, deceit and disappointment. Mental exhaustion is a person’s negative attitude towards other people and life (Pines, 1988).

Excessive stress and a person’s failure to cope with this stress can affect people’s commitment to the organization and work competence that they work and lead to burnout. Even if work-related stress can be considered a routine of working life, this can lead to burnout in an environment where the individual is not supported, the opportunity to show himself is taken away or not at all. Burnout is a condition that needs to be avoided, as it will have negative consequences for the organization and business (Çokluk, 2003).

Maslach is the first to carry out important work on behalf of the concept of burnout. Maslach and his colleagues explained burnout as the fact that individuals who are constantly in contact with people are in a state of spiritual collapse, experiencing desensitization and incompetence due to their profession (Maslach & Jackson, 1981).

Burnout is defined as a decrease in inner strength in the mental, spiritual and individual’s attitudes as a result of facing excessive spiritual demand. According to Storlie (1979), burnout occurs when an individual is aware of negative progressive situations and refuses to believe in this situation. The concept of burnout is challenged by the integration of what non-differentiation events form in one’s self. According to Reynolds and Tabacchi (1993), burnout has been expressed as a mental problem that can be a bodily discomfort as a result of continuing tension in the professional field. There are many reasons that can reduce the pleasure that individuals receive from their lives and lead to burnout.

a. Factors Affecting Burnout

Maslach, Schaufeli, and Leiter (2001) state that the concept of exhaustion does not exist only in the professional field. Some of the sociodemographic factors can cause exhaustion. Individual qualities and general attitudes have an important place in experiencing decadence. No relationship between burnout and gender has been established. It has been emphasized that the absence of women in the position of manager will have an impact on this issue, when women are asked for jobs with equal characteristics with male employees, the gender factor will not be an important factor in burnout, the most important
factor of burnout is related to working conditions. It is known that women are more prone to exhaustion than men.

According to Tumkaya (1996), burnout is an integral part of stress and is a progressive process. The causes of burnout are associated with human expectations. It is a condition that usually develops as a result of unreal expectations and an excess of mismatch between reality and expectations. Exhaustion is a process that develops insidiously and slowly, while the mismatch between the needs of workers and their demands grows. The low performance of the individual negatively affects the rebellion and everyone who works in between, while the demands of the rebellion also shape the individual’s experience.

In addition, the fact that ego participation is effective in these professions, that is, the individuals who are under its influence have a living and ego, which creates pressure on the service providers and also the negativity in the interaction causes individuals to wear out more. Because of these features, burnout is more intense in members of the profession who work face to face with people. (Özer,1998).

b. Burnout in Teaching Profession

Burnout can be expressed most often in the teaching profession when benchmarking is performed in different areas of work. As a reason for this, the teaching profession is always a profession that requires dedication, being active in communication and tires a person emotionally. For these reasons, teaching is considered to be one of the professions where burnout is much more likely to occur. In fact, burnout is also known to be effective in increasing more than one very important problem in the teaching profession and even accelerating the process further. Frequent absenteeism, decreased commitment to the profession, illness, physical distress, inappropriate behavior, and decreased performance can be considered as negative events that occur in teaching. Albiol et al. (2010) found that there was a significant difference in teachers’ job satisfaction levels, which may be high or low in burnout levels.

Statistical data show that an increasing number of teachers are leaving the profession day by day (Dworkin, 1987:7). According to Dworkin, teachers are three times more likely to quit than similarly trained professionals. The findings show that a large majority of teachers want early retirement, while others are turning to the private sector. Thousands of teachers are showing signs of burnout, adversely affected by funding constraints, limited personal control over teaching and a lack of social commitment. The rate of these symptoms is that 25% of all teachers experience burnout at different times (Dworkin, 1987:7).

All the burden of educational activities rests on teachers. Despite the rapidly rising number of students due to the growing population, the number of teachers who are insufficient places an extra burden on those who are present. In addition to this negative scenario, the role and expectations placed on teachers increase so that children can adapt to the developing world (Işıklar, 2002).

The classic Burnout model in teachers was introduced by Kyriacou and Suttcliffe in 1978. According to this model, stress is the result of a difference in teacher perceptions. In other words, teachers undergo burnout

• When they have a perception that the demands on them are excessive,

* When they have difficulty meeting these demands,

* When the mental and physical health is compromised by the impact of the failures experienced

Teacher burnout is a syndrome caused by long-term stress, defined by physical, emotional, and behavioral fatigue. In behavioral fatigue, teachers experience less passion and satisfaction for their work. If their work also requires more effort and time, the teacher becomes reluctant and may become indifferent to students’ work. In emotional burnout, the teacher finds it very difficult to have a positive emotion on a work day. A heavy sense of abandonment predominates. The main emotion experienced is depression. In physical fatigue, the third element, the teacher often feels physically tired and exhausted at school (Kyriacou, 2000:3).
Burnout syndrome, is an education issue that affects not just teachers, but students and employers as well. The stress and burnout experienced by teachers have a significant impact on families, administrators, students and parents, that is, the entire society, and hence is reflected directly or indirectly in the entire society (Friedman and Farber, 1992:28-35).

It can be stated that the emergence and widespread of burnout in teachers is due to the educational philosophy and studies that can change in parallel with various social, economic and technological developments. Until 30-40 years ago, while educators were a dominant element in the decisions taken regarding education and training, they received support from the society, some differences have emerged, especially since the mid-seventies, and the effectiveness of educators has decreased (Gündüz, 2005:154).

3. Vocational Commitment

This notion is related to the concept of “career” according to Greenhaus (1971). According to Cohen (2007), this concept was first introduced as career commitment. Blau (1985) evaluates career commitment as individuals’ attitude towards their profession. Colarelli and Bishop (1990) take this definition one step further, describing career commitment as “commitment, exhibited to develop career goals and achieve the goals” (p.159) as detailed.

When the literature on professional commitment is examined, it is seen that different concepts are used. These are the concepts of occupational commitment, professional commitment and career commitment. It is known that the concepts of occupation, professional and career are used and that there is a discussion on this subject (Kaya and Zerenler, 2014: 53). Aranya and Ferris (1984: 3) use the phrase professional commitment. Professional commitment, on the other hand, is defined in the form of a desire to associate with and participate in a particular profession, as well as to strive on behalf of the profession and maintain continuity for the profession. Blau (1985: 278) used career commitment and defined career commitment in the form of an individual’s attitude to their profession or work. Meyer et al., (1993: 539) chose to use the concept of professional commitment instead of using career and professional commitment. According to them, all professional and non-professional individuals can experience professional commitment throughout their working life.

a. Dimensions of Vocational Commitment

In this study, Meyer et al., (1993) mentioned the three-dimensional dimension of professional commitment. These dimensions are emotional, normative, and continuum. These dimensions are mentioned in detail below.

Emotional Commitment

Emotional commitment is defined as an individual’s attachment to their profession, participation in the profession, and emotional commitment to the profession. Emotional commitment is the most desirable dimension of commitment in professions and organizations. The reason for this is that the individual makes special efforts to stay in the profession because he is emotionally connected to his profession (Kaya and Zerenler, 2014: 69).

Emotional commitment is an attitudinal condition related to personality characteristics and occupational factors and is based on a voluntary basis shown in the way of achieving goals in the employee’s profession (Mir et al., 2002: 190). Emotional attachment occurs as a result of an individual’s attachment to their profession and the formation of an emotional connection between them and their profession (Kaya and Selcuk, 2007: 179). The development of emotional attachment begins with professional choices and changes based on experience. Individuals have low emotional commitment at the beginning of their career, but their emotional commitment increases as they achieve their career goals and adapt to their profession (Weng & McElroy, 2012: 257).

Attendance Commitment
Continuing commitment is defined as the fact that employees take into account the negativity that will come as a result of their departure from the organization and continue to work in their profession, feeling compelled (Zerenler and Öğüt, 2007: 582). Continuing commitment workers remain in their profession not for emotional or normative reasons, but for reasons of necessity. These imperatives are due to the costs and investments made in the profession as a result of changing the profession (Demirci, 2018: 15). In continuing commitment, the individual decides to stay in his/her profession by analyzing his/her departure from the profession (Sagsan and Storm, 2015: 5).

Blau (2003: 471) suggested that continuation commitment consists of two separate dimensions. These two dimensions are the accumulated costs and the limitation of alternatives. Accumulated costs refer to the time spent owning the profession, the training received and the fees. The limitation of alternatives is expressed as the inability to perceive existing options to choose a new profession.

**Normative Commitment**

Normative commitment means an individual's obligation to remain in their profession (Blau, 2001). This obligation is not due to material resources, but due to external factors such as the working environment, colleagues (Ozer and Uyar, 2010). In normative devotion, the individual considers it a duty to pursue his or her profession. Employees with high normative commitment consider continuing their profession as a correct behavior (Arbak and Ozmen, 2009: 54). An individual with normative commitment feels an obligation to remain in his or her profession, as he or she feels pressure from the environment in his or her profession. Because the individual has earned his reputation in society through his profession, and in normative devotion, the profession is seen as a duty given by society for the individual (Yıldırım, 2019).

Normative commitment can arise from an individual's culture or work ethics, in which case it can lead to an individual feeling obligated to stay in the organization. Normative commitment is separated from emotional commitment and continuing commitment, as it does not reflect the organization's goals and objectives, but very much related to the will of an individual to stay in an organization the individual to remain in the organization (Clugston, 2000).

**4. Conclusion**

In the broadest sense, the period that lasts from the birth of the child to the beginning of primary school is called preschool period, and all educational activities in this period are also called preschool education. The preschool period is the most intense and rapid period of brain development and the rate of establishing synaptic connections. Intellect development is important in order to boost the cognitive, language, motor, social and emotional development all together. For this reason, children grow up very quickly, especially in the first six years of life, called preschool, and become proficient in these areas of development at a surprising rate (Oktay, 2013).

Pre-school education institutions are institutions that aim to prepare children for life and inform parents about the importance of pre-school education and its place in children’s life, in the most important period in the shaping phase of personality; healthy development of the child from a social, cognitive, emotional and physical point of view. Pre-school educational institutions that come after the family, where the child learns the first basic knowledge, skills and fluidity, are of great importance at the stage of preparing the child for social life. These institutions gain importance both directly on the child and with the guidance services they provide to the family (Kandır, 2001).

The teacher is the decision-maker and practitioner figure of this process. The ability of the teacher to perform the performance required by his role depends on his qualifications. A good teacher is someone who can manage this process well, teach well. In addition to technological developments, the modern world has changed and shown more at the point of acceptance of human relations and the existence of different ideas. This development has also led to a change in the system of traditional education (Yeşilyaprak, 2002). It is expected from educational institutions and teachers that when expressing
teaching services, children will educate individuals who can recognize and develop themselves without ignoring individual differences (Can, 2002).

Yeşilyaprak (2002) defines good teaching through self-knowledge and Orientation, Decision-making, critical thinking, educational research and practice. The competencies expected from the teacher are expressed as mastery of different teaching practices, ability to discuss topics, knowledge and problem solving strategies, all kinds of knowledge and communication skills related to students’ learning (Yeşilyaprak, 2002).

Considering the facts that both burn-out and the sub-dimensions of the concept of vocational commitment equally hold an important place in the career paths of the teachers involved in pre-school education, in order to increase efficiency and effectiveness of teaching and learning settings in any given school environment, factors related to the concepts within the consideration of this paper should be dealt with meticulous attention and care. Never forgetting the fact that pre-schooling is the period that is likely to affect not only the academic but also the social lives of the learners, share-holders should carry out a comprehensive study to determine the levels of burn-out and vocational commitment. Subsequently, decision-makers at the local and national level should perform every effort in order to decrease the levels of burn-out and low vocational commitment in an organized manner. It should be kept in mind that education is the very key point to the future development of a country and pre-schooling is in the first place in the educational process.

**Resources**


