



Academic Scholars Publishing League (ASPL)

ISSN: 2360-9944 | Volume 8, Issue 2 | June 2020

[www.arcnjournals.org](http://www.arcnjournals.org)

# International Journal of Management Sciences



# **International Journal of Management Sciences**

## **Special Edition**

### **ASPL Journal Series**

ISSN: 2360-9944. Volume 8, Issue 2, June 2020



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***Published by:*** International Academic Journal for Global Research (iajgr), 995 E Memorial Boulevard Lakeland Florida, U.S.A. and printed by Africa Research Corps Printers, 172 Jose Marti Crescent, Abuja, Nigeria

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# Students' Intention to Use Mobile Banking: The Role of Trust

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**Abstract:** *The primary objective of this study was to use technology acceptance model (TAM) which is based on the theory of reasoned action (TRA) to explain students' intention to use mobile banking. The study, specifically aimed to examine the effect of perceived usefulness (PU) and perceived ease of use (PEOU) on behavioural intention to use mobile banking. Furthermore, the role of trust in this relationship was also tested. 253 students who are users of mobile banking in Bayelsa State were involved in the study. Perceived ease of use and perceived usefulness were found to be significant predictors of intention to use mobile banking. Trust was also found to significantly moderate the effect of both independent variables on intention to use mobile banking.*

**Keywords:** *Role of trust, students' intention to use mobile banking*

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## INTRODUCTION

Advancements in technology particularly in the area of communication and information technology is changing the way business is conducted. We are living in an era of instant communication and ease of information sharing. Consumers are constantly searching for easier and faster ways of carrying out financial transactions and commercial banks, like any other business, are searching for easier and more effective methods of doing business. Pikkarainen, Pikkarainen, Karjaluoto and Pahnla (2004) noted that technological development has provided opportunities for service providers to develop their services and offer customers more flexibility. Mobile banking or m-banking is becoming a prominent feature in banking operations in Nigeria with commercial banks adopting this technology in order to provide their customers with fast, accessible, reliable and quality services. Mobile banking otherwise known as M-banking refers to the provision of banking and all forms of financial services with the help of mobile telecommunication devices such as the smart phones, androids (Agwu, Atuma, Ikpefan & lyoha (2014). Segun (2011) defines mobile banking as an occurrence when customers access a bank's networks using cellular phones, pagers, personal digital assistants, or similar devices through telecommunication wireless networks.

Mobile banking technology is a fast and efficient channel available for customers anytime, anywhere and is becoming more important as a reliable and easy access to banking services (Jeyabalan, 2013) due to the growth in the use of smartphones and other mobile devices. Mobile phone (both smart and feature) penetration levels in Nigeria have moved from 53% in 2016 to 83% in 2017 (Adepetun, 2018). Agwu (2012) opined that mobile phones remain the most feasible and available means to provide mass marketing and could serve as alternative

to branch banking in Nigeria. In spite of the purported advantages of M-banking, its acceptance among consumers has fallen short of expectations. Akturan and Tezcan (2012) stressed that the market of mobile banking remains very small when compared to other electronic banking counterparts such as ATM; internet banking, etc.

Agwu, (2012) stated that mobile phones and its applications are still highly under-utilized and banks in Nigeria are racing to use this latest technology as it helps to reduce their operational costs and increase their customer base. The basic question therefore is, with the increase in the usage of mobile devices in Nigeria, how can more commercial bank customers be encouraged to use mobile banking services? Previous studies in this area have identified several factors that encourage the use of mobile banking services by studying existent users of these services. Some factors identified include convenience, cost, perceived trust, perceived use of use, perceived efficiency, perceived lifestyle compatibility, perceived usefulness, perceived risk and self-efficacy (Bankole, Bankole and Brown, 2011; Chawla and Joshi, 2016; Abrahao, Moriguchi and Andrade, 2016; Shankar and Datta, 2018 amongst others).

It is worth noting that studies on mobile banking have been largely conducted outside the context of Nigeria's banking sector hence the literature on m-banking in Nigeria is not as developed as it should be. Apart from that, studies on adoption of mobile banking have largely ignored young people who are more likely to adopt new technologies like mobile banking (Abayomi, Olabode, Reyad, Teye, Haq, & Mensah, 2019). This study therefore seeks to add to the literature on mobile banking by testing the technology acceptance model (TAM) by Davis (1985; 1989; Davis and Venkatesh, 1996) which has been extended to consumer online situations and used in many studies either in its original form or in an extended form. Therefore, the research question is: Does the technology adoption model (TAM) with trust as a moderator explain students' intention to use mobile banking?

## **LITERATURE REVIEW**

### ***Theoretical framework***

This study seeks to test the technology adoption model (TAM) which was developed by Davis (1985) drawing from the theory of reasoned action (TRA) which was first postulated by Fishbein (1967) and then refined by Fishbein and Ajzen (1975). The basic premise of TRA is that an individual's intention to perform a specific behavior is the most significant driver of that behaviour. Behavioral intention in turn is driven by two factors – the individual's attitude (the affection as influenced by his assessment of the consequences attached to that behaviour) towards the focus behavior and subjective norm (the individual's perception that reference individuals expect him/her to perform that behavior). Fishbein and Ajzen (1975) in Davis (1985) state that the individual's attitude is a function of his beliefs regarding the consequences of the focus behavior. He therefore drew on that same framework and identified the individual's beliefs about the perceived usefulness and perceived ease of use of the focus technology as drivers of an individual's attitude towards that behavior. In a refinement of the technology adoption model (TAM), Davis and Venkatesh (1996) argued for the exclusion of attitude as empirical evidence pointed to the fact that it only partially mediated the relationship between beliefs and intention.



### **Conceptual framework**

*Perceived usefulness (PU)*: Perceived usefulness is the degree to which a person believes that using a particular system would enhance his or her job performance (Davis, 1989). That is, potential adopters assess the consequences of their adoption behavior based on the ongoing desirability of usefulness derived from the innovation (Chau, 2004). In the context of this study, perceived usefulness refers to the fact that users choose to accept mobile banking if they think the application of Mobile Banking can have a positive impact in their lives.

*Perceived ease of use (PEOU)*: “Perceived ease of use refers to the degree to which the prospective user expects the target system to be free of effort” (Davis, Bagozzi and Warshaw, 1989). Perceived ease of use is the degree to which a person believes that using a particular system would be free of effort (Dholakia and Dholakia, 2004). Perceived ease of use may contribute towards performance and therefore the lack of it can cause frustration, and therefore, impair adoption of innovations (Davis, 1989; Venkatesh and Davis, 2000). In this study, perceived ease of use refers to the individual’s belief that using mobile banking would not be complicated and would not require effort.

*Trust*: Customer trust is recognized as a critical factor for the success of mobile banking. Trust has gained separate attention in electronic commerce literature due to the presence of high uncertainty and risks associated with the domain (Afshan, 2016). Trust is a complex phenomenon having multiple diverse definitions (Susanto, Lee, & Zo, 2012). (Kim, Lee, & Chung, 2013) define trust as as the willingness to believe partners in a business contract, the credibility of and confidence in transaction targets and their honesty, and the perceived reliability and favour of the targets. Mcknight and Chervany (2001) in Yadav & Mahara ( 2017), define trust as the point of reliability and credibility on new technology by new people. Trust is based on the perceived credibility of the seller. Trust is composed of multidimensional concepts such as ability, integrity and benevolence (Shankar & Datta, 2018). Perceived trust has been identified in previous studies, as an important factor influencing customer intention to engage in certain behaviours online (Yadav and Mahara, 2017). It has been identified as an antecedent of PEOU and PU (Al-Jabri, 2015), as a mediator between PEOU, PU and behavioural intention (Athapaththu and Kulathunga, 2018; Ramos, Ferreira, De Freitas and Rodrigues, 2018), and as a moderator between behavioral intention and actual behavior (Rehman, Bhatti, Mohamed and Ayoup, 2019). However in this study, trust is included as a moderator of the effect of PEOU, PU and behavioural intention in the conceptual model.

### **Empirical Framework**

Jeong and Yoon (2013) found that PEOU, PU, percived credibility, perceived self-efficacy had significant effect on intention to use mobile banking. They also found that PU was the most influential factor which explained the intention to adopt mobile banking. Bhatiasevi (2016) in his study of consumer adoption of mobile banking in Thailand found that performance expectancy, effort expectancy, social influence had positive relationship with behavioural intention to use mobile banking. Perceived credibility and perceived convenience were found to have positive relationships with behavioural intention. Perceived convenience was found to



have the strongest relationship with behavioural intention. Only facilitating conditions and perceived financial cost was found to have negative relationships with behavioural intention. As part of his study, he conducted a multi-group analysis between full-time employees and students. For students, he found that the significant predictors of behavioural intention were performance expectancy, effort expectancy, social influence and perceived convenience. Shankar & Datta (2018) studied adopters of mobile payment in India and found that PEOU and PU had a significant positive impact on m-payment adoption intention. They however found that subjective norm and personal innovativeness did not have significant effects on m-payment adoption intention. Slade, Williams, Dwivedi, & Piercy (2015) found that performance expectancy, social influence, innovativeness and perceived risk significantly influenced non-users' intentions to adopt remote mobile payments in the UK. Abrahao, Moriguchi, & Andrade (2016) found that performance expectation, effort expectation, social influence and perceived risk explained a significant part (76%) of behavioural intention to use mobile payment systems in Brazil. Chawla and Joshi (2017) found that perceived trust, PEOU, perceived lifestyle compatibility and perceived efficiency were found to positively and significantly affect user intention. Ashoka and Ramaprabha (2018) studied mobile banking adoption in Karnataka region, India and found that PEOU, PU, perceived cost, perceived risk, security positively affected adoption of mobile banking.

**H1:** Perceived usefulness will have a positive and significant effect on students' intention to use mobile banking.

**H2:** Trust will significantly moderate the effect of perceived usefulness on students' intention to use mobile banking.

**H3:** Perceived ease of use will have a positive and significant effect on students' intention to use mobile banking.

**H4:** Trust will significantly moderate the effect of perceived ease of use on students' intention to use mobile banking.

### **Research Strategy**

The study adopted a quantitative research philosophy using self-administered questionnaires to generate response for the study. The study population consists of students of Nigerian universities however; the accessible population was students in one public university. The study used convenience-sampling technique to select the accessible respondents. The choice of these students is because they are more accessible to the author and will be more willing to assist in the study. Students were used to gather the data from their fellow students. 253 students were finally involved in the study after accounting for lack of response from some and those who were not users of mobile banking. The questionnaire used measures that have been tested and validated in previous studies. Items in the questionnaire were all Likert-type statements anchored at strongly disagree to strongly agree. Perceived usefulness, perceived ease of use, trust and behavioural intention were measured using items from Shankar and Datta (2018).

## DATA ANALYSIS AND FINDINGS

**Table 1: Demographic distribution**

Descriptor		Male (n = 110)	Female (n = 143)	Total (n = 243)	%
Age	Under 20 years	22	14	36	14.5
	21 – 30 years	67	119	186	73.5
	30 and above	21	10	31	12.3
Marital status	Single	97	102	199	78.7
	married	13	41	54	21.3
What do you use mobile banking for?	Money transfer	45	79	124	49.0
	Bill payment	11	14	25	9.9
	Purchase of data bundle	5	15	20	7.9
	Purchase airtime	26	24	50	19.8
	Purchase airtime	13	4	17	6.7
	Balance enquiries	0	7	7	2.8
	Statement enquiries purchase	10	0	10	4.0
Frequency of use	Once a day at least	34	57	91	36.08
	Once a week at least	57	57	114	45.1
	Once a month at least	19	29	48	19.0

From the table above, males constitute 43.5% of the sample while females constitute 56.5%. 14.5% of the sample are under the age of 20 years, 73.5% are between the ages of 21 and 30 years. 12.3% of the respondents. Singles constitute 78.7% of the respondents while married students constitute 21.3% of the respondents. 36.08% used mobile banking technology once a day at least, 45.1% used it once a week at least while 19% used it once a month at least. On the issue of the functions performed by mobile banking, it is worth noting that respondents were asked to select more than one function it helped them to perform since the technology gives customers the opportunity to choose what to do with it. This therefore means that truly isolating the number of functions each respondent used mobile banking to perform would be quite hard. The details given in the table can best be viewed as a summary or snapshot of the various functions performed by mobile banking which were captured in the study.

### Test of hypotheses

**Table 2: Correlation matrix of variables**

	MEAN	SD	PU	PEOU	TRUST	INTENTION
PU	4.3241	0.51896	1			
PEOU	4.0817	0.61964	0.282	1		
TRUST	3.7621	0.61578	0.169	0.311	1	
INTENTION	3.7918	0.86763	0.140	0.223	0.343	1

**Table 3: Summary of test of hypotheses**

Independent variable	Inferential statistics	Model 1 Direct effect	Model 2 Direct + interaction effect
Perceived usefulness (PU)	R R <sup>2</sup> Adj. R <sup>2</sup> Significance level R <sup>2</sup> change Significance change PU x TRUST Significance level	0.140 0.020 0.16 0.026	0.344 0.118 0.111 0.000 0.099 0.000 0.100 0.000
Perceived ease of use	R R <sup>2</sup> Adj. R <sup>2</sup> Significance level R <sup>2</sup> change Significance change PEOU x TRUST Significance level	0.223 0.50 0.46 0.000	0.383 0.147 0.140 0.000 0.097 0.000 0.106 0.000

Note:  $p < 0.05$

**Hypothesis 1:** Model 1 shows that the correlation coefficient (R) is 0.140 signifying a positive relationship between perceived usefulness and intention to use mobile banking. Adjusted R<sup>2</sup> (0.16) shows that perceived usefulness accounts for 16% of the variance in intention to use mobile banking and it is significant ( $p = 0.026$ ). Hypothesis 1 is therefore accepted.

**Hypothesis 2:** Model 2 shows that the correlation coefficient is 0.344 showing an increase in the strength of the relationship between perceived usefulness and intention to use mobile banking. Adjusted R<sup>2</sup> (0.111) shows that perceived usefulness now accounts for 11% of the change in intention to use mobile banking. R<sup>2</sup> change is 0.099 and is significant ( $p = 0.000$ ). This shows that trust moderates the relationship between perceived usefulness and intention to use mobile banking. Hypothesis 2 is accepted.

**Hypothesis 3:** Model 1 shows that the correlation coefficient (R) is 0.223 signifying a positive relationship between perceived ease of use and intention to use mobile banking. Adjusted R<sup>2</sup> (0.50) shows that perceived ease of use accounts for 50% of the variance in intention to use mobile banking and it is significant ( $p = 0.000$ ). Hypothesis 3 is therefore accepted.

**Hypothesis 4:** Model 2 shows that the correlation coefficient is 0.383 showing an increase in the strength of the relationship between perceived usefulness and intention to use mobile banking. Adjusted R<sup>2</sup> (0.147) shows that perceived ease of use now accounts for 14.7% of the change in intention to use mobile banking. R<sup>2</sup> change is 0.097 and is significant ( $p = 0.000$ ). This shows that trust moderates the relationship between perceived usefulness and intention to use mobile banking. Hypothesis 4 is accepted.

## **DISCUSSION**

Tests of hypotheses 1 and 3 show that perceived usefulness (PU) and perceived ease of use (PEOU) are significant predictors of student intention to use mobile banking. This is supported by previous studies which have established PEOU and PU as predictors of consumer intention to use new technologies and new platforms such as online shopping (Ahn, Ryu and Han, 2007; Alagoz and Hekimoglu, 2012; Renny, Guritno and Siringoringo, 2012; Wei, Lee and Shen, 2018 amongst others) and mobile banking (Jeong and Yoon, 2013; Chawla and Joshi, 2017; Ashoka and Ramaprabha, 2018). The study of Bhatiasavi (2016) is of particular interest here as his study, which was based on UTAUT, found that performance expectancy and effort expectancy that are conceptually similar to perceived usefulness and perceived ease of use were significant predictors of intention to use mobile banking amongst the student sub-group of his sample.

Tests of hypotheses 2 and 4 show that trust has a positive and significant relationship with behavioural intention to use mobile banking as shown by the correlation matrix which is necessary in order to test for moderation effect. This relationship is supported by previous studies on the effect of trust on behavioural intention (Yadav and Mahara, 2017; Athapaththu and Kulathunga, 2018). Trust is found to be a significant and positive moderator of the effect of PEOU and PU on behavioral intention. It is expected that while consumers may believe that mobile banking platforms are useful and easy to use, what enhances their intention to use mobile banking platforms is their level of trust in the system and in the organizations behind those systems.

## **RECOMMENDATIONS**

This study is very limited in its scope as it focuses not just one students, but on students within one university. This limits the generalizability of the study. Hence, it would be necessary to conduct a far wider study with subjects across a wider geographical area in Nigeria. Secondly, gender has been identified as a moderator of the relationship between beliefs like perceived usefulness and behavioural intention to use electronic systems for their personal transactions. It would be necessary to study within the Nigerian context, the place of gender in consumer intention to use mobile banking platforms.

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# **The Impact of Employees' Competence Management on Organizational Agility of Deposit Money Banks in Rivers State, Nigeria**

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**Abstract:** *The purpose of this paper is to determine the relationship between employee's competence management and organizational agility of Deposit Money Banks in Rivers State, Nigeria. A survey design was adopted using questionnaire as the research instrument. The population of the study was made up of five (5) managers from strategic departments of the nineteen (19) DMBs operating in Rivers State, Nigeria vis-à-vis human resource department, operations department, public relations department, marketing department and finance department. Therefore, the population of the study consists of 95 managers of the 5 identified departments of the nineteen (19) DMBs operating in Rivers State which were also used as the sample size. Collected data was analyzed using Spearman Rank Order Correlation Coefficient with the aid of Statistical Package for Social Sciences (SPSS) version 25 within a significance level of 0.05. The findings showed that employees' competence management has a strong and significant influence on organizational agility of DMBs in Rivers State, Nigeria. We therefore recommended among others that for DMBs to adapt effectively to changes that may occur in the future; they must recognize and determine the needed competences in the organization through effective employees' competence management.*

**Keywords:** *Competence; Employees' Competence Management; Organizational Agility*

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## **INTRODUCTION**

The business world of today is a world full of consistent changes, development and volatility which significantly influences the operations of all organizations, be it private or government owned enterprise. These changes are as a result of swift developments and advancement in technological factor of production, political instability as well as emergent interest in environmental issues that affect the performance of the organization (Kubaisi, 2013). The technological changes are not only limited to the tools or machineries used in the production of goods and services but also include the procedures, methods and processes involves in production. By reason of the unpredictable, intricate, as well as uncertain nature of these changes, the traditional way of managing organization is currently failing (Kotter, 2012). Hence, the need for business firms to become more agile in other to align themselves appropriately with these changes whichever means directly or indirectly to ensured continued existence of the firm (Ebrahimian & Jelodarzadeh, 2011). Thus, business organization might not be able to attain long success and performance until they become

agile enough to align themselves with environmental changes (Mahmoudvand, 2011) since change is one phenomenon that must surely occur.

Agile firms meet the desires of their customers by thinking out of the box that is they are very innovative. They do not just offer products, but proffer answer to satisfying the actual consumers' needs as well as know that goods or services can never be perfect enough to satisfy customers need, as such to enhance customers' preference and satisfaction they constantly create value by enriching their produced goods or services continuously (Lahafi, 2011). Agile organizations think beyond mere adaptation to changes, so that they tend to utilize very well any prospect opportunities found in the business environment through the acquisition of a particular niche in the market using their competence and innovativeness (Armstrong, 2000). Thus, organization depends so much on their available competences to be able to fully align to environmental changes. Employee competence management has become very significant and a must in today's unstable business environment if the organization is to be competitive in its operations; this is because it enables managers to effectively manage one of organization's most significant assets. Frequent changes in the environment have made worker competence very significant to organizational agility; this is because by having capable, knowledgeable and skillful employees, organizations are able to successfully respond to changes, thus effective management of this significant resource is needed. In other words, when employees' competence are effectively and efficiently managed in the organization, employees will have the propensity to better meets customers needs on time, possess flexible attitude to work as well as possess the capability to adapting to the complex and changing environment.

Competency is a combination of motivations, attributes, attitudes or values, content, knowledge, skills, or any individually measurable or custom-designed attribute (Asghari, Salehi & Niazazari, 2018). It can also be referred to as sets of behaviour, skill, knowledge, attitude, and personality traits that is significant to performance success, which lead to service excellence and give the worker a chance to do a successful job and achieve optimal organizational results (Tiraieyari, Khairuddin, Azimi & Jegak, 2010). The aim of employee competence management is to effectively and efficiently manage the competence of employees in a logical manner that will bring about an enhanced performance in the organization. The purpose is to make sure employees understood clearly the performance required of them and that the employees are well trained and developed and that competence is maintained or improved over time towards accumulating capacity to quickly respond to unanticipated changes that affects organization's success. Competences management further assists in providing a common knowledge of the needed and sought-after behaviours to achieving organizational goals.

If truth be told, how organizations can attain organizational success and prosper amidst today's frequent changes emanating from the business environment especially the external environment is one of bane of management of today's business organization including Deposit Money Banks (DMBs) in Rivers State Nigeria. Thus, the aim of this paper is to study the relationship between employee competence management and organizational agility of DMBs in Rivers State, Nigeria. The research questions that covers the study is; what is the relationship between employee competence management and organizational agility of

DMBs in Rivers State, Nigeria while the hypothesis to be tested in the course of the study is there is no significant relationship between employee competence management and organizational agility of DMBs in Rivers State, Nigeria. This study will be very important because knowing the relationship between worker competence management and organizational agility is of topmost significance to nowadays business environment which is very dynamic, volatile and complex for different reasons: it would benefit managers because understanding organizational agility and what influences it is the first step for knowing how to manage business environment to achieve agility. Also, linking worker competence management and organizational agility will assist to unfold the rationalization for business firms to motivate their employees to possess the right skill and knowledge. More so, since the study focused on DMBs in Rivers State, the study hopes to offer facts empirically on the correlation between worker competence management and organizational agility in Rivers State.

## **LITERATURE REVIEW**

### **Theoretical Framework**

Resource based theory is used as the theoretical framework of this study and it express that organization must be able to effectively and efficiently use their internal resources in other to be successful (Raduan, Jegak, Haslinda & Alimin, 2009). It holds that organizations should exploit and maximize the differences in their resource endowments, capabilities and competencies at their disposal as bases to designing strategies that will enable them properly align to changes that might emerge from the business environment so as to attain higher competitive advantage (Raduan *et al.*, 2009). However, for these resources to help organizations achieve competitive advantage on a sustainable basis, they must possess and exhibit certain characteristics like rareness, significance, and uniqueness (Barney, 1991). Thus, organizations can attain agility and lasting advantage competitively through effective management of the organization's resources (that is organization's workforce competences). In other words to become more agile in today's business environment, organizations must effectively and efficiently manage as well as judiciously utilize the human resource competences at their disposal.

### **Concept of Employee Competence Management**

Competence as a concept has been given different definition by various scholars because of its difficult nature. In regards to this Winterton, Delamare-Le and Stringfellow (2005) opined that there is lots of confusion and debate in regards to its meaning and how to reconcile all the various views. In the same vein, Mulder (2007) explains that the word competence is connected with twofold connotation vis-à-vis capability in form of skills and ability; and authority which emphasize the permission to utilize possessed capabilities. More so, every day usage of the word competence which most of the time used interchangeably with knowledge and skill has also brought a lot of confusion to understanding the meaning of the concept. This led Clarke and Winch (2006) to call this confusion conceptual inflation due to the ambiguity associated with its understanding. In regards to the above ambiguity

associated with the concept, several attempts have been made to stabilizing its meaning which has even become more complicated because of the way it is used in diverse fields and countries. McMullan, Endacott, Gray, Jasper, Miller, Scholes and Webb (2003) summarized the debate to include: (1) the behavioral view which sees competence to mean a depiction of actions that can be demonstrated as well observed or evaluated; thus their view point emphasize that successful performance can only be achieved when the necessary and basic knowledge as well understanding are at hand. (2) The generic perspective sees competence as wide collection of capabilities, like knowledge or capacity for thinking critically, acting together to promoting the execution of works. This approach does not pay attention to the situation, but assuming that any given ability can serve well in any circumstances or context and (3) the holistic perspective which merge qualities of the practitioner with the context in which they are applied and it incorporate ethics and values as elements in competent execution of a given task. More so, Zeb-Obipi (2007) expressed that competence is the expertise needed to executing a given task which involves a distinctive combination of knowledge, skill and attitude. In other words, it involves the capacity to execute a given task in the organization. Employee competences are the inputs that bring about the needed performance (that is outputs) in the organization.

Furthermore, employee competence management has to do with all-inclusive human resource approach that involves the identification and building of appropriate knowledge, skill and attitude needed for effective execution of a given task so as to enhance the performance of the employee and that of the organization (Lekshmi & Radhika, 2016). It focused on the practices of identifying, aligning as well optimizing worker job roles through skill, knowledge and ability management to enhance organizational performance. It is a way of judiciously using the competences of organization's employees to attain higher performance through the identification, aligning and the optimization of employee job roles, skill, knowledge and ability. Employee competence management has to do with more than standard performance but more of a change in the direction of employee self-leading, direction and accountability as well the drives to achieve excellence through properly managing their skills, knowledge and abilities (Horton, 2000a). The underlining distinction between competency management and performance management of employees that is traditional view of employee management is that competency management focused on inputs as well as behavioral features of employees, while performance management is about outputs or outcomes of a given job to be perform by employee (Horton, 2000a). Even though there is similarity in the growth of employee competence management, misunderstanding about its terminology affects its development which is based on the diverse way in which the United States and the United Kingdom approach it (Lodge & Hood, 2005). In the United Kingdom, the world competence which has the plural form competences used to means the array of principles associated with performance of an occupation- which has to do with the capability to use skills, understanding and knowledge to attain performance effectively based on the set standards in the organization (Horton, 2000b). In the United States, the world competency which has the plural form competencies emphasized the significance of the identification as well the improvement of person's behavioural characteristics that

differentiate him or her to excellently perform a given job (Horton, 2000b). The basic variation of the United States and United Kingdom view is that while the US view is on the basis for drives for excellence and exceptionality, the UK was to identify the skills and knowledge required to execute a given task that are observable, and can be evaluated therefore, can be developed (Lodge & Hood, 2005). When the right competent employees are chosen to execute a given task it affects the performance of that task.

### **Organizational Agility**

Organizational agility is the capability of an organization to swiftly sense changes from the business environment and quickly capitalize on it to improve performance. Sharifi and Zhang (1999) defined agility as an organization's capacity to adjust to changes that are unexpected from the environment as well as to continue to exist in the midst of threat from the environment, and use those changes as opportunities to increase performance. It involves the organization's capability to react on time to unanticipated opportunities and the development of solutions to satisfy needs of customers (Tsourveloudis & Valavanis, 2002). Further, Alberts and Hayes (2003) expressed that agile organizations are edge organizations with characteristics of autonomy, decentralized decision making process, capacity to share information for quick and appropriate decision making. Edge organizations possessed the characteristics of speed and operate at a reduced cost. The objective of agile firm is to satisfy customers and maintain the commitment of employees as well the sustenance of its market share (Javanmardi, Zanjirchi, Karbasian & Khaboshabani, 2011). More so, agility gives the firm capabilities to react successfully to nonstop alteration in the business environment. Thus, firms that have agilities are able to effectively operate in hyper competitive business environments by persistently aligning to environmental changes. Additionally, agility represents management's ability and the implementation of effective knowledge, so that the organization is able to prosper and flourish in changing and unpredictable business environment. In other words, not only is agility the capacity to adapt to irregular changes but also a conscious action based on knowledge management (Dove, 2005). Hence, it is the adoption of knowledge abilities as well as technological abilities to take advantage of opportunities in a changing environment.

Furthermore, an organization with an agile orientation essentially has a yearning for learning and is willing to embrace change. These organizations are very inquisitive to acquiring new information as well very innovative in trying to respond to business opportunities. This brings about behavioural change in them that enhances improvement. Individuals in any organization can adopt an agile mindset. This is a personal quality which will help them to adequately react to changes, take advantage of opportunities as well as better adapt to situations. More so, the organization's mission must focus on the ability of the organization to be agile at all time and at all levels. When clear objectives are established, organization will be able to assign resources to accomplish the stated objectives. The culture will then evolve to support the mission. Also, agile organizations have the capability to swiftly rearrange priorities and the alteration of work practices. They focused on workers empowerment, teamwork/collaboration, they welcome various innovative ideas,

encourages mistake, proactively making enhancement and interpreting customer needs. To attain agility, it requires the right employees with the right skills and knowledge. It requires commitment from the organization to promote flexible employee behaviour which may involve redesigning facet of jobs like descriptions of employee's job, recruitment practices, reward packages as well as the general performance management processes.

## **METHODOLOGY**

We used correlational vis-à-vis cross sectional research design which examines the relationship between employees' competence management and organizational agility of DMBs in Rivers State; therefore, research survey design was used adopting questionnaire as the research instrument which consist of four respond choices with 5 Point Likert scales ranging from 1 to 5 indicating strongly disagree, disagree, indifference, agree and strongly agree respectively. Face and content validity was also used for the validity of the research instrument while the reliability of the research instrument indicates a Cronbach Alpha value higher than 0.7; specifically the values for employees' competence management = 0.825 while that of organizational agility = 0.961. The predictor variable is employee's competence management and it is used as a uni-dimensional variable while the criterion variable is organizational agility which was also used as single variable without measures. The population of this study was made up five (5) managers from strategic departments of the nineteen (19) DMBs operating in Rivers State, Nigeria vis-à-vis human resource department, operations department, public relations department, marketing department, and finance department. Therefore, the population of the study consists of 95 managers of the 5 identified departments of the nineteen (19) DMBs operating in Rivers State which were also used as the sample size. From the 95 questionnaire distributed, 89(93.68%) copies of questionnaire were retrieved while the remaining 6(6.32%) were not retrieved. More so, out of the 89 number of questionnaire retrieved, 2(2.28%) copies was not useful because it was not filled properly while the remaining 87(97.72%) copies of the retrieved questionnaire were filled correctly which were used for data analysis. The data derived were analyzed through the use of Spearman's Rank Order Correlation Coefficient Statistical as well as t-statistics to test the relationship between the variables of the study through the use of Statistical Package for Social Sciences (SPSS) Windows version 25 within a significance level of 0.05.

## **DATA ANALYSIS AND RESULTS**

The Strength of the Relationship between Employee's Competence Management and Organizational Agility

Table 1 shows that a very strong and positive significant relationship exist between employees' competence management and organizational agility with a ( $\rho = 0.941$ ) and a  $PV = 0.000$  which is less than 0.05. In other words positive relationship exists between the variables and effective management of employees' competence enhances organizational agility of DMBs in Rivers State.



**Table 1:** Correlation between employee's competence management and organizational agility

			Employees' Competence Management	Organizational Agility
Spearman's rho	Employee's Competence Management	Correlation Coefficient	1.000	.941**
		Sig. (2-tailed)	.	.000
		N	87	87
	Organizational Agility	Correlation Coefficient	.941**	1.000
		Sig. (2-tailed)	.000	.
		N	87	87

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

**Source:** SPSS v25: Output, 2020.

The degree to which employee's competence management influences organizational agility is further shown in the below table 2:

**Table 2: the degree of effect of employee's competence management on organizational agility**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.941 <sup>a</sup>	.885	.827	.47219

a. Predictors: (Constant), Employee's Competence Management

**Source:** SPSS v25: Output, 2020

Table 2 above reveals the degree to which employees' competence management influences organizational agility with regression result (R-val. 0.941), the value implies that employees' competence management has a strong influence on organizational agility. The  $R^2=0.885$  implies that employees' competence management explain 88.5% variation in organizational agility while the remaining 11.5% could be due to the influence of other factors not included in this study. The relationship is further tested applying t-statistics as shown in Table 3 below:

**Table 3: T-value result on employees' competence management and organizational agility**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.528	.615		13.248	.000
	Employees' Competence Management	.590	.058	.491	8.695	.000

a. Dependent Variable: Organizational Agility

**Source:** SPSS v25: Output, 2020

From Table 1 shows a PV of 0.000 which is less than 0.05 and Table 3 shows  $\beta = 0.590$ ;  $t\text{-cal.} = 8.695 > t\text{-crit.} = 1.96$  at 0.05% which means that the relationship between employees'



competence management and organizational agility is statistically significant. We therefore reject the null stated hypothesis and accept the alternate hypothesis, thus there is significant relationship between employees' competence management and organizational agility of DMBs in Rivers State, Nigeria.

### **DISCUSSION OF FINDING**

The empirical finding reveals a positive and significant relationship between employee's competence management and organizational agility of DMBs in Rivers State, Nigeria. The above finding is in line with the findings of Bi, Zhou and Cai (2014); Asghari *et al.* (2018) who also concluded that competency management significantly affects organizational agility positively. Also, Van Schaardenburgh & Van Beek (1998) expressed that organizations normally initiate employees' competence management as means to leverage changes. Organizations rely greatly on the competences of workers in developing capabilities in effectively reacting to environmental changes (Ferguson & Reio, 2010; Crocitto & Youssef, 2003). Due to this, business firms are consistently using employee competence management practices or tools in ensuring that across the organization, employees have required skills as well as the capabilities to execute given task reliably and effectively which gives the organization the ability to manage changes and take advantage of opportunities therein. Hence, it is a means of transforming a traditional bureaucratic organization into a more flexible one. Employees' competence management is very important in bringing about behavioural changes in the employees as well as the improvement of organizational adaptability, entrepreneurship and flexibility (Hondeghem, Horton & Scheepers, 2005). More so, the purpose of employees' competence management in the organization according to Trinder (2008): Hondeghem *et al.* (2005) include: emphasizing of employees as important to the organization's success and longevity, provision of flexibility in reacting swiftly to needs of customers and the business environment, giving the workers opportunities to build and develop new skills, attitude and knowledge in executing their given task, enhance the process of recruitment, identify employee's training needs that will enhanced efficiency. All these provide the momentum and the ability for organization to exist and flourish in the business environment that is full with continuous changes that are unpredictable.

Furthermore, Ngai, Chau and Chan (2011) observed that employees' competence management has a significant influence on organization's supply chain agility. They further observed that competence is a set of behaviour, skill, knowledge, attitude and personality traits which are very significant to the success of the organization. In organizations where employees have desirable qualities, skills, knowledge and attitude lead the organization to growth and excellence and increase its performance. Thus, its effective management assists in the identification and assessment of the qualities and quantities of competences of workers in the firm in planning and developing workers growth (Hondeghem *et al.*, 2005) which provide momentum for the organization in ensuring that the organization survive over time, especially in turbulent situation. Also, Dyer and Shafer (2003) suggest that effective employee competence management provides the required information necessary for achieving agility in the organization through monitoring changes in the market and responding appropriately.

More so, Brans and Hondeghem (2005) observed that employees' competence management enhances the adaptability of the employees as well as their present and future efficiency. In carrying out the operation of the firm amidst rapid environmental changes, the competence of the employees help to better shape the firm through the reduction of uncertainty which can bring about survival of the firm (Horn, 2004). Employees' competence management provide stability, and continuance in the organizational processes as well improves the productive capacity of the organization through the enhancement of efficiency and the reduction of mistakes given that right employee with the right competence is executing a given task (Trinder, 2008), thus bring the capability to manage changes that are unpredictable as well as to take advantage of opportunities in these changes. Therefore, effective and efficient employees' competence management ensure that the organization has the capability to continue to exist in the midst of frequent environmental changes by quickly responding to customers' needs and delivering goods and services quicker than competitors.

### **CONCLUSION AND RECOMMENDATIONS**

Our analysis revealed that a significant and positive relationship exist between employee's competence management and organizational agility of DMBs in Rivers State, Nigeria; thus we conclude that employee's competence management is an essential tool to attain and enhance organizational agility. One of the most important strategies that an organization can implement is the investment in and nurturing of its human capital through proper management of their competences. Investing on employee's competences in the organization can pay off in myriad of ways, from productive employees who stay with the organization, to high-performing teams, to improved financial resource of the organization. Successfully implementing such a strategy by identifying, defining and communicating the competences that are needed for the organization to be successful both now and in the future, the organization can better achieve its goals and provide the momentum and ability needed for organization to attain longevity and flourish in today's business environment of continuous changes. The emerging view in this era is that to build a successful organization able to survive over time; an organization must concentrate its energies on both economic and social performance, and invest in promoting employee with right knowledge, skills, abilities and attitude. The proper management of employee's competence through effective planning, training, mentoring, coaching and monitoring will assist in the alignment of employee performance with that of the organization's objectives which bring about improvement in communication between the managers and the organization's employees that will enhance agility of the organization (DMBs in Rivers State). We therefore recommend the following:

1. To become agile in today's dynamic environment, DMBs must enhanced productivity across the organization and to achieve this, require effective and efficient management of workers competence in the organization.
2. More so, for DMBs to adapt effectively to changes that may occur in the future; they must recognize and determine the needed competences in the organization as well as develop and monitor same through effective employees' competence management.

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# Effect of Financial Leverage on the Value of Firms in Nigeria

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**Abstract:** *The study investigated the effect of financial leverage on value of firms in Nigeria in order to determine whether debt as a component of capital structure has positive or negative impact on value of firms in Nigeria. The independent variables for the study are long- term debts, medium term debts and short term debts while the dependent variable is the value of the firm. To guide the study three (3) hypotheses were formulated. The first hypothesis sought to find out whether significant relationships exist between long term debts of firms and the overall value of the organization. The second is to test weather there is significant effect of medium term borrowing on the value of the selected firms and lastly, whether short term debts has effect on the value of Nigeria firms. The Pearson correlation coefficient and Ordinary Least Squares (OLS) regression analysis were used to test the hypotheses. The study made use of secondary sources of information in carrying out the analysis. From the findings of the study, the results obtained showed that long term debt has a significant positive effect on the value of our sampled companies' performance. Medium term debt and short term debts have significant positive influence on our sampled quoted companies' value and were statistically significant. This was confirmed by the results of the findings in this research. Positive impact implies that increases in the value of one variable tend to be associated with increases in the value of the selected firms. The researcher also found out that the use of leverage enhances the value of the firm. Therefore, it was recommended that firms should go ahead and finance their operations with long term debt, medium term debts and short term debts when the need arises in order to ensure that value is enhanced.*

**Keywords:** *Financial Leverage, Firm, Value, Corporate, Performance, Capital, Structure*

## 1.0 INTRODUCTION

Financial leverage can positively influence firm performance because leverage can be treated as a tool for disciplining management. However, it is not always applicable to the firms with two portion of debt. It is because high level of indebtedness may lead to significant financial limitations and that influence firm performance negatively. The importance of leverage can be seen from its presence in the capital structure of the organization; it is important for the organization to take decision of leverage position in the capital structure (Adeyemi & Oboh, 2011). According to Meyers (1984), leverage defines capital structure of the firms. It is one of the most difficult decision for the management of the organization to opt the mixture of debt and equity. Debt portion represents the other claim and it reduces the risk of owners (Adeyemi & Oboh, 2011).

In this global world, management is not an easy job because it has to take difficult decisions; management of the companies remains conscious about the debt portion of the organization because it affects the financial performance of the firms and the performance of the management is measured through the performance of the organization. Financial leverage affects not only the performance of the organization but it also affects the market value of the organization as well. Management of the debt financing is very crucial in the organization because, companies are using the funds of creditors which have to be returned with interest (Rushld as cited by Black, 2015).

Financial leverage is cost saving and it also reduces the risk of the owners but it becomes costly when organizations are unable to use it efficiently. Companies have to pay financial charges on the leverage. If companies fail to use leverage effectively, they have to suffer from many problems because the amount of leverage is to be repaid with interest expense. Profitable companies prefer to use leverage because it reduces the risk of owner and more cost saving for the shareholders of the organization. Financial leverage affects firm performance in aspect of profitability which has direct impact on the management performance, capital structure, stock price, wealth of shareholders and all the stakeholders (Adeyemi & Oboh, 2011). The most dangerous effect of using financial leverage is that it multiplies the losses. If time is sufficiently hard, a company that has borrowed heavily may not be able to repay its debt. The company then becomes bankrupt and shareholders lose their entire investment, because debt position affects returns to shareholders in good times and adversely affects them in bad times. In early days, the existence of financial leverage in the capital structure of a firm was considered a great weakness. The firm's leverage decision centers on the allocation between debt and equity in financing the company. However, how the leverage of a firm is determined in a world in which capital can be obtained by different media ranging from pure debt instrument to pure equity instrument and in which cash flow are uncertain in an unsettled issue (Sajid, 2016).

A firm's financial leverage refers to the mix of its financial liabilities. It has long been an important issue from the strategic management standpoint since it is linked with a firm's ability to meet the demands of various stakeholders (Roy and Minfang, 2000). Debt and equity are the two major components of firms' capital, with debt holders and equity holders representing the two types of investors in the firm. Each of these is associated with different levels of risk, benefits, and control. While debt holders (Debenture holders, banks and other financiers) exert lower control, they earn a fixed rate of return and are protected by contractual obligations with respect to their investment. Equity holders are the residual claimants, bearing most of the risk and have greater control over decisions. An appropriate capital structure is a critical decision for any business organization.



The decision is important not only because of the need to maximize returns to various organizational constituencies, but also because of the effect such a decision have on an organization's ability to deal with its competitive environment- Following the work of Modigliani and Miller (1958 and 1963), much research has been carried out in corporate finance to determine the influence of a firms choice of capital structure on performance.. M-M theory argues that firms value should not depend on its capital rather on the level of risk associated with the capital whereas the Pecking Order theory advocates for prioritizing the sources of financing (from internal financing to equity)a according to law of least effort. Hence internal funds are used first, and when that is depleted, debt is issued.

Many researchers had analyzed the effect of financial leverage firm's value. However, most of these studies were done in an environment outside that of Nigeria. Most of the ones done in Nigeria do not include the core variables such as short term debt, medium term debt and long term debt while most of the study did not use Panel Least Square (PLS). Again the time frames considered in these studies were short and results from the studies were conflicting. From the forgoing it shows a knowledge gap on the effect of Leverage on firm's value in Nigeria. This study seek to improve on the past studies by making use of a broad data set spanning 2000 to 2017. Such data set is far more than those used in the previous studies. This work attempts to distinguish between long, medium and short term effects of the variables in the model and determine the causalities among the variables used in the study. This is the direction of the study.

## **2.0 REVIEW OF RELATED LITERATURE**

### **2.1 Conceptual Framework**

#### **2.1.1 Debt**

Debt is when something, usually money, is owed by one party, the borrower or debtor, to a second party, the lender or creditor. Debt is a deferred payment, or series of payments, that is owed in the future, which is what differentiates it from an immediate purchase. In a corporate setting we have three type of debt which is long-term debt, short-term debt and medium – term debt.

#### **2.1.2 Long Term Debt**

Long-term debt consists of debts and financial obligations lasting over one year. Long-term debt for a company would include any financing or leasing obligations that are to come due after a 12-month period. Long-term debt also applies to governments as nations can also have long-term debt. Financial and leasing obligations, also called long-term liabilities, or fixed liabilities, would include company bond issues or long-term leases that have been capitalized on a firm's balance sheet kinlo, & Egbetunde, (2010). Often, a portion of these long-term liabilities must be



paid within the year; these are categorized as current liabilities, and are also documented on the balance sheet. The balance sheet can be used to track a company's debt and profitability (Ishaya & Abduljeleel (2014)). On a balance sheet, companies' debts are categorized as either financial liabilities or operating liabilities. Financial liabilities refer to debts owed to investors or stockholders; these include bonds and notes payable. Operating liabilities refer to the leases or unsettled payments incurred in order to maintain facilities and services for the company. These include everything from rented building spaces and equipment to employee pension plans. Bonds are one of the most common types of long-term debt. Companies may issue bonds to raise funds for a variety of reasons, such as to raise capital for new capital projects. Bond sales bring in immediate income, but the company ends up paying for the use of investors' capital due to interest payments (Shubita, & Alsawalhah, 2012).

A high debt-to-equity ratio means the company is funding most of its ventures with debt. If this ratio is too high, the company is at risk of bankruptcy if it becomes unable to finance its debt due to decreased income or cash flow problems (Kanwal, & Nadeem, (2013)). A high debt-to-equity ratio also tends to put a company at a disadvantage against its competitors who may have more cash. Many industries discourage companies from taking on too much long-term debt in order to reduce the risks and costs closely associated with unstable forms of income. Also, regulations are in place that restricts the amount of long-term debt a company can acquire. For example, since the Great Recession, banks have begun to scrutinize companies' balance sheets more closely, and a high level of debt can prevent a company from getting further debt financing. Consequently, many companies are adapting to this rule to avoid being penalized, such as taking steps to reduce their long-term debt and rely more heavily on stable sources of income (Ishola, 2008).

A low debt to equity ratio is a sign that the company is growing or thriving, as it is no longer relying on its debt and is making payments to lower it. It consequently has more leverage with other companies and a better position in the current financial environment. However, the company must also compare its ratio to those of its competitors, as this context helps determine economic leverage (Margaritis and Psillaki, 2008).

### **2.1.3 Short-Term Debt**

Short-term debt is used to finance current assets that can be quickly turned back into cash; examples of this type of debt are accounts receivable and inventories. Non-current liabilities in the form of long-term debt, or debts, are used to finance long-term assets, such as the purchase of land and the construction of a building or ship. Simplest version of the matching principle of finance, short-term assets should be financed with short-term liabilities and long-term assets should be financed with long-term liabilities (Guin 2011)). Short-term assets and liabilities are generally defined to be those items that will be used, liquidated, mature or paid off within

oneyear. A firm's current assets(including cash, inventories, accounts receivable, etc.) are generally considered short-term assets while plant and equipment are generally considered long-term assets. On the other side of the balance sheet, current liabilities (accounts payable, short-term debt, etc.) are usually considered short-term liabilities while long-term debt (debt with a maturity of more than one year) and equity capital are considered long-term sources of financing (Abdeljawad, Mat-Nor, Ibrahim & Abdul-Rahim, 2013).

Defining other current liabilities (OCL) to be all current liabilities (CL) except short-term debt (STD), then according to the matching principle, the amount of a firm's short-term debt financing should be equal to the amount of its current assets (CA) less other current liabilities ( $STD = CA - OCL$ ). This implies that there are at least two ways that a firm's short-term debt financing can change. One is if firm size changes. For example, if a firm grows the amount of its current assets will likely increase as well. To maintain the  $CA = CL$  equality, if current assets increase then so must short-term debt and/or other current liabilities (Abdul, 2012).

A second source of change in a firm's short-term debt financing may exist if short-term debt and other current liabilities are substitute forms of short-term financing. Holding current assets constant, if the amount of a firm's other current liabilities increases the firm will have less need for short-term debt financing to finance its short-term assets (Abor, 2007). Conversely, if other current liabilities decrease the firm will need to increase the amount of its short-term debt financing. As a result, the financial crisis could impact the amount of a firm's short-term debt financing by either changing the amount of its current assets and/or the amount of its other current liabilities. It's also possible that a firm's short-term debt financing could be affected by the same factors that have been shown to affect the amount of long-term debt financing that a firm employs (Afza & Nazir, 2007).

#### **2.1.4 Medium Term Debt**

Bhaumik (2011) is of the opinion that present and potential investors with their investment decisions need single information, which the value is creating potential of a firm and what endeavors currently are taken and proposed by management for enhancing such value creating potential along with their financial impacts. According to him, this information helps them to estimate the value of the firm which in turn enables them to take investment decisions. The above view of Bhaumik succinctly captures the importance of value to both investors and potential investors as well as management. In finance, we have to provide explanations to various interactions between financial structure and value of a firm. The first theoretical tendency is in line with classical theories of the firm which assumes a total independence between means of financing and the value of the firm.

To them, the selected analytical framework is that of pure and perfect competition and as such the theoretical choice is motivated by efficiency and transparency needed or required

by operational financial markets, while, the second theoretical tendency is in line with modern managerial theories. Recently as noted by, various approaches as well as agency conflict between different operators in the area of financing. In such case, conclusion has confirmed effects of financial structure on the value of firm. However, no matter the theoretical and empirical theories, value creation should be a continuous process and the value of the firm should be a mathematical function of the amount, training and risk involved in generating the firm's cash flows while for investor who buy stock from the stock exchange should often look at the shares of a publicly traded company to determine the value of such firms through the computation of market capitalization.

## **2.2 Theoretical Framework**

This research work is anchored on the Agency-Cost Theory. One of the defining characteristics of business in the 1990s was the adoption of the Agency cost theory to address the managerial excesses of the 1970s and 1980s. The classical Agency concept was propounded by Berle and Means (1932). They observed that ownership and control which have been separated in larger corporations as a result of dilution in equity positions provided an opportunity for professional managers to act in their best interest. Thus, the Agency cost theory attempted to provide explanation to firm behaviors in area of choice financing. Despite the earlier works of Berle and Means, research). Their analyses permitted the building up of interlink between the organization and the agency theory of corporate finance.

Since the vast literatures on the Agency theory explanations of financial structure have been developed much of the activities of management are associated with increasing the size of the organizations and management were motivated not by a desire for maximizing shareholders wealth but by opportunities for the self-aggrandizement, therefore, contractual device suggested by Agency theory to the shareholders. Thus, debt provides a means of bonding managers promises to pay out future cash flows and as well as providing the means for controlling opportunistic behavior by reducing the cash flows available for discretionary spending thus ensuring that top managers attention is then clearly focused on those activities necessary to ensure that debt payments are made. A performing firm is one that borrows and is capable of honoring its commitment without any serious problem; by contrast, a bad firm is one that acts.

Agency cost theory also has important implication for the relationship between equity holders and debt holders. Thus, while equity holders are interested in the return over and above the amount which is required to repay debt. Debt holders are only interested in debt payment specified in the contract. Also, it is seen that most equity holders - are sometimes being interested in pursuing riskier business activities that debt holders would prefer, when this occurs, debt holders may charge higher prices for the capital and this constitutes greater

control measures to prevent up managers, from investing in capital in riskier undertaking.

Some scholars have provided further development to the agency model. While Sultz's work is on hypothesis that the firm is in possession of important cash flows generating abundant liquidity, thus supporting the idea of an optimal financial structure of financing that would result from a compromise between benefits related to the reduction of cash flows and the inconveniences that this cash flows related to the reduction of cash flows and the inconveniences that this cash flows may be so weak when investment opportunities are good,. The estimated conflicts between shareholders and managers can result from disagreement in optimal resources allocation. Thus, firms with stronger liquidity value with less cost of information are more likely to contract new debts. This would lead them to rapidly experience failure thus favouring their control by investors. A new approach to testing the agency cost theory was studied by Allen and Wharton, (2002). According to them, agency costs represent important problems in corporate governance for both financial and non-financial industries, they assumed that the agency theory suggest that the choice of financing structure may help mitigate these agency cost. To them, under the agency cost hypothesis, high leverage or a low equity asset ratio reduces the agency cost of outside equity and increases firm value by constraining or encouraging manages to act more in the interest of shareholders. They were of the view that greater financial leverage may affect managers and thus reduce agency costs through the threat of liquidation which causes personal losses to managers, loss salaries, Low reputations, pressure to generate cash flows to pay interest expenses etc.

For Elliot and Elliot (2002) in supporting the agency cost theory says shareholders of a company are the true owners and the duty of top management should be solely to ensure that shareholders interest are met. In other words, the duty of top managers should be to manage the company in such a way that returns to shareholders are maximized thereby increasing the profit figures and cash flows. In trying to outline problems that exists between management and shareholders, managers uses the excess free cash flows available to fulfill their own personal interest instead of increasing returns to the shareholders.

## **2.3 Theoretical Exposition**

### **2.3.1 Long-term Debt and Firm Value**

Long term debt is amount owed for a period exceeding 12 months from the date of the balance sheet. A company lists its long term debt on its balance sheet under liabilities usually under a sub heading for long term liabilities. Long term debt could be in the form of a bank loan, mortgage bonds, debenture, long term leases, trade and business financing, Loan Company's bond issue or other obligations not due for one year. Such debt consists mostly of bonds or similar obligations, including a great variety of notes, capital lease obligation and mortgage issues. Generally, debt is money that has been borrowed from another party and must be

repaid at an agreed date. The cost of using this money, which also must be paid is interest. The person or firm making the loan is called the creditor or lender and the person or firm borrowing the money is called the debtor or borrower. A firm must disclose its long-term debt in its balance sheet with its interest rate and date of maturity.

### **2.3.2 Short-term Debt and Firm Value**

Medium-term debt decisions are very important for a firm to operate successfully. The primary objective of a firm is to maximize the wealth of its shareholders. To put it another way it means that to maximize its net income (Jensen & Meckling, 1976). A way to achieve that is to reduce its cost of financing or to finance with a source having less cost and large benefits. Firms nowadays maintain a mix of debt and equity, but the problem is that which proportionate of debt and equity has greater benefits against lessor costs. This is a problem to answer because different sources of finances have different cost structures and benefits allowing the firms to make it as a competitive advantage. One solution can be that to choose the mix which maximizes the shareholder's wealth but different firms have different impacts of the sources of finance.

### **2.3.3 Short-term Debt and Firm Value**

This is an account shown in the current liabilities portion of a company's balance sheet. This account is made up of any debt incurred by a company that is due within one year. The debt in this liabilities account is usually made up of short term bank loans taken out by a company among other types. It is a debt payable within twelve months. It includes the current portion of the long term debt. The value of short term debt is crucial when determining a company's performance. If the account is larger than the company's cash and cash equivalents, this suggest that the company may be in poor financial health and does not have enough cash to pay off its short term debts. In addition to any short term debt due within a year, there may be a portion of long term debt that is also included in this account. This portion pertains to payments that must be made on any long term debt throughout the year.

## **2.4 Empirical Review**

### **2.4.1 Long-Term Debt and Firm Performance**

Abor (2005) conducted a research on Long-term debt and performance of 22 firms listed in Ghana Stock Exchange from 1998 to 2002. The study measured firm performance by ROE and Long-term debt by short term debt, long term debt and total debt. The study revealed a significantly positive relationship between short term debt and ROE, and with long term debt, the results showed a significant negative relationship. Thus, this implies that short term debt is less expensive and induces high firm performance, but an increase in the long term debt will lead to a decrease in firm performance, thus long term debt is relatively more expensive and

lead to lower performance. The result for total debt revealed a significant positive relationship. This means that, an increase in the level of debt will lead to an increase in firm performance. Thus, the higher the debt level, the higher the firm performance.

Abor (2007) also carried out a study on relationship between Long-term debt and performance of small and medium-sized enterprises in Ghana and South Africa from 1998 to 2003. The study used a sample of 92 SMEs firms from Ghana and 68 firms from South Africa. The study measured financial performance by return on assets and Long-term debt by short term debt ratio, long term debt ratio and total debt ratio. The study used Generalized Least Square (GLS) panel model for the estimation. Using return on asset as the performance measure, on the sample on Ghana, the result revealed a significant negative relationship between all the measures of capital structure and firm performance. Abor concluded that for Ghanaian SMEs, using high debt level significantly, lead to lower performance; that is increasing the level of debt in the firm's capital structure results in high bankruptcy and this leads to negative impact on firm performance. Also, the study found firm size to be significant and negatively related with return on assets. On the South Africa sample, the result showed a significant positive relationship between short term debt and return on asset. Thus, it revealed that short term debt seemed to be relatively less costly, thus increasing the short term debt will induce high level of profit. For long term debt and total debt, the result revealed a significant negative relationship with firm performance. Thus, it showed that the cost of long term debt is high and this will lead to low level of firm performance. The study also confirmed that firm size has positive and significant effect on return on asset.

Simon-Oke and Afolabi (2008), investigated Long-term debt and industrial performance from 1999-2007. Using five quoted firms, the study used Debt financing, equity financing, debt-equity ratio as a proxy for capital structure and profitability index as measures of performance. The study also employed panel data analysis and reported a positive relationship between firm performance and equity financing and also a positive relationship between firm performance and debt/equity ratio; while a negative relationship between firm performance and debt financing was reported as well. This study shows a high cost of borrowing in the country and suggested an efficient management of borrowed funds.

Salawu (2009) investigated the effect of financial risk and Long-term debt on the performance of Nigerian listed companies from 1990 to 2006. Using seventy companies, the study measured capital structure by long term debt and firm performance by return on asset (ROA). Using ordinary least square and Generalized Method of Moment, the study found a positive and significant relationship between capital structure measured by long term debt and firm performance measured by return on asset (ROA).

Ishola (2008), while considering the sensitivity of performance to Long-term debt Long-

term debt from 2000-2004, using Degree of Operating Leverage (DOL), Degree of Financial Leverage (DFL), Degree of Combined Leverage (DCL), as a proxy for capital structure; and Dividends Per Share (DPS), Earnings Before Interest and Taxes (EBIT) as measures of firm performance. Based on the data from selected foods and Beverages Company, the study analyzed the degree(s) of leverage ratio and the percentage change in DPS relative to percentage change in EBIT, and reported a positive relationship between capital structure and firm performance. The study concluded that irrespective of the dividend policy adopted by a firm, the rate of change in Long-term debt is a major determinant of firm's performance.

Also, Adeyemi and Oboh, (2011) examined the empirical effects of debt structure on the market value of selected firms listed on the Nigerian Stock Exchange. Both primary and secondary data were obtained from a sample size of 150 respondents and 90 firms. Both descriptive and inferential statistics were employed as analytical method; while the study revealed a positively significant relationship between a firm's choice of capital structure and its market value in Nigeria. The empirical review of most studies on capital structure and firm performance from Sub-Saharan African countries such as Ghana, South Africa, Egypt and Nigeria revealed that a relationship exists between capital structure and firm performance without consensus on the nature of the relationship across these countries.

#### **2.4.2 Short-Term Debt and Firm Performance**

Utile, Ikya and Akwuobu (2016) studied effect of short-term debt on the performance of cement manufacturing firms in Nigeria from 1997-2014. The researcher used secondary information gathered from books, journals and internet materials. Findings revealed that managers of firms are under pressure to determine the right proportion of debt and equity that would be used to achieve optimal financial performance. It was concluded that researchers are yet to reach a compromise on the optimal debt structure of a firm that would maximize firm's performance. It has been recommended that managers continue to vary the debt to equity proportions more research should be conducted to find out an optimal capital structure that would optimize firm's performance.

Echekoba and Ananwude (2016) examines the impact of short-term debt on performance of agricultural and healthcare firms listed in Nigerian Stock Exchange for a period of twenty one (21) years 1993 to 2013. This study selected fifteen (15) out of the sixteen (16) firms listed on agricultural and healthcare sectors. Data were collected from the Nigerian Stock Exchange fact book of various issues as relevant and were analyzed using the pooled OLS, fixed random effect models and the granger causality test. Financial structure was surrogated by total debt to total equity ratio, short term debt to total equity and total debt to total assets ratio while firm performance was measured by return on assets, return on equity, earnings per share and profit before tax. The analysis for the agricultural firms revealed that financial



structure significantly impacts on earnings per share but does not impact on return on equity, return on asset and profit before tax. For healthcare firms, financial structure significantly impacts on earnings per share and profit before tax but does not impact on return on equity and return on assets. To this effect, we suggest that it is very crucial for firm's management to carefully look at the debt-equity mix, which according to the result of the study, significantly impacts on performance of firms in agricultural and healthcare sectors.

Muchiri (2016) investigated the relationship between short-term debt and financial performance of listed firms at the East Africa Securities Exchanges. The study employed explanatory research design with secondary panel data from the financial statements of 61 firms retrieved from the securities exchanges hand books for the period December 2006-2014. Feasible Generalized Least Squares method, random effect for models without moderator and fixed effect for models with moderator, based on Hausman specification test were used. The study found out that in isolation, short term debt, long term debt, retained earnings and external equity had insignificant negative relationship with return on assets but insignificant positive relationship with return on equity. While combined, financial structure had a significant positive and negative relationship with return on equity and return on assets respectively. On moderation of the relationship between financial structure and financial performance, it was found out that gross domestic product growth rate had a significant moderating effect. It is therefore recommended that firms combine both debt and equity in their financial structure and East Africa governments grow and maintain their GDPs trends since GDP was found to have a contingent effect on the financial structure.

Chechet, Garba&Odudu, (2013) assessed the determinants of short-term debt in Nigerian Chemical and Paints companies listed in Nigeria, for a period of five years from 2005 to 2009. The study employed secondary data from the annual reports and the Nigerian Stock Exchange (NSE) fact books covering the study period. Ordinary least square (OLS) was employed to determine whether relationship exists between leverage ratio and various independent variables in the model. The study reveals that for the Nigerian Chemical and Paints sector, tangibility and profitability have significant impact on leverage at 1% level, while size, growth and age have insignificant impact on the dependent variable. It also shows that the coefficient of the two significant explanatory variables, which are tangibility and profitability are negative. The effect of tangibility on capital structure suggests a negative relationship between tangibility and leverage contrary to both trade off theory and pecking order theory. Also the relationship between growth rate and level of leverage contradict both the pecking order and the trade off theory. All in all, three out of five of the explanatory variables have significant on the dependent variable whereas the remaining two, which include profitability and tangibility, are not significant. The study recommends that in carrying out their debt financing decision,

Chemical and Paints should deploy and properly measure variables like size, age, growth, profitability and tangibility of the firms.

Puwanenthiren (2011) examined the impact between short-term debt and Companies Performance, taking into consideration the level<sup>14</sup> of Companies Financial Performance capacity during 2005 to 2009 (05 years) financial year of Business companies in Sri Lanka. The results shown the relationship between the short-term debt and financial performance is negative association at -0.114. Co-efficient of determination is 0.013. F and t values are 0.366, -0.605 respectively. It reflect the insignificant level of the Business Companies in Sri Lanka. Hence Business companies mostly depend on the debt capital. Therefore, they have to pay interest expenses much.

Mathanika, Vinothini and Paviththira (2015) in Sri Lanka investigate the impact of short-term debt on a firm's value of listed manufacturing companies on Colombo Stock Exchange (CSE) in Sri Lanka 1997-2013. We used secondary data from 15 manufacturing companies on using Random sampling method. Correlation and multiple regression analysis techniques were used to analyses the impact of capital structure on firm value. Debts to equity ratio have significant influence on firm value but debts to total assets have not significantly associated with firm value. The study finding leads to the conclusion that the equity ratio, and debt ratio have significant impact on Firm Value of the Companies. The researcher proved that these findings are supported the prior empirical findings.

Anga, Ebenezer and Xicang (2012) in Ghana seeks to provide evidence on the impact of short-term debt on a firm's value. The analysis was implemented on all the 34 companies quoted on the Ghana Stock Exchange (GSE) for the year ended 31st December 2010. The ordinary least squares method of regression was employed in carrying out this analysis. The result of the study reveals that in an emerging economy like Ghana, equity capital as a component. of capital structure is relevant to the value of a firm, and Long-term-debt was also found to be the major determinant of a firm's value. Following from the findings of this study, corporate financial decision makers are advised to employ more of long-term-debt than equity capital in financing their operations since it impacts more on a firm's value.

Chowdhury and Chowdhury (2010) in Bangladesh examined Impact of short-term debt on firm's value: Evidence from Bangladesh 1995-2008. The paper tests the influence of debt-equity structure on the value of shares given different sizes, industries and growth opportunities with the companies incorporated in Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) of Bangladesh. For the robustness of the analysis samples are drawn from the four most dominant sectors of industry i.e. engineering, food & allied, fuel & power, and chemical & pharmaceutical to provide a comparative analysis. A strong positively correlated association is evident from the empirical findings when stratified by industry.

### **2.4.3 Medium-Term Debt and Firm Performance**

Mustafa and Osa (2011) in Jordan investigates the effect of medium-term debt on the performance of the public Jordanian firms listed in Amman stock market. The study used multiple regression model represented by ordinary least squares (OLS) as a technique to examine what is the effect of medium-term debt on the performance by applying on 76 firms (53 industrial firms and 23 service corporation) for the period(2001-2006).The results of the study concluded that medium-term debt associated negatively and statistically with firm performance on the study sample generally. In addition, the study found out that there was no significant difference to the impact of the financial leverage between high financial leverage firms and low financial leverage firms on their performance. Finally, the study also showed that the effect of medium-term debt on the basis of the growth that there is no difference between the medium- term debt of high growth firms and low growth firms on the performance, which it was negatively and statistically.

Masulis (2012) develops a model based on current corporate finance theories which explains stock returns associated with the announcement of issuer exchange offers. The major independent variables are changes in leverage multiplied by senior security claims outstanding changes in debt tax shields. Parameter estimates are statistically significant and consistent in sign and relative magnitude with model predictions. Overall, 55 percent of the variance in stock announcement period returns is explained. The evidence is consistent with tax- based theories of optimal capital structure, a positive debt level information effect, and leverage-induced wealth transfers across security classes.

Oboh, Isa and Adekoya (2012) in Nigeria empirically examined the effect of a firm's medium-term debt on its market value. Dataset from 39 non-financial listed companies for the period of 2005-2009 were used for analysis. Results from the regression analysis show a significant and positive relationship between non-financial firms' market values and their debt-equity ratios. Whereas, a negative relationship exists between a firm's total-debt/total-capital ratio and its market value, its size positively affects its market value. Hence, we conclude that firms' leverage positively influence their market values. Suggesting that, a firm can actually attain an optimal capital structure.

Murital (2012) in Nigeria examined the optimum level of medium-term debt through which a firm can increase its financial performance using annual data of ten firms for a five-year period. The results from Im, Pesaran & Shine unit root test show that all the variables were non- stationary at level. The study hypothesized negative relationship between capital structure and operational firm performance. The results from Panel Least Square (PLS) confirm that asset turnover, size, firm's age and firm's asset tangibility are positively related to firm's performance. Findings provide evidence of a negative and significant relationship between

asset tangibility and ROA as a measure of performance in the model. The study recommends that asset tangibility should be a driven factor to capital structure because firms with more tangible assets are less likely to be financially constrained.

Draniceanu and Ciobanu (2013) in Romania investigates the impact of medium-term debt on firm value for Romanian companies at the same time considering the determinants of leverage. The sample included 48 companies listed on Bucharest Stock Exchange for the period 2003-2012. Five regression models were used: Pooled regression model, fixed effects model, Time effects model, The two way fixed effects model and Simultaneous regressions model. The results show that capital structure has a positive impact of firm value, for both firms facing low growth opportunities and firms facing high growth opportunities. Profitability, liquidity and tangibility have been found as negative determinants of capital structure, while growth opportunities, firm size and firm financial quality have been found as positive determinants of capital structure.

Ahmad, Abdullah, and Roslan, (2012) This study seeks to investigate the impact of medium-term debt on firm performance by analyzing the relationship between operating performance of Malaysian firms, measured by return on asset (ROA) and return on equity (ROE) with short-term debt (STD), long-term debt (LTD) and total debt (TD). Four variables found by most literatures to have influence on firm operating performance, namely, size, asset grow, sales grow and efficiency, are used as control variables. This study covers two major sectors in Malaysian equity market which are the consumers and industrials sectors. 58 firms were identified as the sample firms and financial data from the year 2005 through 2010 are used as observations for this study, resulting in a total numbers of observations of 358. A series of regression analysis were executed for each model. Lag values for the proxies were also used to replace the non lag values in order to ensure that any extended effect of capital structure on firm performance is also examined. The study finds that only STD and TD have significant relationship with ROA while ROE has significant on each of debt level. However, the analysis with lagged values shows that non of lagged values for STD, TD and LTD has significant relationship with performance.

Ramazan and Doruk (2016) investigate the determinants of medium-term debt of non-financial public firms quoted in Istanbul using panel data 2010-2015. The results indicate that firm-specific factors have similar effects on both book and market leverage ratios except the effect of growth opportunity. The size of a firm is positively associated with its leverage ratio, particularly with long-term leverage ratio. Tangibility is negatively related to the short-term leverage ratio whereas it is positively related to the long-term leverage ratio. Profitability and liquidity have negative effects on leverage, particularly on short-term leverage ratio. It is also observed that the firms tend to follow their peers in their capital structure decisions. There

seems to be positive association between inflation and leverage. On the other hand, firm leverage and economic growth are negatively related. Lastly, recursive panel regression methods show that the evolution of the parameter estimates is stable over time.

Lawal, Kiyanjui & Adisa (2014) This research examines the effect of medium-term debt on firm's performance with a case study of manufacturing companies in Nigeria from 2003 to 2012. Descriptive and regression research technique was employed to consider the impact of some key variables such as Returns on asset (ROA), Returns on equity(ROE), Total debt to total asset(TD), Total debt to equity ratio(DE) on firm performance. Secondary data was employed using data derived from ten (10) manufacturing companies. From our findings, we observe that capital structure measures (total debt and debt to equity ratio) are negatively related to firm performance. It is hereby recommended that firms should use more of equity than debt in financing their business activities, in as much as the value of a business can be enhanced using debt capital. Hence firms should establish the point at which the weighted average cost of capital is minimal and maintain that gearing ratio so that the company's value will not be eroded, as the firm's capital structure is optimal at this point *ceteris paribus*.

### **3.0 METHODOLOGY**

#### **3.1 Research Design**

An ex-post facto research design was adopted for this study. This implies that the data were already collected and the researcher has no control over it. This study focused on five (5) selected public companies listed on the Nigerian stock exchange (NSE) between 2000 and 2017. These five are Portland paints & products Nig. Plc, Flour Mills of Nigeria Plc, National Salt Company of Nigeria Plc (NASCON), Dangote Sugar Plc and Julius Berger Nig. Plc.

#### **3.2 Method of Data Analysis**

The researcher used a secondary data collection method from the internet which is available. Some of these data are extracted from the Individual Companies Annual Reports. This was as a result of data availability, accessibility and reliability. This study used descriptive statistics where we measured Mean, Maximum value, Minimum value, Standard deviation and Jarque-Bera test; the hypothesis formulated were analyzed using Pearson Moment Correlation and Panel Least Square (PLS) regression analysis. The independent variables for this study are Long term debt, Medium term debt and short term debt while the dependent variable for the study is the value of firms in Nigeria.

#### **3.3 Model Specification**

The regression model utilized to test or investigate the effect of financial leverage on the value of Nigerian firm. This study modified the work of Ahmad, Abdullah, and Roslan, (2012) which investigates the impact of financial leverage on firm performance by analyzing the relationship

between operating performance of Malaysian using  $ER = F(STD, LTD, MTD)$  hence the above model is modified as follows

$Y = (X_1, X_2, X_3)$ .

$VONF = F(LTD, MTD, STD)$

$VONF = a_0 + B_1LTD + B_2MTD + B_3STD + Er \dots\dots\dots (1)$

Where:

VONF = Dependent variable which is value of firms in Nigeria measured as Price/Earnings ratio proxy for corporate performance.

LTD = Long term debt derived from the annual report of the sampled companies

MTD = Medium term debt derived from the annual report of the sampled companies

STD = Short term debt derived from the annual report of the sampled companies

e = Error term.

$a_0$  = Intercept Coefficient

### **3.4 Nature and Sources of Data**

The study employed a panel data set from the annual report and financial statement of firms listed on the Nigerian Stock Exchange. The panel will cover a period of eighteen (18) years from 2000 to 2017 and a cross section of five firms. Thus, it is a secondary data set. The data ranges from earning per share as the dependent variables, while long term debt, short term debt, and medium term debt are the independent variables.

## **4.0 RESULTS PRESENTATION AND ANALYSIS OF DATA**

### **4.1 Data Presentation**

The data utilized in this study are presented below. This include the values of the value parameters (Long term debt, Medium term debt and Short term debt) of the selected 5 firms under study as well as their aggregate values in line with the model for the multiple Discriminate Analysis Model used to measure value of the selected firms on a firm by firm basis as well as aggregate values. Below each table are explanations of the various behavior of the test statistic utilized as mentioned in earlier.

Table 4.1: Descriptive Statistics

	PSE	LTD	MTD	STD
Mean	19.94583	74.34802	14.63491	18744087
Median	180.2500	124546.0	3845.950	49379.96
Maximum	31.22000	2880257	8957000	59700957
Minimum	8.920000	0.000000	0.000000	823367.0
Std. Dev.	7.180361	10310370	2497076	19993938
Skewness	1.099556	-0.197793	1.025819	1.148654
Kurtosis	2.924643	1.655278	2.430935	2.924857
Jarque-Bera	0.464538	2.453574	2.518790	1.702453
Probability	0.792730	0.298649	0.002703	0.427900
Sum	12342.09	2138640.	173861.0	2397364.
Sum Sq. Dev.	13962717	1.05E+10	2.14E+09	4.01E+11
Observations	90	90	90	90

Table 4.1 shows the mean (average) for each of the variables, their maximum values, minimum values, standard deviation and Jarque-Bera (JB) Statistics (normality test). The results in table 4.1 provided some insight into the nature of the relationship among the included variables.

Firstly, it was observed that on the average over the eighteen (18) years period (2000-2017), the sampled quoted companies in Nigeria were characterized by positive Value of firm measured as the ratio of Price earnings per shares ( $P/E = 19.94583$ ). The table also shows large standard deviation values of 10310370, 24970764 and 19993938 for LTD, MTD and STD variables respectively. This large standard deviation of values shows that our sampled companies are well selected and are not dominated by companies with either large or small LTD, MTD and STD activities. Also, the table with the mean values of 7434802, 14634913 and 18744087 respectively for LTD, MTD and STD reveals that most sampled companies in Nigeria are involved in different debt financing capital structure. This therefore justifies the need for this study as we expect that companies that are involved with any of this debt financing structure or combination of these debt financing structure will have a higher firm value in Nigeria. Lastly, in table 4.1, the Jarque-Bera (JB) which test for normality or the existence of outliers or extreme values among the variables, shows that just few of our variables are normally distributed at 1% level of significance. This means that any variables with outlier are not likely to distort our conclusion and are therefore reliable for drawing generalization. This also implies that the least square estimation can be used to estimate the pooled regression model.



#### 4.2 Correlation Analysis

In examining the association among the variables, we employed the Pearson Correlation Coefficient (correlation matrix) and the results are presented in Table below.

Table 4.2: Pearson Correlation Matrix

	PSE	LTD	MTD	STD
PSE	1.000000	0.065361	0.134826	0.349767
LTD	0.065361	1.000000	0.532518	0.560265
MTD	0.134826	0.532518	1.000000	0.821825
STD	0.959767	0.560265	0.821825	1.000000

Source: Researcher's Computation

The use of correlation matrix in most regression analysis is to check for multi-collinearity and to explore the association between each explanatory variable (LTD, MTD, and STD) and the dependent variable(PSE).Table 4.2 focused on the correlation between the ratio of Price Share Earnings: and the independent variables (LTD, MTD, and STD).

The finding from the correlation matrix table shows that all our independent variables, (LTD = 0.06; MTD = 0.13; STD=0.34) were observed to be positively and weakly associated with the ratio of Price Share Earnings (PSE). In checking for multi-collinearity, we notice that no two explanatory variables were perfectly correlated. This means that there is no problem of multi-collinearity between the explanatory variables. Multi-collinearity may result to wrong signs or implausible magnitudes in the estimated model coefficients, and the bias of the standard errors of the coefficients.

#### 4.3 Pooled Multiple Regression Analysis

In other to examine the impact relationships between the dependent variable (PSE) and the independent variables (LTD, MTD, and STD), we used a pooled multiple regression analysis since the data had both time series (2000-2017) and cross sectional properties (5 quoted companies). The pooled interaction based multiple regression results are presented and discussed in Table below

Table 4.3: Regression Result for the Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.256055	1.022558	4.020250	0.0000
LLTD	0.002909	0.124632	2.067584	0.0197
MTD	0.393387	0.048867	2.537370	0.0003
STD	0.212989	0.083122	1.599920	0.4071

Effects Specification

	S.D.	Rho
<hr/>		
Cross-section fixed (dummy variables)		
Period random	0.000000	0.0000
Idiosyncratic random	0.838087	1.0000

Weighted Statistics

R-squared	0.876316	Mean dependent var	10.92921
Adjusted R-squared	0.850277	S.D. dependent var	2.107236
S.E. of regression	0.815376	Sum squared resid	37.89575
F-statistic	33.65418	Durbin-Watson stat	1.922069
Prob(F-statistic)	0.000000		

Unweighted Statistics

R-squared	0.876316	Mean dependent var	10.92921
Sum squared resid	37.89575	Durbin-Watson stat	2.922069

The  $R^2$  which is the coefficient of determination or the measure of goodness of fit shows the degree of variation in the dependent variables, as explained by the independent variables all taken together. The closer our  $R^2$  is to 1, the better the goodness of fit of the model. From the result report in table 4.3, we find out that our  $R^2 = 0.87\%$ . This is closer to 1 and thus indicates that our model displayed a good fit. The adjusted  $R^2 = 0.87\%$ . This implies that despite the adjustment in the degree of freedom our variables can still explain about 81% of the changes or variation in the model. Thus, it is in line with the result of the goodness of fit of the model.

The f-statistics is used to test the overall statistical significance of our parameter in the model. If the probability of F in the computed model is greater than the desired level of significance (0.5) we accept the null hypothesis and reject the alternative. From the result report in table 4.3 above the computed value of f is 33.65418 while its probability is 0.00000. Since its probability is less than 0.05 we accept the alternative hypothesis which states that independent variable are jointly statistically significant in explaining the dependent variable.

The Durbin Watson Statistic is used to test for the presence or otherwise of autocorrelation in our regression model. When the value of our d-w statistics is closer and a little above 2.00, it means the absence of autocorrelation among the explanatory variables in the model. From our model in table 4.3 we discovered that our Durbin Watson statistics is (1.9). This result shows the absence of autocorrelation amongst the explanatory parameter.

**Long Term Debt (LTD):** Based on the t-value of 2.067584 and P-value of 0.01, was found to have a positive influence on our sampled quoted companies PSE and this influence is statistically significant since its P-value was less than 10%. This result, therefore suggests that we should accept our alternative hypothesis one (H<sub>1</sub>) which states that there is significant effect of long term debt on the market value of firms in Nigeria. This means that Long term debt financing impact significantly on market value of firms. However, this influence is statistically significant and so, should not be ignored as a determinant. However, on the basis of efficient use of LTD to generate market value of firms, those firms with high LTD structure perform higher than those with less LTD structure.

**Medium Term Debt (MTD):** Based on the t-value of 2.537370 and p-value of 0.00 was found to have a positive influence on our sampled quoted companies PSE and this influence was statistically not significant as its p-value was less than 0.05% values. This result therefore, suggests that we should reject our null hypothesis two and accept the alternative (H<sub>02</sub>) which states that there is significant effect of medium term debt on the market value of firms in Nigeria. This means that on the basis of effective use of MTD to generate market value of firms, firms with more MTD structure perform better.

**Short Term Debt (STD):** based on t-statistic of 1.599920 and p-value of 0.40 was found to have a positive influence on our sampled company's PSE and this influence was also not statistically significant since its p-value was more than 0.5% level of significance. This result therefore, suggests that we should also accept our null hypothesis three (H<sub>03</sub>) which states that there is no significant effect of short term debt on the market value of firms in Nigeria. This means that firms with large short term debt structure perform better than those with low short term structure in terms of generating market values of shares of such firms. Although, this finding is not statistically significant.

#### **4.5 Discussion of Findings**

Based on the result generated in respect to effect of Long term debt on firms' value, this study observes that there is a positive effect of Long term Debt on the value of firms in Nigeria. The results obtained confirmed the alternative hypothesis that states there is significant effect of Long term debt on the value of firms in Nigerian. The results are inconsistent with the capital structure theory by Modigliani and Miller ((1963) which formed the basis for this study. The theory argues that the firm's value is unaffected by the firms financing decision.

Based on our findings of medium term debt it was found to impact negatively on our dependent variable, proxy as Price Share Earnings (PSE) and this impact was also not statistically significant. Thus our finding therefore supports the findings of Modigliani and Miller and negates the view of Pecking Order Model.

Based on the result short term debt was found to have a positive influence on the value of firms in Nigeria though the influence was not statistically significant. This means that companies with huge short term debt do not lose value when compared with companies with little or no short term debt. However, this result therefore, suggests that we should also accept our null hypothesis three (H<sub>03</sub>) which states that there is no significant effect of short term debt on the market value of firms in Nigeria. Hence this study is in consonance with Modigilani and Miller ((1963) theory that state that firm's value is unaffected by the firms financing decision.

## **5.0 SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS**

### **Summary of Findings**

From the hypothesis findings tested in chapter four the following findings were made

- i. Long term debt has significant and positive impact on firm value
- ii. Medium term debt has significant positive impact on firm value
- iii. Short-term debt has positive insignificant impact on firm value in Nigeria

### **Conclusion**

The main objective of this study is to investigate the effect of debt financing on the value of firms in Nigeria using long term debt, Medium term and Short term debt as a mechanism. This study from its findings therefore concludes that Long term, Medium term and Short term debt have a negative relationship on firms value. Management needs to pay serious attention to the composition of the firm's financial structure as failure to achieve an optimal financial structure may lead to insolvency and financial distress which can ultimately lead to bankruptcy.

### **Recommendations**

The following recommendations were made for this study;

Firm's financing decision should be dependent on the magnitude of risk before the decision is made.

Generally on debt financing, it is prudent to conclude that firms should borrow to finance their growth without fear of adverse effect on profitability since it is insignificant. Management must match the financing mix to the assets financed as closely as possible in terms of both timing and cash flows as to achieve the overall objective of the firm.

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# Integration of Functional Plans and Organizational Productivity in Some Selected Deposit Money Banks in Port Harcourt

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**Abstract:** *This paper examined how Integration of functional plan influences the Organisational productivity of deposit money banks in Port Harcourt, Rivers State. The cross sectional survey design was adopted. The population of this study consist of (186) Management staff of the deposit money banks, these includes. Taro Yamane formulawas used to determinea sample size of the mmanagement staff of the deposit money banks which constitute the Unit of Analysis of the study. Research questions were used to determine the extent to which Integration of functional plan enhanced Organisational productivity. Null Hypotheses was employed to predict the relationship between Integration of functional plan and Organisational productivity. Linear Regression Analysis was used to test the Null Hypotheses. Integration of functional plan was used to check the level Organisational productivity of Deposit money banks with measures such as Output quality and Profitability. It is therefore concluded that Integration of functional plans is an effective tool to improve Organisational productivity. The research further recommended that Integration of functional plans should be properly implemented in the database of the deposit money banks to enhance better productivity.*

**Keywords:** *Functional integration, organizational productivity, output quality, profitability.*

## INTRODUCTION

Alharbi (2015) Digital transformation is shaping our business into new interconnected clusters. Understanding Functional Integration explains the mechanics of this revolutionary strategic model, that helped brands like Amazon and Nike to outperform their competitors generating massive “Functional Value”, and provides applicable templates to visualize its process(Amit , Iqbaldeepand Inderjeet,2016).. The concept of transformation through digital integration and innovation has gained considerable attention in the business world since the iPhone was launched in 2007((Keary, 1996). Initially, March and Simon (2008)claim that we entered into an early adoption phase of disruptive technologies such as wireless sensors, cloud computing, big data processed by artificial intelligence and smartphones, as the new consumer interface. The maturity of this phase leads us in a second phase of massive adoption of these technologies; it is clear executives are mostly facing difficulties in adapting corporate strategy to the

transformations required to successfully innovate and benefit from new technologies. Asiligwa, & Omwenga (2016). What is the difference between companies which are extremely effective at digital transformation and other which seem to be experimenting with a range of activities mostly disconnected from their corporate strategy? Bara, Lungu & Oprea (2009) The result of delay in finding the right approach to include digital transformation in corporate strategy results is a loss of valuable innovations and the waste of consumer value created. Successful companies invest in integrating environmental, social, and economic goals across the organization expecting each functional area to understand the effects of their activities, accept the responsibilities for implementation, and develop policies and practices for achieving these goals (Bagul & Waghmare, 2017).

In majority of organization in Nigeria, planning is the most important management tool for performance and for organizations to perform well, resources must be well utilized and customers well served. To achieve such ends, all of an organization's human and materials resources must be well utilized in the right way and the right time to create high quality products at minimal cost. Formally defined, productivity is a summary measure of the quantity and quality of work performance, with resources utilization taken into account. It can be measured at the individual, group, or organizations level, Productivity may be expressed as success into dimensions of organizations performance, effectiveness and efficiency.

Organization has been collective in order to achieve group or individual objectives. They serve as the means by which goods and services are provided beyond the boundaries of an individual or small group's capacity of self-sufficiency. Such provision, also acknowledged, may be made for profit through some other more controlled framework of commercial or social provision (Dawson 1996). However, Planning on the other hand, is regarded as the most basic of all the management functions. It involves the selecting from among alternative future course of action for the organization as a whole and every department or section within it. Furthermore, it requires selecting organizational objectives and departmental goals, determines and provides a rational approach to pre-selected objectives. It strongly implies managerial innovation and the ability to create something (Koontz, 1980).

The problem which underscores the need to undertake this study is aptly described by Koontz *et al* (1980) with all the interest in planning and all the sense of urgency brought about by modern super competition, is the danger that planning can become merely a costly fad, not very useful and even disillusioning. The implication of the above assertion is that not all organization that plan eventually reaps the desired benefits. Schermerhorn (1986) adds that most planning failures arise from their inability of managers to truly understand the planning and to implement it well. Problems have been identified in the planning process. For instance, in setting objectives, organizations find it difficult to involve employees, shareholders, customers etc. closely related to this is the issue associated with the likely environment different variables and events. However, the objectives of the study are to determine the relationship between effective planning and organizational productivity and to also examine whether effective Planning brings employees performance in an organization. The purpose of this study is to determine how integration of functional plan influences organizational

productivity in some selected deposit money banks in Port Harcourt. The objectives are to determine:

- The objective of the study is to determine how specifically integration of functional plans impact on organizational productivity of some selected deposit money banks firms in Port Harcourt.

Two researchable questions were raised, they include:

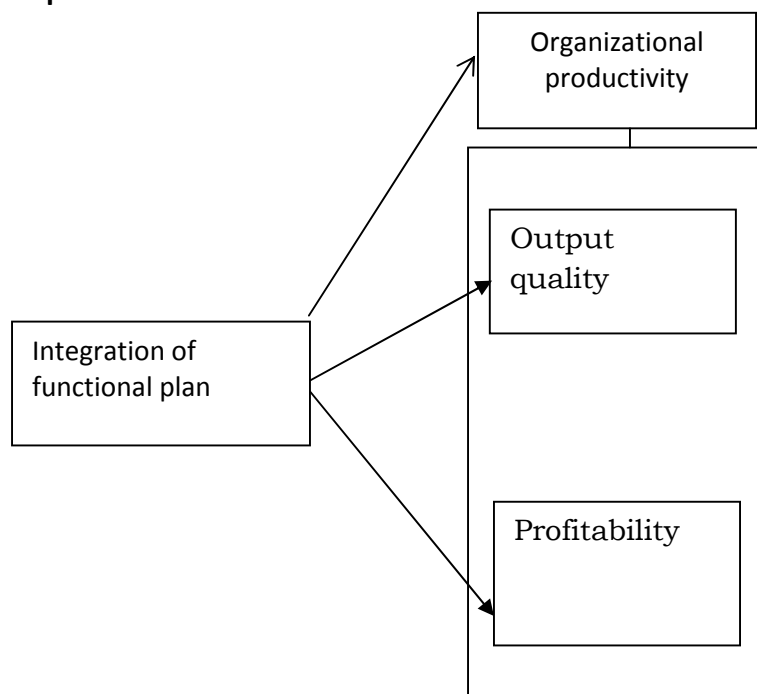
- To what extent does integration of functional plans and operational implementation impact on organizational productivity in Port Harcourt?

In carrying out the study, two research hypotheses were stated, which include:

**H<sub>05</sub>:** There is no significant relationship between integration of functional plans and operational implementation and output quality of deposit money banks.

**H<sub>06</sub>:** There is no significant relationship between integration of functional plans and profitability of deposit money banks.

## 1.2 Conceptual framework



**Conceptual Framework on integration of functional plan and organisation productivity of deposit money banks in Port Harcourt.**

## **LITERATURE REVIEW**

### **Theoretical Foundation**

Theoretical foundation is an explanation based on ideas that are related to a particular subject. It is a critical review of the theoretical elements that serve as a frame of reference in an investigation. This critical review allows us to determine the variables to be measured and the relationship between them, while determining the response to the research question. In our effort to search and conceptualize how integration of functional plan and organization productivity of deposit money banks in Port Harcourt, theory has been raised to help explain more on the issue of discussed. This study looks at social exchange theory that is applicable in all firms. Social exchange theory is a concept that brings people together based on the benefit the individual feels he/she will gain as becoming member of the group. Social exchange theory was introduced in the twentieth century. This concept was considered within the early 1960s by the philosophical tradition of utilitarianism, and neoclassical economic. This theory was given birth to as a result of the benefit the younger child derived from the parent and later both the child and the parent begins to have mutual benefits (Cropanzano & Marie, 2005) who focused on the rational assessment of the self-interest social relationship. The view of Social exchange theory is that something must motivate an individual to continually doing that thing that he/she is doing, once that is withdrawn, the ability to do it will also drop. This brings about the parent and child relationship. Management in this concept see students as their own children and start to develop them by ensuring that must effort is put to their services rendered. According to Homans (1961) naturally individual are more comfortable when they realized that the benefit(s) they gain from the relationship is approximately equal to what they are putting in.

### **Integration of Functional Plans**

Digital transformation is shaping our business into new interconnected clusters. Understanding Functional Integration explains the mechanics of this revolutionary strategic model, that helped brands like Amazon and Nike to outperform their competitors generating massive "Functional Value", and provides applicable templates to visualize its process. The concept of transformation through digital integration and innovation has gained considerable attention in the business world since the iPhone was launched in 2007 (Keary, 1996). Initially, March and Simon (2008) claim that we entered into an early adoption phase of disruptive technologies such as wireless sensors, cloud computing, big data processed by artificial intelligence and smartphones, as the new consumer interface. The maturity of this phase leads us in a second phase of massive adoption of these technologies; it is clear executives are mostly facing difficulties in adapting corporate strategy to the transformations required to successfully innovate and benefit from new technologies. What is the difference between companies which are extremely effective at digital transformation and other which seem to be experimenting with a range of activities mostly disconnected from their corporate strategy? The result of delay in finding the right approach to include digital transformation in corporate strategy results is a loss of valuable innovations and the waste of consumer value created. Successful companies invest in integrating environmental, social, and economic goals across the organization

expecting each functional area to understand the effects of their activities, accept the responsibilities for implementation, and develop policies and practices for achieving these goals.

Management research shows that awareness, understanding, and demand from managers and employees are key success factors to implementing a sustainability strategy. However, some of the survey respondents admit that sustainability discussions are primarily in the upper levels of the company and communication to other levels is too strategic and not practical enough for the mid-level manager or front-line employee. In one organization, the management expressed that social and environmental activities were only the responsibility of a sustainability department and therefore only communicated within that group. Chen and Diao (2005). Company training and communication initiatives need to consider all levels and locations of the organization. One company interview includes upper management stressing effective communication of their sustainability strategy, although a lower manager of the same company is not able to recall communicating sustainability concepts to their employees.

### **Organizational Productivity**

Organizational productivity comprises the actual output or results of an organizational as measured against its intended output (goals and objectives). According to Richard *et al* (2009) organizational productivity encompasses three specific areas of firm outcomes namely (a) financial performance (profits, return on assets, return on investment, etc.); (b) product market performance (sales, market share, etc.); and (c) shareholder return (total shareholder return). Porter (1998) noted that the traditional control-oriented performance measurement system in the industrial era is losing its relevance in today's fast changing environment where organizations are re-shaped into flat multi-functional hierarchy, the diversity and unique requirements of different enterprise have made performance measurement system tougher. The performance measurement system uses to determine how well an organization performs includes; customers satisfaction, effectiveness and returns on investment.

### **Output Quality**

Deming (1982) taught that by adopting appropriate principles of management, organizations can increase quality and simultaneously reduce costs. Devi & Sarojini (2012) The objective of TQM as described by (Deming, 1982) is to develop and sustain a competitive advantage through achieving utmost efficiency manifested in cost reduction and improvement of customer satisfaction. Besides Deming, many have contributed to the growth of quality management with some of them having become known as quality gurus as follows (Waters & Waters, 2008): Fiegenbaum (1986) looked at failure costs and developed the idea of total quality involving everyone in an organization. Taguchi (1982) showed the importance of product design and process control that results in quality products. Juran (1979) emphasized the role of top management and customer focus. Crosby (1979) analyzed the total costs of quality and methods for implementing quality management. Ishikawa (1963) emphasized the contribution of workers to quality and introduced the concept of quality circles

### **Profitability**

Profitability is an excess of revenue over associated expenses for an activity over a period of time. Every organization or business expected to earn a profit, because profits are the engine drive room for success. The growth and survival of any business dependence on the profit earn by such a firm. Thus, profit should not just be seen as the reward to owners of business rather it should be related with the interest of other segments of the society. Profit is the medium for deciding not just the economic, but the level of managerial efficiency and achievement of societal objective.

### **METHODOLOGY**

The research design adopted in this study is the cross sectional survey approach. The population of this study comprises of management staff **of deposit money banks in Port Harcourt.**, the information collected from the questionnaire was summarized in their groups and percentage were used to analyses the data, also inferential statistical tool of regression analyses was used to test the level of significance among variables and finally The analysis was aided with SPSS version 21.0.

#### **Reliability and validity test of the Research Instrument**

The instrument used was subjected to face/content validity. This was done to ascertain the validity of the questionnaires to be administered. A complete copy of the questionnaire was given to the supervisor for vetting and correction. The researcher collect the questionnaire from the supervisor after vetting and correction, effect the corrections and the restructured questions were thenused to administred the questions on the respondents. A test of reliability of instrument is seen as being reliable when it can be used by a number of differentresearchers under stable conditionswith consistent results (notvarying). The dimensions and measures tested in this research were consistent with coefficient of reliabilities above the average of 0.500 as shown below.

### **FINDINGS**

#### **Result and Frequency Analysis**

In this section, the output of the primary and secondary data is presented. Analysis was carried out on individual variables and measures. Mean scores and standard deviations are also illustrated. The presentation begins with the independent variable which is Integration of functional plan. It then proceeds to the dependent variable organizational productivity, whose measures are profitability and out quality. These are all scaled on the five (5) point Likert scale (ranging from 1: **SD**=strongly disagree, 2: **D**=disagree, 3: **N**=neutral, 4: **A**=agree and 5: **SA**=strongly agree).

The secondary data analysis was carried out using the Spearman rank order correlation tool at a 95% confidence interval. Specifically, the tests cover hypotheses  $HO_1$  to  $HO_2$  which were bivariate and all stated in the null for. We have relied on the Spearman Rank ( $\rho$ ) statistic to undertake the analysis. The 0.05 significance level is adopted as criterion for the probability of either accepting the null hypotheses at ( $p>0.05$ ) or rejecting the null hypotheses at ( $p<0.05$ )

**Table 1 Shows** the mean(x), Standard Deviation and Rank Order Statistics on **Research**

**Table 1 Integration of functional plan**

Questionnaire items	N	Sum	Mean	Std. Deviation
To what extent are you able to classify students behaviour & needs base on the facilities and departments	120	308	2.57	.827
To what extent are you able to solve students and staff problems based on their identify or group they belong to	120	305	2.54	.839
To what extent does data classification mining techniques aid in the admission of students into a particular department of their choice.	120	300	2.50	.810
To what extent does classification enable you to allocate resource to the various faculties and department	120	306	2.55	.839
Valid N (listwise)	120	Average = 2.54		

**Source: Research survey, 2020**

Table 4.3 above showed that all the items scores were slightly above the criterion mean of 2.50 on a four point likert scale. This shows that the deposit money banks are slightly above average to the extent of how Integration of functional plan is applicable in the deposit money banks. The grand mean for all the items is 2.54.

**Table 2: Descriptive Statistics For Integration of functional plan**

	N	Minimum	Maximum	Mean	Std. Deviation
Integration of functional plan	55	1.00	5.00	3.1240	1.36516
Valid N (listwise)	55				

SPSS 21.0 Data Output, 2020

Table 2 above illustrates the descriptive statistics for classification with mean score 3.1240 and indicates that most of the respondents were on the moderate range of the measurement scale.

## Hypotheses Testing

The following table shows the results of the hypotheses tested to validate the discussion of findings.



**Table 3            Integration of functional plan and Output quality**

		Integration of functional plan	Output quality
Integration of functional plan	Pearson Correlation	1	0.924**
	Sig. (2-tailed)		.000
	N	55	55
Output quality	Pearson Correlation	0.924	1
	Sig. (2-tailed)	0.000	
	N	55	55
** Correlation is significant at the 0.01 level (2-tailed)			

Source: Research survey, 2020

Table 3 above shows a significant correlation at  $r = 0.924$  where  $P\text{-value} = 0.000$  ( $P < 0.01$ ). This implies a strong and significant relationship between both variables at 95% level of confidence. We therefore reject the null hypothesis ( $H_{01}$ ) and restate that there is a significant relationship between Integration of functional plan and Output quality.

**Table 4: Integration of functional plan and profitability**

		Integration of functional plan	Profitability
Integration of functional plan	Pearson Correlation	1	0.818**
	Sig. (2-tailed)		0.000
	N	55	55
Profitability	Pearson Correlation	0.818**	1
	Sig. (2-tailed)	0.000	
	N	55	55
** Correlation is significant at the 0.01 level (2-tailed)			

Source: Research survey, 2020

Table 4 above shows a significant correlation at  $r = 0.818$  where  $P\text{-value} = 0.000$  ( $P < 0.01$ ). This implies a strong and significant relationship between both variables at 95% level of confidence. We therefore reject the null hypothesis ( $H_{02}$ ) and restate that there is a significant relationship between Integration of functional plan and profitability.

**Table 5: Descriptive Statistics for organizational productivity**

	N	Minimum	Maximum	Mean	Std. Deviation
Output quality	121	1.00	5.00	3.0358	1.37423
Profitability	121	1.00	5.00	3.3829	1.32404
Valid N (listwise)	121				

SPSS 21.0 data Output, 2020

Table 5 above illustrates the descriptive statistics for Integration of functional plan and organizational productivity. Output quality with a mean score of 3.0358, profitability with a mean score of 3.3829 indicates that most of the respondents were on the moderate range of the measurement scale.

**Table 6: Descriptive Statistics for the study variables**

	N	Minimum	Maximum	Mean	Std. Deviation
Integration of functional plan	55	1.00	5.00	3.1240	1.36516
Organisational productivity	55	1.44	5.00	3.2507	1.22773
Valid N (listwise)	55				

Source: SPSS 21.0 data Output, 2020

The data in table 6 illustrates the descriptive statistics summary for the study variables which are Integration of functional plan and organizational productivity.

**Table 7a: Model Summary of Integration of functional plan on Output quality**

<b>Model Summary<sup>b</sup></b>									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.783 <sup>a</sup>	.613	.610	1.529	.613	186.794	1	118	.000

a. Predictors: (Constant), Integration of functional plan

b. Dependent Variable: Output quality

**Source: Research survey, 2020**

**Table 7b: ANOVA of Integration of functional plan and Output quality**

<b>ANOVA<sup>a</sup></b>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	436.658	1	436.658	186.794	.000 <sup>b</sup>
	Residual	275.842	118	2.338		
	Total	712.500	119			

a. Dependent Variable: Output quality

b. Predictors: (Constant), Integration of functional plan

**Source: Research survey, 2020**

## CONCLUSION

The results showed that Integration of functional plan is an important tool in enhancing Organisational productivity of deposit money banks in Port Harcourt, River State. The study concluded that Integration of functional plan is capable of solving the problems facing deposit money banks in Rivers State, Nigeria. The implementation of this technique in the deposit money banks database enhanced the performance of this deposit money banks in relating and assessing their financial capabilities. This will create a common interface between management and customers, employers and employees relationship. We cannot conclude that our deposit money banks financial stands is poor when will have refused to implement a system that will make the system efficient and effective. Based on the findings and conclusion the following recommendations are hereby made to enhance the organisational productivity of deposit money banks in Rivers State.

1. Integration of functional plans should be properly implemented in the entire deposit money banks database and the console made available for management staff and employees of the deposit money banks.
2. The management should be trained on how to effectively exploit the deposit money bank database and other tools that will increase productivity.
3. Internet facilities should be provided for the workers to ensure constant access of the database and other deposit money banks database/warehouse
4. Deposit money banks should ensure effective collaboration with other deposit money banks and organizations through the implementation of Integration of functional plans.

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# Electronic Banking and E-Loyalty of Deposit Money Banks in Port Harcourt

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**Abstract:** *This study examined the relationship between Electronic banking and E-loyalty of Deposit money banks in Rivers State and the moderating effect of network service on this relationship. The study adopted the survey research design and based on the research questions, a research questionnaire was designed and three hundred and ninety nine (399) copies were distributed. Three hundred and eighty one (381) copies were retrieved and analyzed. The Pearson Product Moment Correlation was used to test the hypotheses. Also, in testing the moderating variable using partial correlation, it was revealed that network service has a significant effect on the relationship between Electronic banking and E-loyalty. The study concluded that Electronic banking and its measures, has a significant relationship on E-loyalty as well as its dimensions. The study recommends among others that bank apps and sites should be designed and developed with optimum simplicity and security to ensure ease of use, perceived usefulness and trust. This will increase customer's level of trust on electronic banking.*

**Keywords:** *Electronic Banking, E-loyalty, ATM, Internet Banking, Mobile Banking, Intention to Use, Satisfaction, Referral*

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## Introduction

It is expected that Information Technology (IT) in the banking industry should promote efficiency and customer satisfaction. This is because the days of high customer commitment are declining hence there is a need to find out what it takes to keep a customer loyal in the electronic space. The process of on boarding customers on the Electronic banking platform should be time saving and straight forward and the technology should provide reliability and transaction convenience. This is in a bid to restore trust and confidence in the system. However, with the introduction of Electronic banking, customers still crowd the banking halls and are skeptical of the functionality of these online services introduced by banks, (Jayawardhena & Foley, 2000). This is worrisome and poses a challenge to gaining customer loyalty.

Also, there is inefficiency and inconsistency with the online services and these issues smears the trust and confidence that is supposed to be associated with the service delivery. A review of previous literature on Electronic banking portrays the major issues that researchers and practitioners have dealt with in time past, one of such is security. According to Martins (2008) security appears to be the main obstacles for some customers who at one point or the other wished to go online. Many customers fear that the apps or website where they carry out

their electronic transaction are not secured enough and are prone to hackers. Again, lack of privacy is another problem hampering the banks from milking the full benefit offered by electronic banking. Shehu *et al.* (2013) opined that these could bring about financial and reputational damage due to wrong processing of transactions, data privacy and confidentiality, unauthorized access to the banks' data base, which will in turn, take a heavy toll on their profitability and overall performance. With the introduction of Electronic banking, the prediction of customer loyalty is likely difficult.

The last challenge of Electronic Banking is trust. Moormaan *et al.* (1992), defines trust as the willingness to rely on an exchange partner in whom one has confidence. Also, Shaupp and Belanger, (2005) posits that trust is a veritable antecedent in most models measuring relationships between loyalty and satisfaction. Trust helps in reducing the perceived risk associated with adoption of a technology and this is very vital in attracting customers.

For the aforementioned reasons, this study is being undertaken to discuss Electronic banking and E-loyalty of deposit money banks in Port Harcourt

### **Aim and Objectives of the Study**

The study examined the relationship between Electronic banking and E-loyalty of deposit money banks in Port Harcourt.

The specific objectives of this study were to;

- (1) Determine the relationship between internet banking and E-loyalty of deposit money banks in Port Harcourt.
- (2) Determine the relationship between mobile banking and E-loyalty of deposit money banks in Port Harcourt.
- (3) Determine the relationship between ATM and E-loyalty of deposit money banks in Port Harcourt.
- (4) Determine the moderating effect of network service on electronic banking and E-loyalty of deposit money banks in Port Harcourt.

### **Research Questions**

The research question was deduced from the objectives of the study and they were intended to throw more light into the subject under investigation as the researcher attempts to provide answers to them. The following were the research questions:

1. To what extent does internet banking relate with E-loyalty of deposit money banks in Port Harcourt?
2. To what extent does mobile banking relate with E-loyalty of deposit money banks in Port Harcourt?
3. To what extent does ATM relate with E-loyalty of deposit money banks in Port Harcourt?

4. To what extent does network service relate with Electronic banking and E-loyalty of deposit money banks in Port Harcourt?

### **Research Hypotheses**

To provide solution to the research questions, the following hypotheses were formulated;

Ho<sub>1</sub>: Internet banking has no relationship with intention to use banking services of deposit money banks in Port Harcourt.

Ho<sub>2</sub>: Internet banking has no relationship with customer satisfaction of deposit money banks in Port Harcourt.

Ho<sub>3</sub>: Internet banking has no relationship with viral referral of deposit money banks in Port Harcourt.

Ho<sub>4</sub>: Mobile banking has no relationship with intention to use banking services of deposit money banks in Port Harcourt.

Ho<sub>5</sub>: Mobile banking has no relationship with customer's satisfaction of deposit money banks in Port Harcourt.

Ho<sub>6</sub>: Mobile banking has no relationship with viral referral of deposit money banks in Port Harcourt.

Ho<sub>7</sub>: ATM has no relationship with intention to use banking services of deposit money banks in Port Harcourt.

Ho<sub>8</sub>: ATM has no relationship with satisfaction of deposit money banks in Port Harcourt.

Ho<sub>9</sub>: ATM has no relationship with viral referral of deposit money banks in Port Harcourt.

Ho<sub>10</sub>: Network service has no relationship with Electronic banking and E-loyalty of deposit money banks in Port Harcourt.

### **Literature Review**

#### **Theoretical Foundation**

The theoretical foundation of this study is based on the Diffusion of Innovations theory (DOIs), Decomposed theory of planned behavior (DTPB), and Technology acceptance model (TAM). Most empirical studies have relied on these theories when discussing Electronic banking and E-loyalty.

#### **Diffusion of Innovation Theory**

The concept of Diffusion of Innovations theory was developed by Everett M. Rogers in 1962. Rogers (2003) defines diffusion of innovation as the process in which an innovation is transmitted via certain channels over time among members of a social system. He asserts that



an individuals' intention to adopt a technology follows through a procedure required to carry out that activity. He further explains how a technology is been adopted, why it is adopted and also the adoption rate. Medlin (2001); & Parisot (1995), affirmed that Rogers' diffusion of innovations theory is the most appropriate for investigating the adoption of technology in higher education and educational environments. The main critical factors that determine the adoption of an innovation at the general level are: relative advantage, compatibility, complexity, triability and observability.

Researchers like Tan &Teo (2000), Gerrard & Cunningham (2003), and MdNor and Pearson (2008), had tested the theory on the Electronic banking adoption. According to them, the nominalized factors are complexity, triability and observability. In fact, much diffusion research involves technological innovations so Roger uses the word "technology" and "innovation" synonymously.

Rogers (2003), postulated that a technology is a design for instrumental action that reduces the uncertainty in the cause-effect relationships involved in achieving a desired outcome that is composed of two parts: hardware and software. He further states that the hardware is the tool that embodies the technology in the form of a material or physical object, while the software is the information base for the tool. Since software (as a technological innovation) has a low level of observation, its rate of adoption is quite slow. As expressed in our study, communication and service channel represents ATM, internet (PC), and mobile banking time, and social system are the four key components of the diffusion of innovations.

### **Theory of Planned Behaviour**

The theory of planned behavior otherwise known as the Decomposed Theory of Planned Behavior (DTPB) was propounded by Taylor & Todd in 1995. Taylor and Todd (1995), defined the decomposed theory of planned behavior as an individual's intention to use a technology which is being influenced by his attitude, subjective norm and perceived behavioral control. Stating from the research conducted by Md Nor and Pearson (2008) and Cheung and Chang (2009), certain influencing factors were selected which are attitude towards a behavior and the perceived behavioral control.

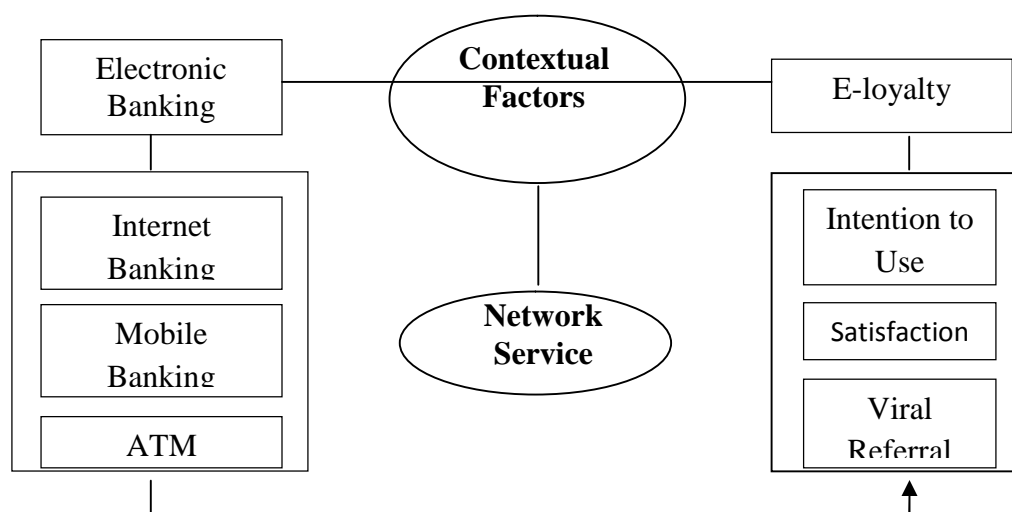
Taylor and Todd (1995) opined that attitude towards the behavior reflect the extent to which this behavior is either favorably or unfavorably evaluated. Pavlou *et al* (2016), described subjective norm as a person's perception of the important others' expectations (i.e. reference groups) about a specific behaviour. He further explains that the result of the subjective norm on behaviour intention is called the "compliance effect". Van (2002); submit that perceived behavioral control is "a person's perception of how easy or difficult it would be to carry out behaviour". Also that this is affected by the perception of one's own skills but also by the eventual constraints or facilitators in the context of the decision.

### **Technology Acceptance Model**

The third model is technology Acceptance Model theory which was developed by Fred Davis in 1985. Ozuru (2015), submit that technology acceptance model is an information system theory that outlines how consumers come to terms with a technology and also how they use it.

According to Davis (1989), users' motivation can be explained by three key factors: perceived ease of use, perceived usefulness, and attitude toward using the system. He further hypothesized that the predisposition of a consumer towards a system was a major determinant of whether he or she will get to use or reject the system. Klöckner, and Matthies (2004), postulate that the attitude of a user is considered to be influenced by two major beliefs: perceived usefulness and the perceived ease of use, with perceived ease of use having a direct influence on perceived usefulness. These three theories focus on how consumers come to terms with new technology. Ovia (2001), submits that Electronic banking is a new technology, especially in Nigeria and theoretically it should be one that when adopted, the consumer should derive optimum satisfaction hence deposit money banks are to deploy need satisfying and easy to use Electronic banking platforms.

### Conceptual Framework



**Fig. 1.1: Conceptual Frame Work of Electronic Banking and E-loyalty.**

Source: Researcher conceptualization from review of related literature, 2018.

The context of this study is focused on the discussion of Electronic Banking and E-loyalty of deposit money banks in Port Harcourt. The independent variable is Electronic banking, whereas the dependent variable is E-loyalty. Network Service is used to moderate the relationship between the independent and the dependent variable. The independent variable and its dimensions are discussed in details in relationship with the measure of the dependent variable.

### Empirical Review

#### Relationship between Internet Banking and E-loyalty

Several studies have been done on the relationship between internet banking and customer loyalty with most agreeing that there is a significant relationship between this two. Researchers like Martensen *et al.* (2000) explored the relationship between internet banking and e-loyalty in the banking industry using Hand bank in Sweden. The methodology and empirical parts of the study were carried out using the quantitative and survey method. Both Internet survey and

personal survey method were used to administer the questionnaire to a sample size of 221 respondents, based on multiple regression analysis and statistical report as well as on Hans's banks internal documents. The findings of the study revealed that there is a significant role of internet banking in forming customer loyalty in the electronic space and that there is a positive effect on E-loyalty resulting from continued activities of internet banking transactions.

According to Ribbink *et al.* (2004), he postulated that when customers feel okay with a specific banks' internet banking platform, they are willing to continually use the bank, they are satisfied and eventually refer people to the bank to try the product as well. Moreover, other researchers have found a direct effect of internet banking on customer e-loyalty. Similarly, in a study by Cyr *et al.* (2007), in Malaysia, where data was collected using primary data collection method and 130 questionnaires were distributed to target respondents who are students of a public university using multiple regression analysis revealed that internet banking efficiency is the prime factor which can determine the success of online customer relationship hence e-loyalty.

Also as submitted by Neuborne (2000), internet banking makes bank customers become loyal to a bank such that they become adamant in trying other banks Electronic banking application this in a nut shell is the height of E-loyalty. Kim *et al.* (2004), submit that internet banking was regarded as an essential feature for winning customer E-loyalty in the electronic world of banking today.

Lastly, Morgan and Hunt (1994) concluded that internet banking, influences customers E-loyalty at such banks should leverage on that for sustained market share growth.

### **Relationship between Mobile banking and E-loyalty**

Research have been carried out by scholars on the impact of mobile banking on e-loyalty and most have unanimously agreed that a banks' mobile banking app plays a major role in enhancing the competitive edge of that bank over the others hence fostering E-loyalty. According to Fabunmi, (2011), he posits that customer retention is by far more economical than acquiring new ones and this is what mobile banking helps in doing.

Pu'schel, Mazzon and Hernandez (2010), examined the effect of mobile banking on e-loyalty. The population of the study included all working banks in Pakistan which have sites on the internet for the periods of 2005-2010. The result from the data analysis that was gathered from the study instrument (270 questionnaires) showed that there is a correlation between mobile banking and e-loyalty. Results of the analysis revealed that mobile banking is essential and has a positive impact on E-loyalty as it enhances the customers' access to the bank and also his ability to easily reach out to his deposit in the bank. This kind of mechanism he added has a way of fostering relationship and ultimately, E-loyalty. Also given the high number of phone users and its affordability, this dimension of Electronic banking is open and accessible to all and sundry with no hitches, hence this makes it easy for that relationship between the banks and its customers (Amin *et al.*, 2007).

Similarly, Onodugo (2015) concluded that mobile banking has a significant relationship with E-loyalty as the former smolders banker customer relationship, makes the customer trust

his bank and gives the bank a sense of relief with the consciousness that he is a “phone-away” from his bank and his funds.

#### **Relationship between ATM and E-loyalty**

A stream of researchers have argued that in banking sector, the strategic focus of banks is to remain competitive in order to retain as many customers as possible Cohen *et al.* (2006). In a study by Ogunlowore and Oladele (2014), in Nigeria, using the sample survey method where he administered questionnaires to 120 respondents, using the simple percentage to analyze and chi square to test, revealed that ATM has a significant relationship with E-loyalty.

Similarly, Fanawopo (2014) submits that ATM has a positive turn out with E-loyalty as the Automated teller machine has really helped banks in getting their customers close to them thereby enhancing customer loyalty. Frame and white (2012) concluded that ATM, influences customers E-loyalty as Customers virtually carry their funds in a card and are able to pay bills etc. with the card at ease. It further posits that there is indeed a relationship between ATM and E-loyalty.

#### **Relationship between Network Service, Electronic Banking and E-loyalty**

The application of network is essential for an effective information communication technology enabled system which is especially true in the case of banks with a branch network. This is because Electronic banking services are not carried out in space but rather are aided by networks either local area network (LAN) or wide area network (WAN) that facilitates the transfer of customer financial data among banks on different platforms, (Carys, 2005).

According to Laudon and Laudon (2009,) banks require networks to allow access to remote machines such as the file transfer protocol (FTP) which is a standard protocol for transferring files from computer to computer. This enables for electronic banking through connections to bank for a wide variety of services like mobile banking, internet banking and ATM. Also Osabuohien (2005) asserts that the network used for the transmission of customers financial data ought to meet specified confidentiality and integrity requirements.

In a recent study by Ameako (2012), in Ghana, where data was collected using the survey method and questionnaire was administered to a sample size of 100 respondent, using the multiple regression analysis. Results of the analysis revealed that the efficiency and effectiveness of a bank's network server affects the performance of its electronic banking services which in turn affects the loyalty status of customers. Similarly, Akinuli (2009) conducted a study in Nigeria trying to find out the relationship between network efficiency and loyalty of electronic banking adopters. Using GTB as a study with the survey method where 80 copies of questionnaires were administered to the bank customers and retrieved and analyzing with the chi square statistical tool. The study showed that there exist a significant relationship between Electronic banking and customer loyalty when the network is efficient.

Osabuohien (2005) concluded that banks are expected to implement proxy type firewalls to secure customers data and hinder a link between the banks back end systems and the internet as this will prevent hackers from gaining information which are used to hold customers at ransom and ultimately bringing about dissatisfaction.

### Methodology

This study focuses on establishing the relationship between Electronic Banking and E-loyalty and as such it is a causal research. The research adapted a cross-sectional design aspect of quasi-experimental design. The population of this study consist of customers of the 21 operational deposit money banks in Port Harcourt, who use one of form of Electronic banking platform or the other, and according to CBN Bulletin (2016), they are approximately 2 million in number (CBN Bulletin 2016). Taro Yamen formula was adapted to arrive at 399 sample size. Questionnaires were distributed to customers of the 21 deposit money banks, using the simple random sampling techniques, 19 copies were distributed to each bank branch to help us arrive at the sample size of 399. However, 381 of the distributed questionnaire were retrieved and used for the study. The relationships between the variables were ascertained with Pearson product moment correlation while Partial correlation was adapted to examine the impact of network service on their relationships.

### Data Analysis and Result

**Table 1. Correlation Analysis showing the relationship between internet banking, intention to use, satisfaction, and viral referral**

#### Correlations

	Internet Banking	Intention To Use	Satisfaction	Viral Referral
Pearson Correlation	1	.635**	.556**	.612*
Internet Banking Sig. (2-tailed)		.000	.000	.000
N	381	381	381	381
Pearson Correlation	.635**	1	.*	.
Intention To Use Sig. (2-tailed)	.008		.	.
N	381	381	381	381
Pearson Correlation	.556**	.	1	.
Satisfaction Sig. (2-tailed)	.000	.		.
N	381	381	381	381
Pearson Correlation	.612*	.**	.*	1
Viral Referral Sig. (2-tailed)	.000	.	.	
N	381	381	381	381

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

**Source: Field Survey Data, 2018, SPSS 2.1 Output**

Table 1 above reveals a Pearson's correlation coefficient of 0.635, 0.556 and 0.612 for internet banking in relation to intention to use, satisfaction, and viral referral respectively with probability value of 0.000 (**PV< 0.05**). This result indicates that internet banking has a strong

positive and significant relationship with intention to use and viral referral while a moderate (*significant*) relationship with satisfaction. Therefore, we reject the null hypotheses and accept the alternate hypotheses which state that internet banking has a relationship with intention to use, satisfaction and viral referrals of deposit money banks in Rivers State.

**Table 2 Correlation Analysis showing the relationship between mobile banking, intention to use, satisfaction, and viral referral**

**Correlations**

	Mobile Banking	Intention To Use	Satisfaction	Viral Referral
Pearson Correlation	1	.778**	.713**	.847**
Sig. (2-tailed)		.000	.000	.000
N	381	381	381	381
Pearson Correlation	.778**	1	.713**	.847**
Sig. (2-tailed)	.000		.000	.000
N	381	381	381	381
Pearson Correlation	.713**	.778**	1	.847**
Sig. (2-tailed)	.000	.000		.000
N	381	381	381	381
Pearson Correlation	.847**	.713**	.778**	1
Sig. (2-tailed)	.000	.000	.000	
N	381	381	381	381

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

**Source: Field Survey Data, 2018, SPSS 21 Output**

Table 2 above reveals a Pearson's correlation coefficient of 0.778, 0.713 and 0.827 for mobile banking in relation to intention to use, satisfaction, and viral referral respectively with probability value of 0.000 (**PV< 0.05**). This result indicates that mobile banking has a strong positive and significant relationship with intention to use and satisfaction while a very (*significant*) relationship with viral referral. Therefore, we reject the null hypotheses and accept the alternate hypotheses which state that mobile banking has a relationship with intention to use, satisfaction and viral referrals of deposit money banks in Rivers State.

**Table 3 Correlation Analysis showing the relationship between ATM, intention to use, satisfaction, and viral referral**

**Correlations**

		ATM	Intention To Use	Satisfaction	Viral Referral
ATM	Pearson Correlation	1	.880**	.607**	.721
	Sig. (2-tailed)		.000	.000	.000
	N	381	381	381	381
Intention To Use	Pearson Correlation	.880**	1	.**	.**
	Sig. (2-tailed)	.000		.	.
	N	381	381	381	381
Satisfaction	Pearson Correlation	.607**	.**	1	*
	Sig. (2-tailed)	.000	.		.
	N	381	381	381	381
Viral Referral	Pearson Correlation	.721	.**	*	1
	Sig. (2-tailed)	.000	.	.	
	N	381	381	381	381

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

**Source: Field Survey Data, 2018, SPSS 21 Output**

**Decision:**

Table 3 above reveals a Pearson's correlation coefficient of 0.880, 0.607 and 0.721 for ATM in relation to intention to use, satisfaction, and viral referral respectively with probability value of 0.000 (**PV< 0.05**). This result indicates that ATM has a **very** strong positive and significant relationship with intention to use while a strong relationship with satisfaction and viral referral. Therefore, we reject the null hypotheses and accept the alternate hypotheses which state that ATM has a relationship with intention to use, satisfaction and viral referrals of deposit money banks in Rivers State.

**Table 4 Partial Correlation Analysis showing network service's moderating effect on Electronic Banking and E-loyalty.**

**Correlations**

Control Variables			Electronic Banking	E-Loyalty
Network Service	Electronic Banking	Correlation	1.000	.712
		Significance (2-tailed)	.	.000
		Df	0	369
	E-Loyalty	Correlation	.712	1.000
		Significance (2-tailed)	.000	.
		Df	381	0

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



**Source: Field Survey Data, 2018, SPSS 21 Output**

Table 4 above reveals a partial correlation coefficient of 0.712 and probability value of 0.000 (**PV< 0.05**). This result indicates that network service has a strong positive and significant relationship between electronic banking and e-loyalty. Therefore, we reject the null hypotheses and accept the alternate hypotheses which state that network service has a significant relationship with electronic banking and e-loyalty of deposit money banks in Rivers State.

**Discussion of Findings**

**Relationship between Internet Banking and E-loyalty**

The result of Ho<sub>1</sub>: Internet banking has no relationship with intention to use, Ho<sub>2</sub>: Internet banking has no relationship with customer satisfaction, Ho<sub>3</sub>: Internet banking has no relationship with viral referral, indicated that a positive relationship exist among internet banking, intention to use, satisfaction, and viral referral with a Pearson's correlation of \*0.635, \*0.556 and \*0.612 respectively. It also reveals that while strong relationship exists between internet banking and intention, and viral referral; there was a moderate relationship between internet banking and satisfaction.

More also, it has been revealed that the findings of the study are in affirmation with theoretical and empirical studies of other researchers in similar subject matter. For instance, Adewoye (2007) revealed that there is a significant role of internet banking in forming customer loyalty in the electronic space and that there is a positive effect on E-loyalty resulting from continued activities of internet banking transactions. Also, the study of Amin (2009), agreed that internet banking efficiency is the prime factor which can determine the success of online customer relationship and e-loyalty.

**Relationship between Mobile Banking and E-loyalty**

The result of Ho<sub>4</sub>: Mobile banking has no relationship with intention to use, Ho<sub>5</sub>: Mobile banking has no relationship with customer's satisfaction, Ho<sub>6</sub>: Mobile banking has no relationship with viral referral, indicated that positive relationship exist among mobile banking, intention to use, satisfaction, and viral referral with a Pearson's correlation of \*0.778, \*0.713 and \*0.847 respectively. It also reveals that while strong and positive relationship exists between mobile banking and intention, and satisfaction; there is a very strong and positive relationship between mobile banking and viral referral.

More also, it has been revealed that the findings of the study are in affirmation with theoretical and empirical studies of other researchers in similar subject matter. For instance, the study of Dick and Kunal (2004) revealed that mobile banking is essential and has a positive impact on E-loyalty. Similarly, Onodugo (2015) concluded that mobile banking has a significant relationship with E-loyalty. These studies justifies claim that there is positive connection between mobile banking and loyalty of mobile banking users.

**Relationship between ATM and E-loyalty**

The result of Ho<sub>7</sub>: ATM has no relationship with intention to use, Ho<sub>8</sub>: ATM has no relationship

with satisfaction,  $H_{09}$ : ATM has no relationship with viral referral indicated that positive relationship exist among ATM, intention to use, satisfaction, and viral referral with a Pearson's correlation of \*880, \*0.607 and \*0.721 respectively. It also reveals that while strong and positive relationship exists between ATM and satisfaction and viral referral; there is a very strong and positive relationship between ATM and satisfaction.

More also, it has been revealed that the findings of the study are in affirmation with theoretical and empirical studies of other researchers in similar subject matter. For instance, Ogunlowore and Oladele (2014) revealed that ATM has a significant relationship with E-Loyalty. Other studies like Fanawopo (2014), and Frame and white (2012) agreed that ATM has a positive turn loyalty of E-banking users as it enables customers to make purchase and pay bills at ease.

More also, the multiple regression analysis reveals that all the dimensions of the independent variable (i.e. internet banking, mobile banking and ATM) had great impact on the variations of the measures of the dependent variables (intention to use, satisfaction and viral referral).

#### **Relationship between Network Service, Electronic Banking and E-loyalty**

The result of  $H_{010}$ , Network service has no relationship with Electronic banking and E-loyalty indicated that positive relationship exist among e-banking and e-loyalty with a Partial correlation of \*712. The result revealed that there is a strong moderating effect of network service on E-banking and E-loyalty. This implies that network service has the ability to affect the activities of e-banking at the same time e-loyalty.

Our findings are also consistent with some other researchers view as the study of Laudon and Laudon (2009), agreed that banks require networks to allow access to remote machines such as the file transfer protocol (FTP) which is a standard protocol for transferring files from computer to computer. Even Ernest and Fadiya (2012) agreed that network server affects the performance of its electronic banking services which in turn affects the loyalty status of customers.

#### **Conclusion**

This study investigated the relationship between Electronic banking and E-loyalty of deposit money banks in Port Harcourt. And went further to ascertain the extent of the relationship between the dimensions of electronic banking (internet banking, mobile banking & ATM) and the measures of e-loyalty (intention to use, satisfaction and viral referral). Hence, the following conclusions were drawn from the study findings and hypotheses.

Electronic banking is strongly related to E-loyalty also that there is a significant relationship between internet banking and intention to use, internet banking and viral referral, mobile banking and intention to use, mobile banking and satisfaction, mobile banking and viral referral, ATM and intention to use, ATM and satisfaction, ATM and viral referral. Hence, easy to use and secured internet banking, mobile banking and ATM positively enhance intention to use, satisfaction and viral referral.

Internet banking has a moderate relationship with satisfaction. Therefore internet

banking does not really give optimum satisfaction to customers of deposit money banks in Port Harcourt.

Network service has a significant relationship with Electronic banking and E-loyalty. Thus a good network service on the dimensions of Electronic Banking will bring about E-loyalty by ways of intention to use, satisfaction and also viral referral.

### **Recommendations**

From the research analysis and conclusions above, the following recommendations were made to help banks:

1. Bank technical team and system developers, should ensure that sites and apps are designed with optimum simplicity to ensure ease of use and reduce TAT (turnaround time).
2. Electronic banking platforms should have a two way authentication factor to ensure privacy and mitigate security risk. Also sites and apps should be updated continuously for improvement.
3. Banks should improve on its information management and audit online such that customers suggestions, can serve as pool for improvement while complaints should be attended to promptly.
4. Bank customers with new ideas about the sites and apps should be encouraged and motivated in order to be build confidence in the system and long term loyalty.
5. Since from the study, majority of electronic bank users are educated adults, bank sites and apps should be designed to pop up life nuggets, motivational quotes and job openings, in order to fill in emotional and financial needs.

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## Social Media Marketing and Political Participation of Electorate in Rivers State, Nigeria

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**Abstract:** *This study investigated the relationship between social media marketing and political participation in Rivers State, Nigeria. The study adopted a cross survey method in a non-contrived setting. The cross sectional approach was adopted and data were not manipulated. There are 3,215,273 registered voters in Rivers State. The Taro Yamen sample size determination formula was used to choose a sample of 400 electorates and politicians. 400 copies of questionnaires were distributed and out of which only 340 copies were returned and used in the study. The mean and standard deviation were used to describe the characteristics of the research instrument while Pearson Product Moment Correlation was used to test the stated hypotheses. The study found among other things that social media marketing have significant influence on political participation. Except for voting in elections, campaign involvement and protest have significant relationship with political participation in Rivers State, Nigeria. The study therefore recommend that social media marketing should be encouraged in Nigeria not only for conventional marketing practices, but also in the area of political marketing especially for political participation.*

**Keywords:** *Social Media Marketing, Political Participation of Electorate, Voting, Campaign Involvement, Protest, Facebook, Twitter, Instagram*

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### Introduction

One major pillar of a democratic state is political participation. Unfortunately, in Nigeria there is low level of political participation of electorates (Agu, 2015). Political participation refers to the involvement of the citizens of a country in the formulation and implementation of policies for their governance, and the participation in the choice of their leaders (Ikenwa, 2019). Political participation is actual participation in voluntary activities by which members of a society share in the selection of rulers, and directly and indirectly, in the formulation of public policy' (Falade, 2014). Voting during elections, involvement in campaign, attending rallies, holding political offices, government action, protest/criticism and petitions, contesting elections, supporting candidates during elections etc. are all forms of political participation.

Political participation of the citizenry in a democracy among other things act as check on elite power, prevents the rise of civil oligarchies and helps the electorates in having a stake in the collective endeavour of the people. Democratic capacity is built and political equality is achieved when citizens participate in the political process (Ikenwa, 2019). Citizens' participation

has a positive effect on the quality of democracy. The people get a sense of belonging in liberal democracies when they actively participate in the political process, thus giving credence to the utilitarian philosophy of 'greatest happiness of the greatest number (Parvin, 2018). All these would reduce agitation of marginalisation and other violent agitations which create instability politically, socially and economically.

Citizen's democratic involvement is a crucial component of modern democracies and democracy cannot function without it (Verba, 2003). According to Lijphart (1997), if some groups of citizens have a greater say in the selection of leaders than others, the gap between citizens and political elites might become even greater. Unequal representation creates a vicious circle of inequalities, thus widening the gap of inequality further'. Crises in most part of the world including Nigeria could be attributed to such inequality gap.

The consequences of low participation in a democracy are enormous. Ejue and Ekanem (2011), Adetoro and Omiyefa (2017), identified vote buying, political gangsterism, lack of patriotism, youth restiveness as some of the aftermath of non- participation in democratic process. Verba and Nie (1972) opined that democracy is absent, 'when few participate in decision making'.

Some of the reasons adduced for poor political participation in Nigeria democratic system include dissatisfaction of the electorates due to failed promises by politicians, lack of political trust, socio-economic factors, gender inequality, income level, disillusionment with the political system and failure of government to take advantage of the internet in online political participation. In order to stem the steady decline in electoral participation in Nigeria, Agu (2015) and Osondu (2014) suggested political education, respect of politics, adequate constitutional provision, citizen mobilisation etc.

It is against this present background that social media marketing can be used to assuage the situation of low political participation in Nigeria. Reliability, consistency, social interaction, interactivity, instantaneous features, reaching customers easily, reduced cost, visibility etc are some of the inherent benefits of social media marketing which are not found in the traditional marketing media.

From products and services marketing to "idea distribution", social media have permeated marketing landscape in such a fashion that it is now indispensable to the survival of marketing operation (Nick, Robert and Catherine 2011). The old practice of one way communication is no longer feasible. Interaction is now a two-way communication giving rise to real time and user communication.

Social media application have cut across diverse disciplines and endeavours like advertising, public relations, strategic communication and political communication. Today, the influence of social media usage in politics cannot be over-stressed and in the words of Stieglitz Dang-Xuan (2013), it has the potential of positively influencing political participation.

Although, the traditional media outlets are still prevalent in business and political marketing, the social media have become a veritable tool for political participation, sought after by politicians all over the world. Cases in point are the 2011/2015 national elections in Nigeria, Barak Obama 2008, 2012, presidential elections in the United States; 2013 Narendra Modi election in India and 2010 national election in the Netherlands to mention just a few.

In this era of social media usage, marketing could not afford to be left behind! Marketing has got its latest platform to connect with consumers, engage them in interactions and ultimately utilize these platforms for achieving organisational objectives. In the same way politicians have cashed into this opportunity by using different media sites to connect with their followers and other common people in order to propagate their views, disseminate information and engage with political discussion, among other topics.

Political parties and politicians can use social media to bypass media and communicate directly with voters through websites and social media platforms such as Facebook and Twitter. 'But despite the potential for closer connections with voters, political parties and politicians are only reluctantly taking advantage of the interactive and social aspects of social media. Loss of control, limited time and resources are supposedly some of the reasons why parties are hesitantly using new digital communication tools (Klinger, 2013; Luders, Folstad & Waldul, 2014).

Marketing tools have always been used to solve political problems. Kotler (2010) defined marketing as the "social and managerial process by which individual and organizations obtained what they need and want through creating and exchanging value with others". He explained that the basic tools firms use to observe organizational success should include the four (4) Ps, of which each has the ability to give customers the satisfaction at different times. The product in politics includes promises and favour conveyed by the aspirant/political parties. The price is electoral support, and voter is the customer. Promotion includes advertising, electronic Word-Of-Mouth (eWOM) (celebrity endorsement, public relations and other campaign activities (Schafferer, 2006).

Therefore, the application of marketing communication tools in the political arena, gives political parties, politicians and individuals the required edge over others in a political contest. In the case of Nigeria, the applications of marketing principles (political marketing) in the political arena have become useful in solving problem of political participation by the electorates.

Social media sites allow users partake in their political believes, support a specific candidate and interact with other political issues. Facebook, Twitter, Instagram, Blogs, YouTube etc. are some of the Social Network Sites (SNSs) that have been used for political participation, creating awareness and mobilization of the citizenry to achieve political goals. Effing, Hulbers and Hillegersberg (2011) contend that social media is the most influential factor in the political realms in different countries and it is "positively associated with citizens' political participation". Social media use in politics refers to the use of online social media platforms in political process and activities, ([www.wikipedia.com](http://www.wikipedia.com)). Oseni (2015) agree with Effing et al.. (2011) that social media have emerged as an important means of electioneering and the policing (defending) of election results.

Social media is a platform that let individuals and organisations participate in social networking. Posts are shared on various social media platforms to improve business visibility. In this era, social media is the best source for news updates, marketing, education and entertainment.

In Nigeria, the process of having an active citizens' participation in politics is still at a



low-ebb partly because of our political culture that is parochial instead of participatory.

Political participation in Nigeria dates back to the 1922 Hugh Clifford's constitution which introduced elective principle into Nigerian politics which led to the formation of political parties. It is worthy of note that the principle of election was only limited to four Nigerians out of the 10 elected members in the legislative council of 46 members. One member represented Calabar and three represented Lagos. Universal adult suffrage was absent as women were disenfranchised. Only male adults that have resided in Nigeria for 12 months on a gross income of E100 were eligible. Today democracy is a far departure from the erstwhile colonial government. There is universal adult suffrage and expectedly full citizens' participation. But unfortunately, the level of citizen participation is still relatively low. The traditional marketing communication practices have not yielded the required dividends in terms of the number of participants; hence social media marketing tools/platforms are beginning to be seen as veritable solution to fill this gap. Here again is the issue of low internet penetration in Nigeria, thus reducing the potentiality of youths' engagement in political activities (Effing, Hulbers & Hillegersberg, 2011).

### **Statement of the Problem**

The Nigerian political system is bedevilled by low level of participation by the citizenry. Citizens are becoming averse in performing their civic obligations which are encapsulated in the 1948 Universal declaration of human rights by the United Nations. Voting in elections, involvement in political campaigns and carrying out protest and demonstrations have been abandoned by the citizenry, thus creating a situation where the future and progress of democracy is left in the hands of few individuals who manipulate the political system for their selfish purposes.

The dangers of not participating in political activities have led to the enthronement of poor and inept leadership that can hardly steer the ship of the nation to enviable height. Worst still, the electorates are left without a voice in the political process, thus making them mere canon folders in a democracy. The economy bears the brunt of poor leadership which might snowball into political crises like thuggery, riots, arson, loss of lives and properties, general insecurity and military take-over of government. Such crises have the tendency to overwhelm government of the day as experienced in Nigeria and other African countries.

Interestingly, electronic revolution has led social media being the end of all communications, thus prompting some questions as to the efficacy and influence of social media marketing on political participation of electorates across the globe.

Today, social media marketing is at the core of marketing activities because of its overriding advantages over old media in terms of speed, economy, interactivity, accessibility, connectivity etc. Facebook, Twitter, Instagram, Youtube, My space and so on have been used as platforms for political participation in most parts of the world.

In spite of the far-reaching benefits of social media, social media marketing have not been pervasive in its usage for political participation by the electorates in Rivers State, Nigeria. From available statistics, out of over 84 million registered voters in Nigeria, only 34.75% voted in the 2019 general election. In Rivers State, save for the violence witnessed, 21.0% of voters voted out of above 3 million registered voters (INEC, 2016). Comparatively in the United States

of America, in 2018, 153.07 million voters registered and 50.3% voted. In Germany also, out of above 61 million registered voters in 2018, more than 46 million voted. In the case of South Africa, 65.99% of 26 million voters voted. This poor scenario may not be unconnected with limited internet penetration and social media access, poverty and computer literacy among others in Nigeria.

Again, aside from the obvious importance of social media as a technological platform, it have been perceived as spreading fake information (news), propagating hate speeches, lacking control and regulation etc. The above foregoing has deepened the divergence among scholars as to the relationship between social media and electorates' participation in politics.

While Groshek and Dimitrova (2011); Zhang, Johnson, Seltzer and Bichard (2010), found no significant relationship between social media and political participation, Boulinne (2009), Dalrymple and Scheufele (2007), Tolber and Mc Neal (2003) contend that social media have significant relationship with political participation at least during election. In the same vein, Bimber and Copeland (2013) admit that digital media use is positively related to political participation.

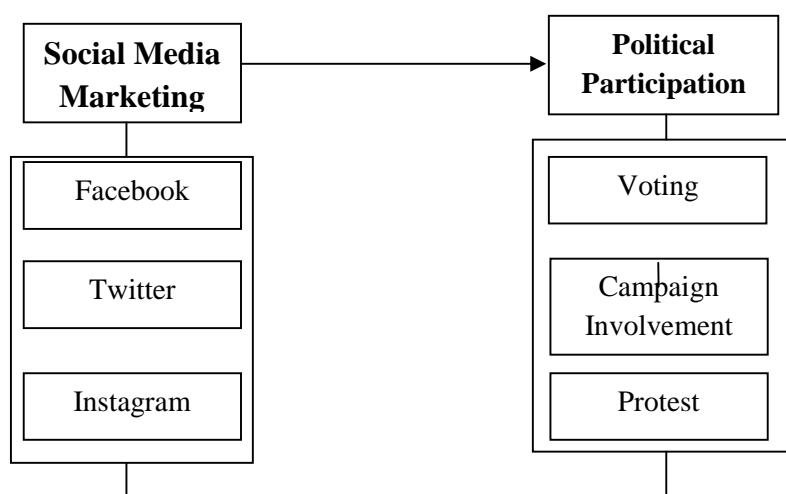
Expectedly, social network sites (SNSs) could be used to transform social relations since they have the potential to be used as important political tools. SNSs connect large number of people irrespective of "space and time". The internet, therefore increases political engagement and strengthen democracy, (Anabel, Alexandra & Tower 2011; Antoci, Sebastine & Sodin 2011; Jarreth, 2008; Evan-Cowley & Hollander, 2010).

A lot of academics literatures have been written on social media marketing and political participation of electorates in recent past. For instance, Ayankoya, Cullen and Cautz (2014) in their study on social media marketing and politics observed that the use of social media in political campaign in South Africa indicate that the respondents utilises the internet, mobile technologies to evoke voting and participation. Ahmad, Alvi, Ittefaq (2019) in their study on the use of social media on political participation among university students in rural Pakistan, looked at the relationship between social media marketing and political efficacy, real media life participation and online activities. The work of Nnanyelugo and Nwafor (2013) on social media and political participation in Nigeria during the 2011 general elections espoused the short comings of social media but also accepted that it made vital input in political discourse.

Although, some literatures on social media marketing and political participation contend that there exist a relationship between social media and political marketing while others disagree. It is these mixed and inconclusive postulations by different authors that this study attempts to verify in Rivers State, Nigeria.

Again and most importantly is enormous literatures on social media and political participation have centred on communication and political science perspectives; none that is known to the author is on social media marketing and political participation in Rivers State, Nigeria, thus the gap of this study.

### Conceptual Framework



**Figure 1: Conceptual Framework on Social Media Marketing and Political Participation**Source: Verba, S. & Nie, N. H. (1972) participation in America: Political Democracy and Social Equality and encyclopadia.com (2019).

### Objectives of the Study

The objective of this study is to empirically investigate the relationship between social media marketing and political participation in Rivers State, Nigeria. In line with this general objective, the following specific objectives are proposed namely to

1. To determine the effect of social media usage on voting in elections in Rivers State.
2. Examine the relationship between social media usage and campaign involvement in Rivers State.
3. To ascertain the influence of social media usage on protest in Rivers State.

### Research Questions

In view of the objectives of the study, the following research questions are stated below:

1. How does social media usage affect voting in elections in Rivers State?
2. To what extent does social media usage relates with campaign involvement in Rivers State?
3. How does social media usage influence protest in Rivers State?

### Research Hypotheses

Using the conceptual framework and the research questions as the backbone to the study, the following relevant research hypotheses are stated below:

1.  $H_{01}$ : There is no relationship between social media usage and voting in elections in Rivers State.

2. H<sub>02</sub>: Social media usage has no relationship with campaign involvement during elections in Rivers State.
3. H<sub>03</sub>: There is no significant influence between social media usage and protest in Rivers State.

### **Review of Related Literature**

This section critically reviewed extant literature on the concept of social media marketing and political participation.

### **Theoretical Review**

We looked at the relevance of three theories on this study: technology determinism, Source credibility theory and Uses and gratification theory.

Technological determinism theory is a reductionist theory that aims to provide a causative link between technology and a society's nature. The theory questions the degree to which human thought or action is influenced by technological factors. Thorstein Veblen popularised the theory of technological determinism. Langdon Winner provided two hypotheses for the theory: (1) technology of a given society is a fundamental influencer of the various ways in which a society exists and (2) changes in technology are the primary and most important source that leads to change in the society.

Source Credibility Theory (SCT) on the other hand, is a "term commonly used to imply a communicator's positive characteristics that affect the receiver's acceptance of a message." SCT became relevant during the Second World War II, when the United State government sought to use propaganda to influence public opinion in support of the war effort. It is part of the theories of persuasion and social judgement. Carl Hovland, Jenis and Kelly in 1963 are associated with the theory of source credibility theory. The SCT is an established theory that explains how communication's persuasiveness is affected by the perceived credibility of the source of the communication. Source credibility arises from how the public view or perceive a speaker.

Source credibility theory has been used by candidates in political campaign to influence the attitudes and opinions of voters. A candidate's credibility is important in determining the effectiveness of political advertising. It is also used in endorsements by celebrities attempting to use their status to influence voters.

This research work is anchored on Uses and Gratification (UGT) theory, which is an approach to understanding why people actively seek out specific media to satisfy needs. The UGT is an offshoot of Abraham Maslow theory of hierarchy of needs. Uses and gratification theory focuses on "what do people do with media?" It postulates that media is a highly available product and the audiences are the consumers of the same product. The overriding question on UGT is: why do people use media and what do they use them for? The theory discusses how users deliberately choose media that will satisfy given needs and allow one to enhance knowledge, relaxation, social interaction/companionship etc. Audience are not passive consumers of a media, rather they have power over their media consumption and assumes an active role in interpreting and integrating media in their own life. It therefore implies that the

media compete against other information sources for viewers' gratification. The UGT is based on the following assumptions:

- a) The audience is active and its media use is goal directed
- b) The media compete with other resources for need satisfaction.
- c) Value judgements of media content can only be assessed by the audience

UGT has been applied in mobile phone usage, internet usage, social media usage, friends-networking sites (Facebook, Twitter, Snapchat etc) and other applications, wikipedia.com.

### **The concept of Social Media Marketing**

Social media marketing is the activity of driving website traffic through social media sites. Social Media Marketing (SMM) is a form of internet marketing that utilizes social networking websites as a marketing tool, Nwokah & Gladson-Nwokah (2015). Social media marketing makes use of social media sites to promote products and services. Social media sites are useful for building social (and business) networks and for exchanging ideas and knowledge, (www.innovationpie.com). Marketing definition has been broadened to include "idea distribution" which makes it imperative to use marketing tools, techniques and strategies in the marketing of political candidates. American Marketing Association (AMA) in its redefinition of marketing in 1985 says that marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational objective.

Social media has been defined by Marrian Webster as forms of electronic communication (such as websites for social networking and micro blogging) through which people create online communities to share information, ideas, personal messages, and other contents.

Social media rely heavily on web 2.0 which is a term used in 2004 to describe a new way in which software developers and end users started to utilize the World Wide Web; that is as a platform where content and applications are no longer created and published by individuals, but are continuously modified by all users in a participatory and collaborative fashion (Kaplan & Haiehlein, 2010). Web 2.0 allows the creation and exchange of user-generated content. It enhances creativity and knowledge exchange. Social media is a platform that allows people to participate in social networking. Post are shared on various social media platforms to improve business visibility. According to Nick et al. (2011) social media is described as the democratization of information, transforming people from content readers to content publishers.

Social media marketing uses podcasts, wikis, blogs, online video, photo sharing, news sharing and social network sites to reach a large or targeted audience. Facebook, Twitter, Instagram, YouTube, Pinterest, Myspace etc are some of the social media platforms used in political processes and activities.

### **Facebook and Political Participation**

Facebook since it was founded in 2004 is one of the most utilized social networking sites. It has grown from being a high school and college network to one of the most globally popular Social

Networking Site (SNSS). In terms of politics, Facebook has become a platform for a wide range of political activities (Earl & Kimport, 2011; Ward, 2012). Some researchers have found a positive relationship between social media use and civic and political participation (Gil de Zuniga, Jung & Valenzuela, 2012; Piugl-Abril & Rojas, 2009; Valenzuela, Park & Kee 2009). As at April, 2011, Facebook has approximately 600million registered users and according to market researcher Ray (2009), social media usage among millennial is popular almost in all parts of the globe. Michausen (2011) admit that political parties and politicians in Pakistan have very active social media accounts to disseminate information for social media users and voters. Facebook is the most used network among youth for political information than other social networks like Twitter. Compared with e-mail, Facebook played prominent role in online and offline political participation in Pakistan. Schmiemann (2015) examined social media networks and political participation and concluded that Facebook content shows a positive relationship regarding political participation. Verba (2012) found that 39% of adults in the United States used social media, and one out of every eight adults used social media for civic and political purposes.

Facebook is one of the most significant platforms for online users to discuss politics and participate in politics offline. In 2015 general election in Nigeria, there was massive use of social network sites Facebook, Twitter, YouTube, Blogs. This was made possible because of the participatory nature of these platforms for political campaign organization, electioneering crusades, ideological trumpeting exercise and voters' manipulation. Facebook was massively used in the Arab spring of 2011.

In 2018, Nigeria had 22.4 million internet users and in 2019, 24million. Social network users were approximately 29.3 million users and it was projected to grow to 36.8 million in 2023. According to Statcounter Global Statistics in 2018 by pulse, 78% of the entire population of over 200million use Facebook, 19.64% use Twitter, Pinterest 9.84%, Instagram 8.9%, YouTube 1.87% while LinkedIn was 0.27%. Whatsapp is the most active social media platform in Nigeria with 85% users. Facebook has about 20, 530,000 million users in Nigeria in 2019. Most users of Facebook are within the youthful age bracket of 25-34 and there are more men than women users.

Social media sites such as Facebook allow users to partake in their political belief, and support a specific candidate's interest with other political issues. Social media is different to traditional media because of its capacity to send messages from many to many, in real time or chosen time, and the possibility of using point- to-point communication. Ekweme and Folarin (2017) agree that social media site like Facebook played a major role in mobilizing people, creating awareness as well as participation and circulation of information about candidates.

Former United States President Berate Obama used 15 social media sites to run his campaign and systematically linked the online community to offline activities such as fund raising. Obama's election, Segolene Royal French election, Indian Prime Minister Election in 2012, Kenya election in 2013 and 2010 national elections in the Netherlands were all linked to social media usage.

According to available information, the 2012 election in the US was heavily discussed on Facebook. Facebook invite users to express political opinion or share political news. It also aligns itself to broader repertoires of self-expression and lifestyle values.

### **Twitter and Political Participation**

Jack Dorsey, introduced the idea of an individual using a message service to communicate with a small group in March 21, 2006. Twitter was launched as an SMS based communication platform, <https://store.tutorialspoint.com>.

After 2006, twitter increasingly gained global popularity, with over 319 million users from 2016 upwards, generating millions of tweets daily and accommodating 1.6 million search queries per day (Daniel, 2016). Twitter since its launch has become one of the most visited sites on the internet. It enables its users to make short posts about anything, but users are limited to only 140 characters in length and are single SMS message. Twitter enables firms to advertise their products on individual level, politicians to project and have followers, celebrities to be endorsed etc.

Obama's election in the USA and Donald Trump's victory at the polls can be linked to the use of Twitter. Trump had almost 10 million Twitter followers compared to Hillary Clinton's seven million in 2016.

Twitter has acquired significance in political campaigns and it sustains more than 328 million monthly active users across the world. Twitter is a user-friendly tool for politics and political campaign (Ahmed, Lodhi & Shahzad, 2011). Twitter has been useful in aiding exchange of information between candidates and electorates. It helps citizens to be informed and influence their political choices, attitudes, beliefs and behaviour towards certain candidates.

Twitter is a free micro blogging service that allows registered members to broadcast short posts called tweets. Twitter members can broadcast tweets and follow other users' tweets by multiple platforms and devices (Wikipedia, 2016).

Twitter offers us an update of things we know happen to be doing at a particular point in time.

Bartlett, Alex, Daniel, Fisher and Jaspersen (2015) claimed that in 2015 general election in Nigeria, "twitter was ten times more active over the election period than at normal time". Political twitter users are more interested in and engaged in politics in general and less trusting to mainstream media.

Bode and Dalrymple (2014) assert that "Twitter increasingly performs the agenda setting function in politics once dominated by television". Television or, at least televised news now follows the lead of Twitter (Ott, 2017). Twitter, as microblogging platform and by its interactive structure, not only facilitates communication among its users but has contributed to political participation.

Twitter has been around since 2006 but between 2008 and 2012 elections, Twitter became a driving force for political mobilization participation in the United States. In the 2011 Arab spring, twitter was handy in the amplification of messages during the protest.

### **Instagram and Political Participation**

Instagram is an American photo and video-sharing social networking service owned by Facebook, Inc. It was created by Kevin Systrom and Mike Krieger in October 2010, [wikipedia.com](http://wikipedia.com). Instagram is a free, online photo-sharing application and social network platform and was acquired by Facebook in 2012. It allows users to edit and upload photos and



short videos through a mobile app. Users can add a caption to each posts and use hashtags and location-based geotags to index the post and make them searchable by other users within the app.

As with other social networking platform, Instagram users can like, comment on and bookmark other posts, as well as send private messages to their friends via the Instagram Direct feature (www.lifewire.com, 2019). Instagram has around 200 million users in 2010. According to Statcounter Globalstats, Nigeria has about 8.9% Instagram users. Instagram Questions introduced in 2018 allows users to answer questions posted by their followers while Instagram Direct allows you to share photos, videos, hashtag pages, profiles and locations with a single person or small group of people (up to 15 people) right from a user's news feed. Parmelee and Nataliya (2019) found out that information/guidance motives are the most important for following political leaders on Instagram, with social utility being the next highest motive. Instagram is growing in political importance (Parmelee & Nataliya, 2019). At 400 million active users, Instagram is the second largest social media sites ahead of Twitter and behind Facebook, Alhabash & Ma (2017). During the 2016 US presidential election, all major party candidates during the primaries and general election actively used Instagram to further their message, Duffy (2016); Sander (2015). Internationally, leaders in more than 70% countries in the United Nations have an Instagram presence (Burstion-Marsteller, 2017). Politicians could use demographic factors, ideology, interest in politics, and trust in government to tailor their uses of Instagram based on the political attitude and demographic makeup of the groups they wish to influence. According to Otoms (2018), Instagram account was used in 2017 Indonesia election as a political campaign tool. In addition Instagram usage also had positive impact that reduced the cost of political campaign. There are indications that USA politicians are turning to Instagram ahead of the 2020 election targeting the millennial (www.ft.com). In Germany Instagram is the second largest social media platform after Facebook. It has been argued that though Instagram did not contribute to the victory in German election, it was widely used by politicians between 2017 and 2019.

### **Concept of Political Participation**

Political participation is a concept in political science and political marketing. Political participation is loosely defined as citizens' activities affecting politics.

Xie and Jaeger (2008) see political participation as "behaviours aimed at shaping governmental policy either by influencing the selection of government personnel or by affecting their choices." Other authors define political participation as "voluntary activities by which members of a society share in the selection of rulers and directly or indirectly in the formation of public policy," (Verba, Nie & Kim 1978). In sum, political participation simply means that a person is participating in the political process by making his or her opinion and beliefs known. It is often used to describe an action taken by a citizen to influence the outcome of a political issue.

There are various forms of political participation namely: voting in elections, involvement in political (election) campaign, protest over government policies, participating in consultations like town hall meeting, signing petitions, donating money to a cause, holding a

public official position, taking part in public debate, engaging in political parties and association, and civil disobedience etc. Political participation is one of the cardinal pillars of a democracy from the Athenian era to the present time. As an essential part of democracy, political participation is an antidote against tyranny, oppression, bad government, poor leadership etc which are bane of African democracy. In the words of Joseph de Maistre a French publisher said in a democracy, “every country gets the kind of government it deserves.” This is a direct reference to political participation and voting in elections in particular. This explains why citizens’ participation in a democracy is a panacea to good government. Traditional and new media are used to evoke political participation in both developed and developing countries.

### **Voting as a measure of Political Participation**

Voting is the most important form of political participation. To vote means to cast a vote or to assert a formalised choice in an election. Voting allows for more peoples view to be represented than any other activity. Voting right is a political and civic right of citizens at elections. The right is guaranteed by the universal declaration of human right of 1948. To vote in an election has some requirements – age, registration, voters’ card etc. In order to participate in an election, citizens must be registered by an electoral body.

In Nigeria, the conduct of elections is handled by an agency known as the Independent National Electoral Commission (INEC). Voting in Nigeria began since 1922 when the Clifford constitution came into being. New media and technology, such as social network sites, blogs and online campaign donations have provided new avenues for political participation. Voting in election may be manual or electronic. People vote for candidates based on party affiliation, manifesto, ideology and belief. According to Nkwede (2019), voting is the fulcrum of political participation in liberal democracies. Voters vote because of the inherent or expected benefits from a candidate.

Voting is the legal, political and social mechanism through which the citizens are able to express their participation in elections, exercise their interest and needs to their leaders (Bassey & Samuel, 2011). It is the only singular act through which people would participate in the political process. Voting is a kind of preference for a political candidate. Voting can also be done on issues like referendum and plebiscite. Voting is a fundamental right of citizens. In Nigerian constitution the right to vote and be voted for is enshrined. Voting is a key ingredient to ensure a credible election.

### **Election campaign as a measure of Political Participation**

Collins English dictionary defines election campaign as “a time when a politician or partytry to persuade people to vote for them.” A political campaign is an organised effort which seeks to influence the decision making process within a specific group.

In democracies, political campaigns are often referred to as electoral campaign, where representatives are chosen or referendum decided (Abizadeh, 2005). Political campaign is one of the forms of political participation. Election campaigns (political campaigns) are carried out for nomination (primary election) of candidates and general elections. In a general election, the chosen party candidate contest with candidates from other political parties. A political party is

an organized group of persons, sharing the same ideology and working to control the machinery of government through periodic elections.

Electoral campaign is part of political participation and it is accompanied in most cases by candidates' debates. Debates are an important element of a general election, allowing candidates to answer questions on policy and prior decision.

Campaign message contains ideas that the candidate wants to share with the voters. It is to get those who agree with their ideas to support them when running for a political position.

The crafting of political campaign messages does not assure the candidates' victory, wikipedia.com. Political advertising and propaganda are part of political campaigns. There are rules and regulations governing election campaigns which are set by the electoral body.

Today, the internet is now a core element of modern political campaigns. Facebook, twitter, Instagram, blogs etc are some of the social network sites (SNS) used for election campaign. These social media platforms have helped to drive political campaign to reach a wide audience in split seconds. Barack Obama used internet medium in the 2008/2012 general elections in the USA. Same for Donald Trump in 2016, Jonathan Goodluck 2011, Mohamadu Buhari election in Nigeria and in other parts of the globe. Recent political campaigns have been both online and the use of traditional media. All these campaigns brought the use of internet on various social media to the spotlight.

Election campaigns are the means by which candidates and political parties prepare and present their ideas and positions on issues to the voters in the period preceding elections day, ([www.datainitiative.com](http://www.datainitiative.com)). Social media campaigning has grown into a very attractive means of reaching out to potential voters, [www.whatargets.me/en/](http://www.whatargets.me/en/).

### **Protest as a measure of Political Participation**

A protest or demonstration is an expression of bearing witness on behalf of an express cause by words or actions with regard to particular events, policies or situation (Eesuala, 2015).

Protest can take many different forms, from individual statements to mass demonstrations. Protests or demonstrations are means of holding dissents or expressing discontent through public matches. It is a form of political participation. Civil disobedience, non-violent resistance, vigil march, rally or demonstration, strike, boycott, petitions, riots, etc are all forms of political participation in a democracy. Protest though never been a new phenomenon in human history has continually increased in the global scene today. Protest is a form of political participation. Protest refers to expression of dissent, ventilation of anger or resistance against a particular phenomenon. Resistance, revolt, uprising and strike are equally related to protest because they are all contentious activities on the part of some people making some claims. According to Eesuola (2015) election which is the most common form of political participation is ritualistic and periodized, and citizens often have no choice than to follow the rituals and periodization before they can achieve any political or social changes. This explains why protest is inevitable.

Protest demonstration is fast becoming an entrenched symbol of political participation amongst all nations of the world. It is perhaps the most used means of participation now, probably because it does not have age or gender restrictions and demand no known protocol

(Eesuola, 2015).

Protest may be violent or non-violent. Protests are used to influence government decisions on a policy or support governmental causes. Protest demonstrations are means of participation in politics at the macro-level. Demonstrations are usually physical gatherings, but virtue or online demonstrations are certainly possible.

### **Social Media Marketing and Political Participation**

Gunelius (2011) posited that social media marketing is “any form of direct or indirect marketing that is used to build awareness, recognition, recall, and action for a brand, business, product, person, or other entity and is carried out using the tools of the social web, such as blogging, micro-blogging, social networking, social bookmarking and content sharing”.

Kotler, Amstrong, Wong and Sanders (2008) describe social media marketing as a social and managerial process by which individuals and groups obtain what they need and want through social networking.” Social media usage has been facilitated by web 2.0. Web 2.0 brought an “unprecedented change in the online users’ behaviour (Chan & Guillet, 2011). Twenty first century web sites are collaborative, interactive, vibrant and dynamic construct on web 2.0 according to the needs and demands of users. Social media marketing is now integrated to organizations’ marketing communications plans. Integrated marketing communications is a practice organization follow to connect with their target markets.

New digital technology, including social media, creates a new paradigm in political campaign. Movements powered by the social media have toppled governments and helped others to win elections, giving it a role in the new generation of political marketing campaigns (Anyankoya, et al., 2014). Barak Obama, election in 2008/2012, Donald Trump’s, elections in the USA, Arab Spring, Kenya 2013 election, 2011 election in the Netherland, 2015 election in Nigeria, Indian Prime Minister elections are cases where social media marketing have been used. Election is a key ingredient in political participation. Researches have it that there exist significant relationship between social usage and political participation in developed and developing nations.

Social media marketing and political participation have again brought political marketing to the fore: an area that is less discussed in marketing. The focus of political marketing is to “market values, ideologies and candidates of a political party in contrast to the conventional marketing of products and services in commercial organization, Baines (2012). Social media have been used in political context in a variety of ways: building relationships, campaign organization and communication, political engagement and political crowd sourcing, (Ayankoya, et al., 2014). Social media have changed the way in which political communication take place globally. Politicians, political parties, institutions are all using social media platforms like Facebook, Twitter, Instagram etc to communicate with and engage voters. In this present century, social media have shown a positive relationship between offline and online political participation, (Boulianne, 2015; Skoric, Zhu, Goh & Pang, 2016).

The potential of political parties to connect, communicate, mobilize, fundraise and affect the news agenda through social media are some of the strategic reasons why political parties are increasingly performing online politics (Johnson, 2011).

Voting, involvement in electioneering campaign, protest, town hall meeting, donating to a political party, holding public official position, boycott etc are all forms of political participation.

### **Empirical Review**

Taufiq, Ahmad and Muhammad (2019) studied the use of social media on political participation among university students in rural Pakistan. The study adopted correlation method and found out that majority of the students use social media for political awareness and information. In addition, the authors found that political efficacy is significantly based on online political participation. The findings reveal that online political activities strongly correlate to political awareness and offline political participation.

Okolo, Ugomma and Obikeze (2017) studied the effects of social media in the marketing of political candidates in Nigeria. The study used simple percentages, Pearson Moment Correlation Coefficient and Regression analysis. It was found from the study that there is a significant positive relationship between usage of Facebook as an awareness media tool and projection of a political candidates' image in Nigeria. The study concluded that social media serve as credible tools and are capable of influencing the image of political candidates in Nigeria. The study therefore recommended that political candidates should carefully plan and execute communication strategies using various social media tools, so as to enjoy fully the benefits of the social media tools.

Ayankoya et al. (2014) investigated the use of social media in political campaigns with reference to South Africa. Correlation analysis was used in the study and it was found that the respondents utilize the internet, mobile technologies and social media in the social media strategy of the political party. The findings of the study show that there might be a mismatch between the perception of the people and the way the politicians and political parties in South Africa are using social media. This would imply that there are yet untapped opportunities for the use of social media for politics in South Africa. It was suggested that managers of political campaigns need to align the choice of media to the market segment. They need to integrate social media with traditional marketing methods.

Stieglitz and Dang-Xuam (2014) study on social media and political communication used qualitative method of analysis to propose a methodological framework for social media analytic in political context. It summarizes most important politically relevant issues from the perspective of political institutions and corresponding methodologies from different scientific disciplines.

Okoro and Nwafor (2013) studied social media and political participation in Nigeria during the 2011 general election. The study examined the experiment of social media use for political participation in the country during the 2011 general election. It was found that whereas many used the technology to make vital input in the political discourse, others used it to attack opponents, spread false rumours, hate and inciting messages which were believed to have contributed in the violence and tensions witnessed before, during and after the elections in many parts of the country.

The study used survey research design. The research work recommended urgent review

of the various media law to addresses the peculiar technicalities involved in monitoring and moderating the use of different social media platforms.

### **Gap in Literature**

Adegbola and Scherice (2019) examined the relationship between media use and political engagement: a comparative study among the United States, Kenya and Nigeria. Taufik et al. (2019) studied the use of social media on political participation among university students in rural Pakistan while Okolo, et al. (2017) study was on the effects of the social media in the marketing of political candidates in Nigeria. Anyankoya et al. (2014) studied social media marketing in politics of South Africa. Okoro and Nwafor (2013) study examined the role of social media during the 2011 general election in Nigeria to discover the lapses and lessons to be learnt.

In all these published works, none is on “social media marketing and political participation in Rivers State, Nigeria”. This research work because of its specificity to Rivers State closes the existing literature gap in this area of study.

### **Methodology**

This study adopted a causal investigation to establish the relationship between social media marketing and political orientation in Rivers State Nigeria. The cross sectional study involves a study at a single time. This study involved the collection of standardized information from a sample selected from a population.

Our target population is the number of registered voters in Rivers State. According to Independent National Electoral Commission (INEC), the total number of registered voters in Rivers State for the 2019 general election is 3,215,273. There are 23 local government areas in Rivers State. According to Krejcie and Morgan (1970) table, a population that is above one million has a sample size of 384. Using Taro Yamen sample determination formular

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

n = sample size

N = number of people in a population

e = allowable error (%)

The calculation yielded 399.9 as the sample size. Based on Krejcie and Morgan (1970) table, and Taro Yamen calculation, we chose 400 persons as our sample size for easy computation. The sample size includes politicians and electorates in Rivers State. The sample was selected using simple random sampling method.

The study adopted face, content and construct validity measures. Our measuring instruments were given face, content and construct validity by senior, Ignatius Ajuru University of Education where copies of our questionnaire were given for vetting. Based on their responses the final questionnaire items were prepared and administered. The reliability of the

instrument underwent two stages. The first stage was done before the collection of data while the other was done after the collection of data. This is to ensure a proper data quality of our research instrument. Comments were received and corrections made. Later the new instrument was given to 5 staff of the INEC, Rivers State.

The questionnaires were distributed to all the 23 local government areas and senior staff of INEC. Five point Likert scale was used. The researcher made use of secondary data which include data from academic articles in referred journals, relevant textbooks and the internet. Questionnaire was the major instrument of data collection. It was not possible to get the number of social media users in Rivers state except for the entire country. However, the essence of our questionnaire is to provide answers to such information. Five senior staff of INEC, Rivers state was given the questionnaire for the commissions' contribution to the research instrument. The essence of this process was to ensure test, re-test reliability.

All the items were found to be reliable having exceeded the threshold of 0.7. The composite Crumbach Alpha coefficient of 0.95 also indicates that the instrument is highly reliable. This implies that the instrument can be used for further analysis. Out of the 399 questionnaires administered, 340 were retrieved giving a response rate of 85%. The mean criteria were based on a 5 point-Likert scale.

The next section shows data analysis and the result from the study.

## **Data Analysis and Result Presentation**

### **Testing of Hypotheses**

The hypotheses were tested using the statistical tool of Pearson Product Moment Correlation Coefficient (PPMC) at the significance level of .05.

**Research Hypothesis 1:** There is no relationship between social media usage and voting in elections in Rivers State.

**Table 5: Testing of Hypothesis 1**

		Correlations				
		Item 12	Item 13	Item 14	Item 15	Item 16
Item 12	Pearson					
	Correlation	1	.572 **	.066	.763 **	-.007
	Sig. (2-tailed)		.000	.225	.000	.903
	N	340	340	340	340	340
Item 13	Pearson					
	Correlation	.572 **	1	.466 **	.470 **	.567 **
	Sig. (2-tailed)	.000		.000	.000	.000
	N	340	340	340	340	340
Item 14	Pearson					
	Correlation	.066	.466 **	1	-.051	.788 **



	Sig. (2-tailed)	.225	.000		.348	.000
	N	340	340	340	340	340
Item 15	Pearson					
	Correlation	.763**	.470**	-.051	1	.020
	Sig. (2-tailed)	.000	.000	.348		.718
	N	340	340	340	340	340
Item 16	Pearson					
	Correlation	-.007	.567**	.788**	.020	1
	Sig. (2-tailed)	.903	.000	.000	.718	
	N	340	340	340	340	340

**\*\*.** Correlation is significant at the 0.01 level (2-tailed).

Source: SPSS version 23 Output.

**Research Hypothesis 2:** Social media usage has no relationship with campaign involvement during elections in Rivers State.

**Table 6: Testing of Research hypothesis 2**  
Correlations

		Item 17	Item 18	Item 19	Item 20	Item 21
Item17	Pearson					
	Correlation	1	-.054	.666**	.358**	-.025
	Sig. (2-tailed)		.319	.000	.000	.641
	N	340	340	340	340	340
Item18	Pearson					
	Correlation	-.054	1	.423**	.041	.701**
	Sig. (2-tailed)	.319		.000	.456	.000
	N	340	340	340	340	340
Item19	Pearson					
	Correlation	.666**	.423**	1	.494**	.460**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	340	340	340	340	340
Item20	Pearson					
	Correlation	.358**	.041	.494**	1	.015
	Sig. (2-tailed)	.000	.456	.000		.781
	N	340	340	340	340	340
Item1	Pearson					
	Correlation	-.025	.701**	.460**	.015	1
	Sig. (2-tailed)	.641	.000	.000	.781	
	N	340	340	340	340	340

**\*\*.** Correlation is significant at the 0.01 level (2-tailed).

Source: SPSS version 23 Output.

**Research Hypothesis 3:** There is no significant influence between social media usage and protest in Rivers State.

**Table 7: Testing of hypothesis 3**

		Correlations				
		Item 22	Item 23	Item 24	Item 25	Item 26
Item 22	Pearson Correlation	1	.659 **	.462 **	.565 **	.663 **
	Sig. (2-tailed)		.000	.000	.000	.000
	N	340	340	340	340	340
Item 23	Pearson Correlation	.659 **	1	.368 **	.656 **	.469 **
	Sig. (2-tailed)	.000		.000	.000	.000
	N	340	340	340	340	340
Item 24	Pearson Correlation	.462 **	.368 **	1	.606 **	.273 **
	Sig. (2-tailed)	.000	.000		.000	.000
	N	340	340	340	340	340
Item 25	Pearson Correlation	.565 **	.656 **	.606 **	1	.508 **
	Sig. (2-tailed)	.000	.000	.000		.000
	N	340	340	340	340	340
Item 26	Pearson Correlation	.663 **	.469 **	.273 **	.508 **	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	340	340	340	340	340

**\*\*.** Correlation is significant at the 0.01 level (2-tailed).

**Source: SPSS version 23 Output.**

### Discussion of Findings

Table 5 above shows in hypothesis 1, p-value of  $.324 > .05$  which implies that there is no significant relationship between social media usage and voting in elections in Rivers State. The null hypothesis is therefore accepted. The stance of the respondents proves that social media usage does not necessarily influence electorates in voting in elections in Rivers state. The position of respondents affirms the position of Groshek and Dimitrova (2011), and Zang *et al.* (2010) who found no significant impact between social media and political participation. This implies that other persuasions aside social media influence voting attitude of electorates in electioneering.

Table 6 shows in hypothesis 2, p-value of  $.02 < .05$  implies that there is a significant relationship with campaign involvement during elections in Rivers State. The respondents opined that social media influences campaign or that social media is a campaign tool in

elections in Rivers State. The null hypothesis is therefore rejected. The position of the respondents aligns with Stieglitz and Dang-Xuan (2013), stating that social media application has cut across diverse disciplines and endeavours like advertising, public relations, strategic communication and political communication. This implies that social media are used for political advertising and as political marketing tools.

Table 7 shows in hypothesis 3, p-value of  $.000 < .05$  which implies that there is a significant influence between social media usage and protest in Rivers State. The null hypothesis is therefore rejected. The position of respondents indicates that protest is a form of political participation in Rivers State. It is a medium in which a people or group or persons register dissatisfaction over the conduct of a particular party or government policy and action. The position of the respondents is buttressed by Baine (2012) stating that protest is an essential part of democracy and political participation is an antidote against tyranny, oppression, bad government, poor leadership etc.

### **Summary of Findings**

The study on Social Media Marketing and Political Participation in Rivers State, Nigeria found the following:

1. That there is no significant relationship between social media usage and voting in elections in Rivers State. This implies that social media usage does not necessarily increase vote cast in elections in Rivers State.
2. There is a significant relationship between social media usage and campaign involvement during elections in Rivers State. The respondents affirmed that social media are campaign tools by politicians in Rivers State.
3. There is a significant influence between social media usage and protest in Rivers State. The respondents agree that social media usage is an avenue to express public dissatisfaction on government policies and actions.

### **Conclusion**

Social media marketing plays an important role in political participation and engagement. Social media have contributed in replacing traditional media, facilitating political engagement, strengthening strategic collaboration as well as influencing government decisions in relation to politics. It has been proven that social media usage is a veritable political marketing tool. It should therefore not be over-looked. These are tools used by majority of young persons under the age of 40 years for political participation. This explains the vigour with which it is used.

### **Recommendations**

Based on the findings, the following have been recommended:

1. Since there is a significant relationship between social media marketing and political participation in Rivers State, social media marketing should be encouraged in Nigeria not only for conventional marketing practices but also in the area of political marketing especially as it relates to political participation.

2. The use of Social media should be encouraged by government and politicians to reduce campaign cost since there is a significant relationship between social media usage and campaign involvement during elections in Rivers State.
3. Since there is a significant influence between social media usage and protest in Rivers State, the use of social media should be moderated by government to check excesses that may lead to abuse and social unrest.
4. Government and marketing practitioners should design strategies aimed at increasing the usage level of social media in Nigeria by the citizenry for political participation.
5. It is important for the media industry, politicians, political consultants and citizens to adjust their behaviours to leverage this new competitive environment which social media marketing represents.
6. There should be a combination of new and old media by political office seekers, political consultants and marketing practitioners to increase the level of political participation in Nigeria.
7. One area this study recommends researchers to investigate further is the reason why there is an inverse relationship between social media marketing and voting in elections in Rivers State.

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# Physical Evidence and Customer Patronage of Hospitality Firms in Rivers State

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**Abstract:** *Physical evidence has been suspected to enhance consumers' ability to perceive the intangible elements of a service in order to make evaluative judgment of quality upon which purchase decision may be based. In this study, we examined the extent to which architectural design, ambient conditions and corporate identity as proxies of physical evidence, relate to customer patronage of hospitality firms. The population of the study comprised customers of hospitality firms in Rivers State. Data gleaned from three hundred and forty (340) customers was used in the final analysis of the study. The Pearson Product Moment Correlation was the statistical tool employed to test the study's hypotheses, relying on the Statistical Package for Social Sciences (SPSS) version 22.0. The study found that physical evidence relates to customer patronage, as architectural design, ambient conditions and corporate identity posted positive and statistically significant relationships with customer patronage. The study concluded that physical evidence informs customer patronage of hospitality firms and that customer patronage of hospitality firms depends on physical evidence in terms of architectural design, ambient conditions and corporate identity. Thus, the study recommends that hospitality firms that seek improved customer patronage should make concerted efforts to organize the service environment and match it to their core service offerings so as to enhance customers' overall service experience.*

**Keywords:** *Architectural design, ambient condition, corporate identity, customer patronage, physical evidence*

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## Introduction

The hospitality industry consists of firms that provide such services as accommodations, restaurants and bars, travel and tourism within the service sector of the state. The firms in the hospitality industry depend on consumers who have disposable income and leisure time to patronize their businesses. The hospitality industry provides salutary services in spectacular, fantastically organized environments; with serene landscaping, sensational architecture, enveloping ambience, and well oriented staff. As a result of the foregoing and the importance of the services consumers are always willing to spend their spare time and income in these environments. Firms in the hospitality industry thus make significant investment to provide attractive and serene service environment to meet the relaxation needs of customers. Firm that do not have the capacity to put appropriate physical evidence in place will not enjoy the patronage of consumers. The role of physical environment in signaling customers about the nature of service that can be provided in a given environment cannot be overemphasized. In

fact, it could be argued that hospitality firms' ability to provide befitting physical environments that augments their core services is associated with customer patronage. It thus follows that hospitality firms that are not adequately patronized, may be failing in their task of appropriately manipulating the "physical evidence" to enhance customer experience. Put succinctly, hospitality firms' failure to get adequate customer patronage may be connected to their inability to manipulate ambient conditions; appropriately organize service system designs; and put forward a well-dressed customer-oriented service staff to provide their core service offerings.

Physical evidence is paramount in service marketing due to the fact that pre-purchase assessment of service is difficult because of the peculiar nature of service. The peculiar nature of services poses challenges for marketers in their effort to establish and maintain relationship with customers; as customers' evaluation of service is totally dependent on personal perception of the service encounter. Also, customers are skeptical about overall service experience because services are intangible: They cannot be seen, tasted, felt, heard or smelled prior to purchase. Other characteristics of service that pose challenge to marketers are: heterogeneity - the quality of service depends on who provides them and when, where, and how; inseparability - services cannot be separated from their providers; perishability - services cannot be stored for later sale or use. As a result of these, customers find it difficult to evaluate service quality and make purchase decision. Extant literature however, suggests that customers can rely on several measures of service quality to make purchase decision. Such measures include (1) reliability; (2) responsiveness; (3) assurance; (4) empathy; and (5) tangible as postulated in the SERVQUAL model (Parasuraman, Zeithaml, & Berry, 1985); or (1) the service delivery process (functional dimension); (2) the outcomes which are produced for the customer (technical dimension); and (3) the customer's perception about the company (image dimension) as proposed by Gronroos (1984).

Consumers cannot experience the service before making a purchase decision; they make purchase decision based on preliminary evaluation of tangible elements associated with the service. That is to say, there must be certain clues that will help them make superficial assessment before obtaining the service. Thus, consumers make inference about the service quality from things they can see in connection with the service such as the place, people, price, equipment, and communication (Kotler & Armstrong, 2013); and make purchase decision accordingly. In other words, to allay the uncertainty in the service experience, consumers look for signals of service quality, prior to purchase. It is therefore the task of marketers to provide symbolic evidence about the quality of their services to enable consumers create a mental picture of the service experience or the capability of the service provider. Therefore, the focus of this study is to determine the connection between physical evidence and customer patronage of hospitality firms.

## **Literature Review and Hypotheses**

### **Physical evidence**

Physical evidence encompasses the environment in which service is delivered, together with all the tangible components that facilitate service performance (Zeithaml & Bitner, 2003). It

consist the physical environment in which the service is delivered, the elements that facilitate the service delivery, the organization of these elements, and other physical components that underpin the service experience and enable consumers evaluate the quality of service. The physical environment is carefully organized by service organizations to facilitate the way in which service is delivered to customers. The elements of physical evidence help to influence consumers in the way they perceive the performance of service encounter and also affect the perception of an experience independent of the actual outcome (Biggers & Pryor, 1982).

Kotler (1973) contends that there is no composition of physical evidence that is ideal across industries and that since the taste of customers in each market varies, the elements of the physical environment should be based on (a) the target audience; (b) what that target audience is seeking from the buying experience; (c) the physical environment variables that can fortify emotional reactions sought by the buyers; and (d) the ability of the physical environment to compete with the physical environment of competitors. Accepting the foregoing, Bitner (1992) posits that physical evidence covers all the objective physical factors that can be controlled by the firm to enhance (or constrain) the actions of employee and customer. The author further posits that these controllable physical factors such as signage, furnishing, layout, colour, cleanliness, smell, music and many more others can be systematically manipulated to produce desired effects in the form of favourable disposition towards the service environment and the organization providing the service. Similarly, Babin and Attaway (2000) opine that the service environment can arouse positive emotions which help to determine value that motivates customers to repeatedly patronize a particular service provider.

The elements in the physical environment constitute an essential part of the service encounter and delivery process; since variables associated with the service serve as clues for the invisible service (Sweeney & Wyber, 2002; Hoffman & Turley, 2002). Thus, Stedman (2003) and Ryu and Han (2010) assert that the colourful setting of a physical environment determines customers' overall satisfaction and loyalty. Furthermore, Wilson, Zeithaml, Bitner, and Gremler (2008) assert that physical environment is vital to the delivery of service, and has the capacity to close the gap between customers' expectation and actual service delivery. Recognizing the multidimensionality of the physical environment, Zeithaml and Bitner (2003) decomposed it into: ambient conditions; spatial layout and functionality; and signs, symbols, and artifacts. Similarly, Harris, McBride, Ross and Curtis (2002) identify three dimensions of the physical environment: architectural design; interior design; and ambient conditions. Architectural design includes the building itself, spatial layout and functionality, size of the room, and window placement. Interior design includes furnishings, colours and artwork. Ambient conditions comprise lighting, noise levels, odor and temperature.

In this study we have subsumed interior design into architectural design. Thus, architectural design comprises the building itself, spatial layout and functionality, size of the room, window placement, furnishings, colours and artwork. We have also added corporate brand which encompasses the name, signs, symbols, artifacts, logos or a combination of these and other tangible elements which are displayed exteriorly to identify and differentiate the service provider or firm. Based on the foregoing, we adopt architectural design, ambient conditions, and corporate brand as dimensions of physical evidence in this study.

### **Architectural design**

Architectural designs are of different types. In this regard, Baker (1987) posits that design factors can either be functional or aesthetic. Functional design includes the building itself, spatial layout and functionality, size of the room, window placement, furnishings. In the view of Azila-Gbetteor, Avorga, Danku and Atatsi (2013) it includes layout, signage and comfort. Wakefield and Blodgett (1994) suggests that care should be taken in the design of these functional elements so they can facilitate customers' exploration and stimulation within the service environment. Examples of aesthetic elements are colour, architecture, style, materials, scale and décor (Azila-Gbetteor *et al.*, 2013). Wakefield and Blodgett (1994) opine that aesthetic factors refer to the physical elements which customers view to evaluate their artistic quality. Baker (1987) argues artistic elements are the extras that contribute to a customer's sense of pleasure in experiencing a service. Although aesthetic and functional factors are closely related the difference between them is observed by Aubert- Gamet (1997) who states that aesthetic factors promote sensory pleasure in the service experience while functional factors facilitate the behaviour of customers. Baker (1987) and Aubert-Gamet (1997) and Schneider (1987) posit that it is easier for customers to evaluate these design factors because they are more perceptible than ambient conditions and so have a greater propensity to influence customers' perception of the service.

Furthermore, spatial layout, decor and artifacts greatly contribute to the attractiveness of the physical environment (Wakefield & Blodgett, 1994). This is especially so in the hospitality sector. While customers remain inside a building, they are likely to evaluate consciously and subconsciously the pleasant appearance of the interior designs as well as the quality of the materials used in construction, artwork, and decoration (Han & Ryu, 2009). The arrangement of the spatial layout to provide for ease of movement, and functionality is also paramount (Bitner, 1992). Nguyen and Leblanc (2002) describe spatial layout as the way in which furniture, equipment, machinery and other tangible objects are arranged in accordance with the service delivery process. According to Bitner (1992) customers' evaluations of the attractiveness as well as the overall aesthetic impression are influenced by various aspects of interior elements and artifacts. The color schemes of the dining area's walls; ceiling and wall decorations; pictures and paintings; plants and flowers, table-wares; (such as glass and silverware); linens (such as table cloths and napkin); floor coverings; and quality furniture (such as dining table and chair) can all play significant role in delivering an image and in creating an overall aesthetic impression (Han & Ryu, 2009). All these can serve as important clues by which customers will evaluate the overall service experience.

### **Ambient condition**

The ambience include temperature, smell, and music or sound emanating from the place where the service is delivered which consciously or subconsciously help the consumer to experience the service. The ambient condition is not the same across industries or even firms in the same industry: it can be diverse. The ambience of a health spa is relaxing and calm, and the music and smell emanating from it underpin the service experience. The ambience of a nightclub on the other hand will be loud noise, loud music and bright lights which obviously in a different way



will enhance the customer experience. According to Azila-Gbettor *et al.* (2013) posit that customer's awareness of ambient factors is low because they usually exist on a subconscious level.

However, Mattila and Wirtz (2001) argue ambient factors can affect a customer's evaluation of the service experience and this can make the customer to either have favourable disposition or otherwise depending on the experience. Customers will be encouraged to pursue the service consumptions and also have their attitudes and behaviors affected toward the service provider if the ambient conditions of the physical environment is carefully manipulated (Hui, Dube & Chebat, 1997; Nguyen & Leblanc, 2002). In forming customers' impression the elements in the ambient condition plays a very crucial role (Bitner, 1992) and they are very important components of the service that give signals to customers and create a perceptual image in the minds of customers (Kotler, 1973). In a similar vein Bitner (1992) posits that the factors in the ambient conditions have strong signals which are very influential in communicating the image and purpose of the business to its customers.

### ***Corporate identity***

Corporate identity includes the name, signs, symbols, artefacts or a combination of these that support the firms' corporate image and brand identity. For instance, when you visit an airport you will see signs that will smoothly guide you around the facility, as well as statues and logos displayed throughout the complex. Brand identity has meaning well beyond the physical elements. Consumers view brand as an important part of a service, and so they attach meanings to it and develop brand relationships. Corporate identity helps customers to identify a brand or service provider that might deliver the desired quality of service. Corporate identity provides information about products thereby helping the sale of that product. Levy and Weitz (2004) posit that graphics such as pictures have the ability to add character, beauty and uniqueness to the physical environment. Therefore, corporate identity should be strategically and conspicuously displayed to give direction, and appropriately attract attention and augment the core service. The essence is that, in the marketing of services the physical environment plays significant role in customer satisfaction, retention, and business survival.

Adiele and Opara (2014) states that "signs are particularly important in forming first impression, for communicating new service concepts, for repositioning a service and in highly competitive industries where customers are looking for clues to differentiate the organization." When firms display signs displayed on the exterior or interior of a structure they are communicating clearly with the world in a nonverbal form. These signs may be in form of labels (e.g. name of company, name of department), directions (e.g. entrances, exits), and others which may communicate rules of behaviour (e.g. no smoking, speed limit, etc). There are many items in the physical environment that implicitly or explicitly communicate messages to the public and users. In a less explicit communication, the quality of materials used in construction, artwork, presence of certificates and photographs on walls, floors coverings, and personal objects displayed in the environment can all communicate symbolic meaning and create an overall esthetic impression. Furthermore, McCaskey (2000) posits that certain cues in an office



environment such as size placement of desk may symbolize status and be used to reinforce professional image.

### **Customer patronage**

A patron is someone that buys from a brand, talk favorably about the brand and its services, pay less attention to competing brands, is less price-sensitive and adopts new services and upgrades from the brand (Nyakweba, Wesonga & Bosire, 2015). Customer patronage is particularly important to in the hospitality sector because firms in the sector rely on consistent patronage for business sustenance. Bujisic, Hutchinson and Parsa states that the determination of customers' preference is a key issue in consumer research because it guides marketers on how to adapt or generate value that elicit customer patronage (Njite, Njoroge, Parsa, Parsa & van der Rest, 2015). Customer patronage deals with the processes that customers engage in when selecting a product or brand among alternatives; as well as the factors and attributes used in the selection. Customer patronage is also the degree to which buying units concentrate purchases over time to a given product or brand. Customer patronage develops through positive reinforcement and repetitive buying behaviour (Nyakweba *et al.*, 2015).

Customer patronage according to behavioral scientists, results from a trial that gets reinforced through satisfaction, and leads to repeat purchase (Nyakweba *et al.*, 2015; Palmer, 1998); while cognitive psychologists contends that customer patronage builds through mental processes, based on the believe that consumers engage in extensive problem solving behavior involving services. Customer patronage has of late been of concern to marketers due to the phenomenon of customer switching. Palmer (1998) among others, states that boredom and dissatisfaction with a service, availability of new service providers and increased concern over price are the reasons for decline in customer patronage. Nwulu and Asiegbu posit that business sustenance in today's highly competitive business environment requires firms to win and keep the patronage of customers (Nwiepe & Ateke, 2016). Babin and Darden suggest that terminal values, lifestyles, social class, and media habits are antecedent to patronage (Nwiepe & Ateke, 2016), and affects store attribute importance; which may be evoked by a stimulus that sets needs in queue in motion, leading to patronage intentions and patronage behaviour. Customer patronage is a phenomenon that requires continual observation because of the constant social, cultural and economic changes in society which affects patronage behavior (Shim & Kotsiopulus) in Nwiepe and Ateke (2016).

### **Physical evidence and customer patronage**

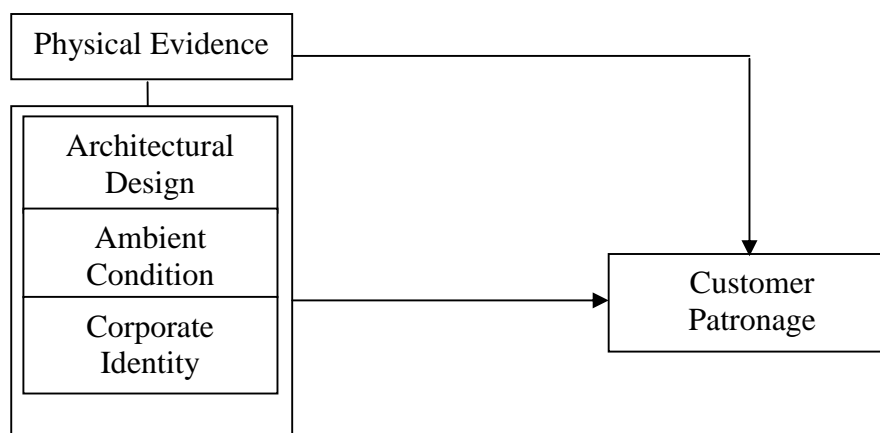
Previous studies have indicated that the environment in which service is delivered has impact on customers' attitude. Onuoha and Nnenanya's study on the impact of service-scape on customer patronage of fuel stations in Abia State, Nigeria showed that service-scape dimensions like ambient conditions, spatial layout have significant impact on customer patronage (Onuoha & Nnenanya, 2017). Similarly, Amue, Adiele and Friday (2013) observed that ambient conditions, spatial layout and signs, symbols and artifacts as aspects of physical settings relate to patronage of 3star Hotels in Nigeria's Federal Capital Territory Abuja. Clay, Munyaradzi and Kossam (2013) in another study found that ambient factors influence customer

patronage. Additionally, Babin and Attaway (2000) found that the service environment can arouse positive emotions which help to determine value that motivates customers to repeatedly patronize a particular service provider; while Stedman (2003) and Ryu and Han (2010) assert that the colourful setting of a physical environment determines the extent of customer overall satisfaction and loyalty. Furthermore, Wilson *et al.* (2008) assert that physical environment is vital to service delivery due on its capacity to close the gap between customers' expectation and actual service delivery; just as Han and Ryu (2009) found that the innovative interior design, pleasing music, unique color, scheme, ambience, spacious layout, appealing table settings, and attractive service staff significantly influence customer patronage and loyalty to service providers. In view of the foregoing, this study hypothesizes that:

H<sub>A1</sub>: There is a significant relationship between architectural design and customer patronage.

H<sub>A2</sub>: There is a significant relationship between ambient condition and customer patronage.

H<sub>A3</sub>: There is a significant relationship between corporate identity and customer patronage.



**Figure 1:** Model of the Study

## Methodology

The aim of this study was to determine the link between physical evidence and customer patronage. The study adopted an explanatory research design; collected data via a cross-sectional survey. The study was conducted in a natural setting; hence, no bias was introduced into the likely relationship between physical evidence and customer patronage. The population of the study comprised customers of hospitality firms in Rivers State. The population large, flowing and infinite however three hundred and eighty-four (384) respondents were sampled based on Krejcie and Morgan table (1970) sample size formula to provide primary data for the study through a structured questionnaire designed in Likert scale of very low extent to very high. Out of the three hundred and eighty-four (384) copies of questionnaire issued, three hundred and forty (340) were returned valid and used in the final analysis of the study. The reliability of the research instrument was determined via a pilot study (pretest) that was conducted; and the data subjected to Cronbach's Alpha test of reliability with a threshold of 0.70 set by Nunally (1978). Pearson Product Moment Correlation was the statistical tool

adopted to test the hypotheses in the study. The analysis was done with the help of the Statistical Package for Social Sciences (SPSS) version 22.0. Table 1 below presents the summary of the results of test f reliability.

**Table 1: Reliability analysis of study variables**

S/N	Variables	Number of Items	Cronbach's Alpha Coefficient
1	Architectural Design	5	0.917
2	Ambient Condition	5	0.728
3	Corporate Identity	5	0.892
4	Customer Patronage	5	0.785

Source: SPSS Output from Survey Questionnaire

As shown from the SPSS output on table 1, all the variables in the research instrument have high Cronbach's Alpha Coefficients greater than the threshold of 0.70. It is an indication to show the internal consistency of the instrument, and the extent to which the questionnaire item were reliable to measure all the variables in the study.

**Table 2: Results of tested hypotheses**

		Architectural Design	Ambient Condition	Corporate Identity	Customer Patronage
Architectural Design	Pearson Correlation	1	.740**	.847**	.700**
	Sig. (2-tailed)		.000	.000	.000
	N	340	340	340	340
Ambient Condition	Pearson Correlation	.740**	1	.614**	.565**
	Sig. (2-tailed)	.000		.000	.000
	N	340	340	340	340
Corporate Identity	Pearson Correlation	.847**	.614**	1	.554**
	Sig. (2-tailed)	.000	.000		.000
	N	340	340	340	340
Customer Patronage	Pearson Correlation	.700**	.565**	.554**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	340	340	340	340

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Source: SPSS Output from Survey Questionnaire

### Discussion of Findings

Results of the data analysis indicate that the components of physical evidence have positive relationship with customer patronage. Specifically, architectural design has strong, positive and statistically significant relationship with customer patronage. This is evident in the correlation coefficient of 0.700; with a probability value of 0.000 less than 0.01 (i.e.  $p = 0.000 < 0.01$ ), hence the relationship between the variables is significant at 0.01. Similarly, ambient condition and corporate identity have moderate, positive and significant relationships with customer patronage as shown in the correlation coefficients of 0.565 and 0.554 respectively; with a probability value of 0.000 less than 0.01 (i.e.  $p = 0.000 < 0.01$ ).

The findings of this study are consistent with results of previous studies conducted by other scholars. For example, our findings are in line with the findings of Onuoha and Nnenanya (2017) that investigated the impact of servicescape on customer patronage of fuel stations in Abia State, Nigeria. Similarly, our findings are consistent with the findings of Amue *et al.* (2013) who studied physical settings and patronage of Three Star Hotels in Nigeria's Federal Capital Territory Abuja. More so, the findings of Clay *et al.* (2013) on the impact of ambient factors on patronage in Zimbabwe were corroborated by our study. The results of our study also align with the result of Babin and Attaway (2000) who found that the service environment can arouse positive emotions which help to determine value that motivates customers to repeatedly patronize a particular service provider.

### **Conclusion and Recommendations**

Based on the findings we conclude that physical evidence is a veritable tool that enables consumers of hospitality services to make proper superficial evaluation of quality. Physical evidence also enables companies to enhance patronage of customers. However, it is pertinent to state that businesses do not grow by single patronage which may be as a result of the physical evidence but repeated patronage arising from a match between the physical evidence and the core service. In view of the findings made, the discussions presented and the conclusion reached, the study recommends that hospitality firms that seek improved customer patronage should:

- 1) Carefully design the service area's architecture to enhance service delivery.
- 2) Manipulate the ambience to promote customer service experience.
- 3) Build and maintain corporate brands that can be associated with quality.
- 4) Ensure that any means by which they can communicate with the world including uniforms and dresses of their employees and web-pages are be carefully manipulated to attract customers.
- 5) Strike a match between the tangible elements and the core service to enhance overall customer experience.

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# Do Human Resource Diversity Management Issues Increase Productivity in Nigeria?

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**Abstract:** *No two humans are alike. Gender, race, social and psychological characteristics are some of the characteristics that distinguish staff according to perspectives and prejudices. In the Nigeria today's business word, emphasis are placed mostly on motivation and compensation in managing workforce with little diagnosis of implications of recent emerging workplace human resources diversity issues such as on the overall productivity of firms. This work against the identified gaps, therefore, investigates the effect human resources diversity on the overall productivity of multinational enterprises (MNEs) in Nigeria. The study ascertains the impact of various HRDM issues on the employees' sense of belongings; examines the effectiveness of these HRDM practices on employee outputs of MNEs; and as well investigates the consequences of HRDM practices on the attainment of work goals. In order to actualize the key objectives, the study employed survey design. Data was collected through a self-administered questionnaire from a number of 207 respondents who were staff of selected multinational firms in Rivers, Lagos, Oyo and Ogun States Nigeria. SPSS was employed to aid the data analysis. Having analyzed the data, the study found out that HRDM issues affected positively on the employees' sense of belongings. It also discovered that HRDM practices contributed to the attainment of work goals among selected MNEs. Guided by the findings, the study recommended that MNEs in Nigeria need to encourage the use of common language in the organization among the employees. The work also offers that there is need for open channels of communication between both the employees and employers in large firms due to the wide diverse of their workforce.*

**Keywords:** *Diversity, Human Resource Practices, Employees Output, Work Goals.*

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## INTRODUCTION

In recent years, the coordination of firms value chain activities and the need to be responsive to different preferences of customers across the globe in order to achieve enhanced productivity, cross fertilization, synergy and efficiency has led to the emergence of diverse human resource (Cavusgil, 2015). The increased desire for economic success and relevant developments that requires increase interaction among people from different cultural backgrounds, and belief systems has also led to diverse human resource in organizations. The global integration and interdependence between nations has also permanently broken the walls that hindered the mobility of labour, goods and services through deregulation, globalization and technological advancement. In the past, countries claim to be ethnocentric in their approach by having homogeneous race at work. This economic fact has also led to the realization of employee's expertise as valuable and dynamic living assets from different geographical locations of the world (Jacobs & Jones, 1995). Organizations need to hire effective and efficient work force irrespective of their diverse nature in order to handle competitions and survival in the market place.



The researcher noted that the inherent rich business opportunities in Nigeria as a result of her estimated population of 170million people, low cost of labour and natural resources like tin, coal, limestone, lead, iron ore and petroleum has also attracted diverse human resource to Nigeria. Though, the huge wage disparity and conditions of service between Nigerian workers and foreign workers shows evidence of high level of discrimination. Nigerian workers in these organization asserts that majority of the job tasks are performed by them; while the foreign workers with low tasks performance gets more reward and promotions than them. The Management of this organizations observed the grievances and agitations of the Nigerian workers and in responds beefed up security around the expatriate workers and their family. These have increased the cost of doing business for these organizations in Nigeria.

The researcher also noted that Nigeria work force today is filled with high level of diversity. This includes people of all races; gender: male and female; people of different ages; physically challenged workers; social class workers with varying important and different cultures; foreign employees; part timers; Lesbian, Gay, Bio-Sexual workers and Trans-sexual workers (LGBT); HIV/AIDS workers; dual-career couples; education, skills and mobile workers. These people make diverse contributions and collaborate as a family toward the achievement of set goals and objectives for the organization (Betchoo, 2015).

Human Resource Diversity Management (HRDM) could be defined as a process of understanding, acknowledging, accepting, valuing and celebrating differences among people with respect to their race, age, ethnicity, sexual orientation, and spiritual practices, class, physical and mental ability (Esty, et al., 1995).HRDM practices are effort put in by organization which is aimed at managing human resource equally and fairly (Shen, Chanda, D'Netto & Monga 2009).

Organizations that are committed to diverse work force are aimed at harnessing a pool of individual unique qualities, while viewing the combination of differences as potentials for growth rather than opportunities for conflict (Betchoo, 2015).There are increasing needs for organizations to embrace human resource diversity for effective growth and team building by capitalizing on the strength of each employee. Most organizations in Nigeria today are enforcing government regulations on diversity rather than embracing diversity.

Kerby and Bones (2012) stated that nations work force are becoming more diverse, having people of colour, Gay, Trans gender and more women entering into the labour force; making vital contribution to the economy and also making the organizations more footed in the market place. The increased emphasis on the importance of cross-functional teams, global marketing and multinational business operation has helped the growth of diverse work force in Nigeria. Though improper management of human resource diversity could posed challenges of hostile business environment, divisive-ridden cultures and very expensive legal battles (Aghazadeh, 2004). Consequently, these have led to high labour turnover, strike, low productivity, glass ceiling, breakdown of law and order; kidnapping and youth restiveness in Nigeria (Omofonmwan & Odia, 2009).

The major objective of organizations is to maximize profit through enhanced productivity. Productivity is determined by the efficiency and effectiveness of an organization. Productivity in economic terms is defined as the ratio of the relationship between input and output.

Appropriate implementation of HRDM practices will improve collaboration and interaction with people from different backgrounds and also the ability to understand and make better decisions; increase profitability, experience sufficient flexibility, organizational learning, knowledge creation, enhanced corporate image, enhance equal employment opportunity, inclusiveness and development of organizational environment that is geared toward meeting the increasing needs of the organization, employees; and other stake holders (Shaw 2002; Goodman, Fields & Blum 2003).It will also provide a

better solution to brain storming of tasks (Wilson and Iles, 1999). For diverse employees to function effectively, human resource experts need to deal with the issue of communication, change and adaptation seriously in their organization.

It is through the implementation of HRDM policies and consistent improvement of employee's expertise that organizations can develop and become more productive. Placing great value on human resource diversity is morally correct and makes economic sense (Green, 2010). Though the profession of human resource has not made enough effort to add diversity as compulsory topic and key research focus area to their academic education programmes to educate human resource practitioners within and outside their organization (Hite, McDonald, Bierema, Gedro, Kormanik & Kravitz, 2009; Kuchinke, 2002; Bierema, 2010).

Studies are clear on the fact that the profitability, smooth running and survival of any organization depend on the quality of its human resource and the level of person's job; and organization fit (Arthur, Bell, Dover Spike & Villado, 2006; McCulloch & Turban, 2007). These researchers viewed that Human Resource Management (HRM) has significant roles to play in fostering greater equality inclusion and fairness in the workplace with the objectives of helping diverse individuals and groups to regain important aspects of their identity and enjoy productive fulfilling careers. Researcher such as (Onodugo, 2012) opines that the importance of HRDM in national and organizational development cannot be over emphasized. That it is the human resource that will use other factors of production input like land, capital and technology in the dynamic process of transformation into finished goods and services. On the other hand, diverse human resource also constitutes the market for the produced goods and services. Furthermore, it is only the human resource as a living asset that reacts to issues and responds to the way it is being treated.

Human resource diversity strategy and policy application is different from one nation to the other. The researcher Ewurum, (1999) stated that Nations and people differ and so are the policies that will seek to manage them. It is against this background that this study, which is aimed at investigating the various HRDM practices as tools to increase productivity, finds its relevance.

Researchers studying diversity have assessed the extent to which members of an organizational unit are similar or dissimilar to each other; with particular focus on age, gender and ethnicity which are traditional elements of diversity. For instance, studies on diversity, according to (Jackson, May & Whitney, 1995) showed that numerous attributes which are of interest include age, gender, ethnicity and length of tenure in the organization, cultural values, and personality. Hence, the need for more empirical studies on HRDM as a tool for increase productivity and discussion of new paradigms of diversity (foreign employees; part timers; Lesbian, Gay, Bio-Sexual workers and Trans-sexual workers (LGBT); HIV/AIDS workers; dual-career couples; education, skills and mobile workers) that are likely to affect organizations in Nigeria is un-arguable and has become more critical to overcoming the challenges faced by organizations with diverse human resource in Africa and Nigeria in particular. It is believed that its findings will facilitate policy options that will help the nation to be more productive.

In today's world, human resource diversity is inevitable. The major concern of business organizations as an economic entity is survival through enhanced productivity and profitability in a more complex and competitive global environment. Due to human resource diversity in the work place, organizations are facing many problems and confusions of lack of effective communication of key objectives, lack of cooperation and team work; morale decline and consequently loss of productivity and profit. However, this study seeks to assess the impact of human resource diversity management practices on productivity; the effectiveness of HRDM practices and the consequences of poor HRDM practices in Nigeria.

### **1.1 Objectives of the Study**

This major aim of this study is to assess the relationship between human resource diversity management issues and productivity concerned among selected Nigerian MNEs. However, other specific objectives are:

1. To ascertain the impact of various HRDM issues on the employees sense of belongings.
2. To critically examine the effectiveness of these HRDM practices on employee outputs of MNEs.
3. To investigate the consequences of HRDM practices on the attainment of work goals among MNEs.

### **1.2 Hypotheses**

1. HRDM practices impact positively on the employees' sense of belongings of selected MNEs
2. HRDM practices used in organizations will affect positively on employee outputs
3. HRDM practices would contribute to the effective attainment of work goals among MNEs.

## **REVIEW OF THE LITERATURE**

### **2.1 Conceptual Framework**

#### **2.1.1 Human resource and Diversity Management: Origin and Definition**

Human resource management as a field has evolved through several major transitions due to the changing nature of organization. The terminologies have also change and what was traditionally called personnel department is now called human resource department. More than name change, the focus of these department has also shifted with expanded responsibilities in the transition process. However, the emergence of human resource management as a specialized function happened shortly before 1900 (Robert, Mathis, & Jackson, 1994). During this time, decisions such as hiring, firing, training and pay adjustment were undertaken by individual supervisors. Over the years, management was basically concern with values for machines and application of techniques to work rather than human value (Strauss & Sayles, 1960).

The developments of human resource practice in Nigeria have been deeply influenced by a lot of factors that are global in nature. These factors includes the advent of the colonialist, the scientific management movement and the Hawthorne studies of 1933, the raise of organized labour, labour registrations, the developments within the Nigerian Universities and the move toward professionalism; which led to the *birth* of Chartered Institute of Personnel Management of Nigeria, Nigerian Institute of management (Chartered) and many other professional bodies (Banjoko, 2002).

The arrival of the colonialist on the shores of Nigeria, led to the introduction of wage employment and diverse work force in the Nigeria. Prior to this time the Nigeria work force was primarily made up of the father, children and wife or wives; which were homogeneous in nature. During this period, the only non-family member that was employed is slave to work on the family farms. Rewards or payment were in kind rather than cash. Banjoko (2002) stated that the emergence of the colonialist changed the traditional employment method is there was need to employ interpreters, cooks, gardeners, drivers; and subsequently wage employment was introduced. This employment situation was far from ideal as workers were regarded as mere commodities. These unfavorable situations for workers continued until the end of the 19<sup>th</sup> century when a collection of Nigerian philanthropic entrepreneurs began to develop care and concern for workers.

In today's business environment, the changing nature of work and organization has eminently necessitated the need for contemporary human resource managers or practitioners to use effective

practices and principles of human resource management (Ditomaso, 2004). Susan (2012) described human resource management as functions of organizations that are concern with issues relating to, recruitment, education and development, compensation management, performance management and administration. Scholar such as Nwachukwu (2011) defined human resource management as a field of study that relates to all activities from finding employees for employment to their full utilization at work and planning for their retirement. Human resource management is also defined as a set of people oriented activities that promote the acquisition, effective utilization and maintenance of human resource in an organization (Banjoko, 2002).

### **2.1.2 Human Resource Diversity Management**

Esty, et al., (1995) define Human Resource Diversity Management (HRDM) as a process of understanding, acknowledging, accepting, valuing and celebrating differences among people with respect to their race, age, ethnicity, sexual orientation, and spiritual practices, class, physical and mental ability.

This study focuses on two variable- human resource diversity management and productivity. The Concept of human resource diversity management is relatively newer than the concept of productivity .In this study, the duo has received adequate attention.

### **2.1.3 Human Resource Diversity Issues**

Human resource diversity issues in a workplace includes gender issues, age, race, generation issues, social class, culture, the foreign workers, disabled worker, part-time worker, LGBT issues, HIV/AIDS workers and the new paradigms.

#### **2.1.3.1 Gender Issues**

The issue of discrimination has become a regular practice today in some part of the world. It is more evident now that women are involved in workplace, which pays particular attention to women in business. In the traditional African family, men are known to be the head of the family and the bread winner. While the women or wife takes care of the house chores and look after the children. This has changed and women are now at the front position of organization and some having leading roles in business. Why is there discrimination when both genders have access to higher education and achievement? Why women are considered weaker in achievement compared to men? (Betchoo, 2015).The researcher in this case looks at gender issues from the perspective of women roll and influence in diversity.

Women experienced discrimination such as low pay for the same job undertaken with men and lack of opportunities to move to higher position in an organization. Newbie (2009) stated that the traditional role for men and women were established to guarantee the power of the head of household. Historically the head of household has always been male. Though people has been socialized to expect men to be brave, industrious and domineering, while women are expected to be submissive, timid and nurturing.

Recent, women provides financial support for the family, become breadwinners and head of the family due the present economic reality. Today men are gradually losing their image and ego in the society. Women are created as companion for men and men has to make her work with them in the course of life. Women play the roles of mother, daughter, sister and wife (Gicki, 2013) .They plays their role with great responsibility and upbringing of a healthy society. UN Org. (2010) explained that women rights were human rights and that gender equality is an issue of universal concern and beneficial to all. Gender equality can be achieve in a workplace when people have access to the same reward,

opportunities and resources irrespective of whether you are a man or woman. Gorman (2014) explained that organizations where the leaders engage in diversity programmes experience more women in top leadership position and flow of talents in the organization.

#### **2.1.3.2 Race Issues**

Race issue is the most noticeable aspect of diversity upon which people simply discriminate. An example is the discrimination among the black or best described as Negro (African descendants) and the white race. Black people are the first to suffer racial discrimination due to their physical differences and bearing in mind their ethnic ancestry, tribal existence and the fact that they are still the poorest continent in the world. This is very common when they work in foreign country. Racism is not limited to black and white; the Jews also suffer racism in Europe. Employing people of different race adds to the credibility of the company as company encouraging equal opportunity in workplace. This leads to multicultural organizations and also advances Multinational Enterprises. According to Thistlethwaite (2015), racism is a release system of excessive political and economic power which is well-known historically entrenched system. He also is defined as prejudice allied with political and economic power. Driver (2014) argued that racism is very deep-rooted in American experience that no one grown up there is free from it. Zion (2013) transmitted that racism are views practice and actions reflecting the believes that humanity is divided into diverse biological groups called races and that members of certain groups share certain attributes which make the group less desirable, more desirable, inferior or superior. Racial discrimination, ethnic discrimination and superiority based on racial discrimination are scientifically false, morally condemnable, socially unjust and dangerous; and there is no justification for racial discrimination in theory or in practice.

#### **2.1.3.3 Age Issues**

Organizations consist of individual with collection of differences in ages. Employees go through stages in entering the workplace as young, maturing over time through work and experience and subsequently retire when they enter old age. The world population is aging faster than ever, thereby making older employees to stay on the job for longer time. In Nigeria the retirement age is between 50-70years.

Age is a major component of human resource diversity that has various implications on organization. Age is both biological fact as well as cultural construct. While we can record how many years and individual is (biological age) and it is culturally constructed. Most societies have obligations and responsibilities that are assigned based on individuals reaching specific age i.e. driving, drinking and voting etc. Though there are general perceptions on aged workers. Some people considers aged worker to be people with wrinkles, grey-hairs, poor health and less effective than the younger employees. These perceptions are not realities.

Young employees are also seen to be dynamic and have the ability to adapt quickly to change and innovation than the older employees. This is also another perception. In the issue recruitment and situation of unemployment, young employees are giving more opportunities than the older employees (Hardy, 2013).

The issue of discrimination is also another major fact that can affect promotion, when the principle of first in first out (FIFO) is used. This implies that more experienced and older employees will enjoy promotions and leave the organization early than the younger employees. This is a major problem while dealing with age diversity. Some employers will prefer promoting the younger employees to present the image of youthfulness in the organization, while the older one could suffer discrimination.

It is evident from work experience that age adds to the success of diversity when employees of different age combine together in an organization and having shared experience, values and ideas.

#### **2.1.3.4 The Disabled Employees**

This refers to employees with differing abilities and disabled conditions. This group of employees has over time suffered direct discrimination from employees who are seen as normal. The disabled employees add diversity to the workplace. Longmore a Professor of History, was one of the first people to study the social history and experience of the disabled people. History has it that some cultures totally rejected people with disabilities; treated them as outcast, economic liabilities and grudgingly kept alive by their families. In other cultures persons with disabilities are tolerated and treated in minor ways. While other cultures gave them respected status and allowed them to use their potential to the fullness (Munyi, 2012).

Organizations are expected to check the level of disability and define correctly the essential tasks in jobs and the knowledge, skills and abilities required to carry out each the job. Accommodating disabled workers will require the organization to put in place flexible work schedules, altering facilities, purchasing special equipment, training and education of non-disabled worker to work with disabled worker; and revised health and medical examination requirement to avoid discriminating against employees with disabilities.

Over the years, people have used various terms to describe people with disabilities as handicapped, people with other abilities, other able employees and differently- able. This has led to various reactions from the disabled employees. Wisegeek (2015) defined differently-able as a euphemistic term for somebody who might formally been classed as disabled, handicapped, challenged or having special need. Though the term disabled worker is what is appropriate for this research purpose.

#### **2.1.3.5 Social Class Component**

Individuals in the workplace have the general tendency and quest for moving up in an organization or in the society. The society is surrounded patent with inequalities where social class is well differentiated and also speaks for themselves. The society consists of the elite class which are part of the selected few and the rich class with high standard of living and material wealth. Some societies are classified into upper-class, middle class and lower class; while in Nigerian society the middle class is rapidly depleting. Social class concept has undergone transformation in course of time and also looks at high standard of living.

In Nigeria, finance has become the major determinant of what class one belongs to. This is evident in Nigeria as the richest belongs to the upper class and the lower class is principally working class holding junior managerial or executive positions and white-collar jobs with moderately and less decent pay. The lower class is subjected to hardship of existence as their disposable income cannot make ends meet. The upper class is made up of top government officials and chief executives of establishment. In Nigeria today, there is increase in the lower class as the middle class has shifted downward to the lower class thereby creating a more tensed environment and competition for the lower and working class as they all seek for mobility to occupy the middle class.

##### **2.1.3.5.1 Types of Societal Classes**

This could be defined as group of people with similar level of influence, wealth and status. Harcourt (2014) explained the basic picture of social classes in today's society by paying attention to the main types of classes that exist in the current societal structure.



### **The lower class**

The lower class in Nigeria today is also characterized by homelessness, poverty, unemployment, inadequate housing and food; lack of vocational training and medical care; drug abusers, mothers who produce more babies they cannot cater for to abuse the system, criminals, underclass and “societal trash.”

### **The working Class**

This consists of unskilled workers and minimal educated people who engaged in manual labour with little or no prestige. They have less pay for services rendered with no opportunity for career advancement. Examples of the working class are cleaners, dishwashers, waiters and waitresses, maids, etc. They are unskilled workers and are often called the “working poor”. The skilled workers such as electricians, plumbers, carpenters among the working class are usually referred to as blue “collar workers”. Their jobs are physically tasking and more dangerous.

### **The middle class**

This are usually referred to as the sandwich class and white collar workers. They have more money than those below them on the social ladder and less money than the upper class. They are divided into two levels according to wealth, education and prestige. These are the lower middle class and the upper middle class. The lower middle class consist of those with less education and low income such as managers, teachers, small business owners and secretaries. The upper middle class consist of highly educated workers and professionals with high income such as senior managers, lawyers, doctors and Chief Executive Officers.

### **The upper class**

In Nigeria this class holds more than 70 percent of the nation’s wealth. The upper class is divided into lower-upper and upper-upper. In Nigeria the lower- upper class are those with “new money” made from politics, business ventures, investments, etc. The upper-upper class are those with “old money” the aristocrats and “high society” families who have been rich for generations. These extremely wealthy families live off the income from their inherited riches. This upper-upper class is more prestigious than the lower-upper class. Irrespective of where their money comes from, both segment of the upper class are exceptionally rich with more money than they can spend. This makes them to have much leisure time for refining variety of their interests.

After years of headlines about poverty in Africa, the emerging middle class has become a driving factor of growth and democracy, and the expanding pool of consumers for ‘market hungry’ retailers. Increased consumer demand has also expanded Africa’s economy and investment surge. The middle class buyers with good disposable income have led to the market boom in Nigeria (Fletcher, 2013).

Social classes have great impact on diversity in Nigeria and other developing nations in Africa. This is evident in the huge wealth, status and wage disparity among employees in Nigerian organizations. The middle class in Nigeria has great potential for betterment and prosperity in the society. This is very contrasting between the rich and developing countries. In the rich countries the middle class are getting poorer and in the developing countries the middle class are getting richer.

#### **2.1.3.6 The Foreign Employees**

This is driven by the concept of globalization and it is an important component of workplace diversity. The foreign employees or worker could be described as somebody who leaves his home country to work in another country or host country. In Nigeria, the poor standard of living, economic crises, war, political



persecution, homicide, genocide and increase in other social vices has led to movement of our local employees to developed countries; where they seek for “greener pastures” and in the process, undertake or perform lower jobs that are rejected by developed country’s employees as a result of their upward class mobility. This has also led to high level of brain drain in Nigeria.

Hence, the developed economy also experience labour mobility from developing countries of their earlier dependencies. As developed countries make economic progress, they experienced upward mobility in classes and choice of job by the local people or host country. While lesser but important jobs are taken by people from the developed country seeking for where the grass appears greener.

This is currently a global concern as the developed countries have witness high rate job mobility from countries that are facing war, terrorism and insecurity challenges. e.g. Iraq, Somalia, Liberia, Nigeria, Syria, Turkey, Afghanistan etc. These developed countries that has high level of economic prosperity and employment are now facing difficulties of slow economic growth and high unemployment rate due to threat of terrorism. In Nigeria, the threat of insucurity in the north East “Bokoharam” has led to the serious increase in the movement of people and goods from the North East to North Central, South West, South-South and South Eastern part of Nigeria. This has also led to serious security concern in other parts of Nigeria. E.g Cattle Rustling. This has also made the developed nations like France, England and America to start thinking or reviewing their immigration laws and policies by placing travel ban and restriction on terror prone countries.

The issue of foreign worker has great impact on diversity as they may be looked down un as job seekers or intruders. Though the dynamics of migrant workers accoss the globe are governed by relating macro, personal level, micro, state level and factor. On the maco level immigration, historical and current political and economic links has a major role in such dynamics (Hussein et; al 2012). Riversal of workers movement is also experienced in Nigeria where top managers move from developed countries to emerging economies.

#### **2.1.3.7 Part- Time Workers in Workplace Diversity**

Part- time jobs has been available since 1870 and could be linked with the industrial revolution in Europe. This is as a result of increase in tasks performed by companies and the need to satisfy surplus demand for products placed by customers. After this customer demands and labour needs are satisfied, employers revert to their existing employees to perform their routine duties. It is important to note that part time work is not a formalised occupation as it is introduced by companies when ever gaps were identified in the organisations operation. Thogh the part time workers are not visble practice of diversity apart from cases where the dress code is different from that of full-time workers. They are important and complement the tasks performed by full time employees. The researcher observed that part-time worker in Nigeria has been technically converted to contract employees and in must cases outsourced employees.

Though Doyle (2015) established that there is no legal guideline to determine whether or not an employee is a part-time or full time employee. He futher stressed that the determination of whether an employee is working part-time depends on the company’s policy and practice of defining employee and the required number of hours to be considered full-time. The benefits of part-time worker is flexibility of scheduling work based on the available workload. It also enjoys low cost as companies usually do not pay them benefits.

#### **2.1.3.8 Issues of Lesbian, Gay, Bisexuals and Transgender (LGBT) in Workplace Diversity**

The international Spectrum (2015) defines the acronym LGBT as Lesbian, Gay, Bisexual and Transexual. The societies traditional ways of living and common norms and mores stipulates that human being

grows up, get married and produce children. Any sexual behaviour outside this is greatly criticised and cast-off by the society in Nigeria and part of Africa. It is viewed as very uncatholic and unacceptable by members of the society. In Nigeria the two major religion; Christianity and Islam frowns seriously at LGBT. This is also viewed as strange behavior and is connected with people liking and living together with same sex whether they are both men and women. This has also included Transgender and Bisexual; male looking people with female genital organ or vice-versa and people who loves both men and women respectively.

Most organisations ignore this component of diversity and believe that their employees are morally sound. And their employees immediately look down on employees found with LGBT behavior. Also most society display deterrents towards LGBT behavior with the belief that their behavior is antisocial and is disgraceful to the society. This promotes discrimination and stigmatisation by those who claim to be normal employees in an organisation. Some developing and developed nations have laws that criminalised those found with non-heterosexual behavior. eg. Nigeria, Uganda, Sudan, France and United Kingdom.

The researcher observed that LGBT employees in Nigeria act privately and feel discriminated against and barred from opportunities at work. This is why the issue of respecting diversity arises in a work place and the to accommodate other LGBT employees.

#### **LGBT in Africa**

Many African countries have established very inhibiting laws against LGBT. This is due to Christian and Islamic values of most African States. Some describe LGBT as satanic and unAfrican. Countries like Nigeria, Morocco, Sudan, Uganda and Zimbabwe have marked LGBT practices as illegal with associated prescribed sanctions (The Economics, 2010).

#### **The Experience of LGBT Employees and Workplace Diversity in Africa**

Organisations seeking insertion for LGBT equality and diversity strategy should consider the issue of recruitment and retention of LGBT employees. In the issue of recruitment in Nigeria, LGBT employees who work very hard and make meaningful contributions in the organisation face barriers to equal treatment unlike non-LGBT employees who are exposed to fair treatment and great opportunities in a work place. LGBT employees find it difficult to find and keep good jobs due to discrimination. Thereby exposing their families to great risks and poor standard of living (Map, 2015). Bias, discrimination in recruitment and hiring also makes it difficult for LGBT employees to secure a job; thereby putting their families at risks and suffering. In Nigeria LGBT employees do not expose their sexual behavior while seeking for employment so that they will not be discriminated against and hinder their chances of getting a job (Freedom to work, 2013).

In terms of recruitment, Combs (2012) established that an organisation seeking great talent acquisition and retention should be concerned with diversity inclusion; also looking at LGBT issues home and abroad to show commitment to inclusion and diversity. This is especially when prospective LGBT employees are talented.

In terms of retention, once an organisation is able to acquire diverse work employees; it is important to create a work environment that provides fair treatment, equal opportunities and access to resources in the organisation.

#### **2.1.3.9 HIV/AIDS in Diversity**

HIV/AIDS virus has been in existence since the 1950s and was better recognised in the 1980 with the belief that it came from a primate. Then those affected by this disease were given insignificant care and

treatment. The victims were also rejected by the society and subject to high stigmatisation. Though subsequent research by scientist shows that HIV affect the person first. While AIDS could develop latter over 5-10 years and was noted as imminent death that can not be evaded. HIV/AIDS has over 30million victims globally which has great effect on the working population (AIDS Institute, 2015).

Though the development and introduction of antiretroviral and safe sexual behaviour by using condom and avoiding the use intravenoos needles and the involvement of United Nation (UNAIDS) has gradually changed the perception of the society. In Nigeria HIV/AIDS employees are been stigmatised and openly dscriminated against (AIDS institute, 2015).

Bashir (2011) stated that government at all level must provide policies that will protect People living with HIV/AIDS (PLHA). While organisations or companies should provide policies the will handle the grievaces of PLHA and in addition to better medical facilities. In Nigeria there are many workers and potential workers having HIV/AIDS who live in fear of been rejected or job loss if there HIV/AIDS status are known. Though there are improvement in the acceptance of HIV/AIDS workers than it was before now.

### **2.2.3 Benefits of Diversity**

The success of an organization depends on its ability to favourably and utilizes human resource diversity in the workplace to its advantage and benefits (Greenberg, 2008). Organizations that exhibits adequate handling of diversity issue through developing and implementing policies and strategies that promote diversity will enjoy its multiple benefits given blow.

**Effective implementation of task-** organizations that promote human resource diversity will stir its worker to high performance. This will leads to increased productivity, profit and high return on investment.

**Wide range of diverse views-** accommodating diverse human resource in a workplace will make the organization to benefit from outsized pool of ideas and experience from the employees. This will make the organization to meet its business strategy and diverse customers' needs.

**Wide range of service-** The varied set of skills and experiences provided by employees in a workplace will increase organizations ability to offer services to its customers on globally.

**Talent retention-** Talent provides competitive edge to any organization (Andrade, 2010). When employees feel included and appreciated by organization, it makes them to develop great sense of belonging and loyalty to the organization. It also improves language skills of employees and drives organizations to increase their customer based or embarking on international business.

**Increased flexibility-** The existence of diverse human resource in organizations provides variety of solution to problems in sourcing and allocation of resources. Employees from various backgrounds contribute more flexible ideas and experiences that are suitable for solving increasing market and customers' needs.

Diversity has become very critical to the success of organizations in today's global market place. According to Andrade (2010), organizations that interact with different cultures and clients will gain increased productivity, creativity, new attitudes, new process, global understanding, better market insight, new language skills, stronger customer and community loyalty, new solutions to difficult problems, greater agility, innovation and improved talent attraction and retention.

#### **2.2.4 The Challenges of Human Resource Diversity Management**

Human resource related diversity challenges are inevitable in every workplace, whether small scale, medium enterprises or bigger corporations. Holt, (2015) explained that conflict is a natural part of an organization and if adequately handled will bring employees together. And if inadequately handle, organization may fall apart, increased lawsuits and spent more time resolving conflict rather than increasing productivity.

### **2.2 Theoretical Framework**

This work anchored on two assumptions of human resource diversity in a workplace and these are based on two fundamental explanations of sociological and psychological factors.

#### **2.2.1. The Sociological Factor**

This described social groups as competitors for material and social resources, which develops situations of conflict rather than cooperation between social groups (Sunday Samson Babalola, 2013). This situation also examine whether interactions among groups will be determined by cooperation or competition.

#### **2.2.2 The Psychological Factor**

This explanation stressed on the role of personality, cognition, and values as determinants of behaviour. This focuses on the role of individual differences and often assumes that the relevant attributes should be factors like beliefs and values. However, the social identity theory is positioned between the two extremes of sociological and psychological assumptions as they mutually influence each other. Turner & Haslam (2001) stated that social identity theory predicts that people will exhibit favorable bias toward others who are viewed as members of their in-group while viewing themselves as being in conflict with out-group members. Korte (2007) explained that it is through group membership that individuals develop social identity, which serves as social-cognitive schema (norms, values, and beliefs) for group-related behaviour. This leads to in-group bias and out-group discrimination. It is therefore pertinent for the representative of the organization such as human resource management to moderate this consequence.

### **METHODOLOGY**

This research adopted a “survey method”. This is so because survey research focuses on the people, the vital facts of people and their beliefs, opinion, attitudes, motivation and behaviour. Survey Method was chosen because of its relevance in combining the use of important research tools such as questionnaire and personal interview which are veritable instruments that can be utilized to elicit necessary information from the respondents. The area of this study consists of Rivers State, Lagos State, Ogun State and Oyo State of Nigeria. This state was selected because they have the highest focused number of Multinational Enterprises with diverse work employees. One to seven companies was selected from each state. These companies are owned by British, India, Singapore, Indonesia, America, and Nigeria. The population of this work consists of the human resource/personnel staff of the selected Multinational Enterprises as the data required for this reachable population in this study consisted of all the staff of Human Resources department of these selected firms.

S/NO	Multinational Enterprises	Location (State).	Population (no. of Human Resource staff)
1.	Multipro Consumer Products Limited	Port Harcourt, Rivers.	16
2.	Nigeria LNG Limited	Port Harcourt, Rivers	19
3.	De- United Food Ind. Limited.	Port Harcourt, Rivers	26
4.	Geosevices Nigeria. Limited.	Port Harcourt, Rivers	17
5.	MCC Nigeria Limited	Port Harcourt, Rivers	24
6.	Cameron Offshore	Port Harcourt, Rivers	16
7.	Shell Petroleum Development Company	Port Harcourt, Rivers	38
8.	Nestle Nigeria Plc	Ikeja, Lagos	36
9	Guinness Nigeria Plc.	Ikeja, Lagos	37
10.	Bristow Helicopters Nigeria Limited.	Lagos	11
11.	DHL International Nigeria Limited.	Isolo Lagos	26
12.	Addax Petroleum	Victoria Island, Lagos	11
13.	Seven-up Nigeria Plc.	Ikeja, Lagos.	22
14.	GlaxoSmithKline	Ilupeju, Lagos	29
15.	Niger Biscuit Company Limited.	Apapa, Lagos	11
16.	CAP Plc	Ikeja Lagos	14
17.	Honeywell Superfine Foods Limited.	Lagos	26
18.	De- United Foods Ind. Limited	Ota, Ogun	30
19.	Intercontinental Distillers Limited.	Ota, Ogun.	12
20.	Procter & Gamble	Ibadan, Oyo.	23
	<b>TOTAL</b>		<b>444</b>

*SOURCE: Human Resource Managers of the Selected Companies*

Having defined the population, the researcher determined the size of the sample. Final sample size of 207 was drawn. The non-probability *convenience* sampling was used as the sampling technique for this study. Data for this study were collected mainly from primary source. Data were gathered from the primary source through questionnaire that was self-administered. The sample respondents consist of the staff of the selected multinational enterprises (MNE's) in Nigeria. The secondary source of information such as materials from journals, textbooks and internet were also extensively utilized in the literature review part of the research work. The only instrument used in collecting the necessary primary data for this study was questionnaire. The questionnaire was designed in a simple way to elicit information from the staff of the selected MNEs who were the sample for the study.

#### **DATA ANALYSIS AND DISCUSSION**

This section presents various data gathered and the analytical techniques used. Of the two hundred and seven (207) questionnaires administered, only one hundred and ninety eight (198) representing 95.7% were returned and found good for the data analysis.

#### 4.1 Data Presentation/Analysis

**Table 1: Biographical data of the Respondents**

Biography Info	Options	Freq	Percent
Gender	Male	148	74.7%
	Female	50	25.3%
	<b>Total</b>	<b>198</b>	<b>100%</b>
Managerial Position	Top Level	24	12.1%
	Middle Level	86	43.4%
	Lower Level	88	44.5%
	<b>Total</b>	<b>198</b>	<b>100%</b>
Country of Origin (Employee)	Expatriates	29	14.6%
	Host	169	85.4%
	<b>Total</b>	<b>198</b>	<b>100%</b>
Experience	Less than 5 years	23	11.6%
	5-10years	75	37.8%
	11-15years.	18	9.1%
	16-20years	57	28.8%
	20years and above	25	12.7%
	<b>Total</b>	<b>198</b>	<b>100%</b>

**Source:** Researcher Field Survey, 2019

The biographical information shown above revealed that many of the respondents of the selected MNE's were male (74%). Also, majority of the respondents in the organizations were of middle and low level managerial positions (87.9%) which definitely give the work more meaningful responses since the issues relating to workplace diversity especially that of gender, race, colour etc affect these management cadres most. Furthermore, most of the respondents (85.4%) were host country employees.. Finally, our respondents come mostly between 10-15years of experience (37.8%).

#### 4.2 Test of Hypotheses

Three hypotheses were formulated are tested as follow using one-way ANOVA, z-test and chi-square. Hypothesis one was tested using one- way ANOVA, two was tested with one-sample z-test while hypothesis three was tested with chi-square test. **SPSS** was used to analyze the various tests.

##### **Hypothesis One:**

**HO:** HRDM practices impact negatively on the employees' sense of belongings of selected MNEs

**HA:** HRDM practices impact positively on the employees' sense of belongings of selected MNEs

**Table 2a: Test of Homogeneity of Variances**

*HRDM. & Sense of Belongings*

Levene Statistic	df1	df2	Sig.
.993	1	197	.441

**Table 2b: One-Way ANOVA**

*HRDM. & Sense of Belongings*

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	6755.300	1	1688.825	7.413	.002
Within Groups	3417.500	197	227.833		
Total	10172.800	198			

Source: SPSS analysis of field data 2019

### Hypothesis Two

**HO:** HRDM practices used in organizations will affect negatively on employee outputs.

**HA:** HRDM practices used in organizations will affect positively on employee outputs.

**Table 3a: One-Sample Statistics**

	N	Mean	Std. Deviation	Std. Error Mean
Decisions on HRDM & Outputs	198	39.6000	19.84103	3.96821

**Table 3b: One-Sample Test**

	Test Value = 0					
	T	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Decisions on HRDM & Outputs	9.979	197	.000	39.60000	31.4100	47.7900

Source: SPSS analysis of field data 2019

### Hypothesis Three

**HO:** HRDM practices would not contribute to the effective attainment of work goals among MNEs

**HA:** HRDM practices would contribute to the effective attainment of work goals among MNEs

**Table 4: Chi-Square Test Statistics.**

	HRDM practices	work goals
Chi-Square	154.17	21.03 <sup>b</sup>
Df	2	196
Asymp. Sig.	21.03	1.000

The chi-square is computed at 0.05 level of significant

Source: SPSS analysis of field data 2019



#### **4.3. Discussions**

##### **i. The impact of HRDM practices on the employees' sense of belongings of selected MNEs**

Data for the test of this hypothesis were obtained from responses from the questionnaire. The one-way ANOVA was used to test the validity of how HRDM practices impact on the employees' sense of belongings among selected MNEs. The **tables 2a&b** above reveals that while the f-distribution result shows the existence of significant result on the variables ( $F = 7.413$  at  $p < 0.05$ ). The significant level is 0.002, and due to this we reject the null hypothesis and accept the alternate one which states that *HRDM practices impact positively on the employees' sense of belongings of selected MNEs*. The result of this work bears the same findings with the work done by Truss (2009) which showed that the activities of firm human issues are seriously reducing the overall efficiency of firms' performances. The work of Dike (2013) negates our submission. The result of his paper was that the presence of many workplaces unexpected issues such as gender roles, mobile staff and e-work has nothing to do with the sense of commitment among employees. According to the paper, what big firms do is to stimulate staff morale to improve on their overall effectiveness.

##### **ii. The effect of HRDM practices on the employees outputs**

Having analyzed the data from the questionnaire using one-sample t-test to examines the effect of HRDM practices on the employees outputs, the **tables 3a&b** revealed that the t-test result shows the existence of significant result on the variables ( $t = 9.979 > t_{\text{table}} = 1.96$  at  $p < 0.05$ ). The significant level was found to be 0.00, and due to this we reject the null hypothesis and accept the alternate one which states that *HRDM practices used in organizations will affect positively on employee outputs*. The results of this research discovered that lack of effective management of workplace diversity often encourages organization conflicts and issues. This is similar with what postulated by Preeti (2014). In the work of Gamero and Ryne (2013), it was discovered that diversity management is one of the major problems confronting many MNEs especially those who are ethnocentric in their decision and activities

##### **iii. The effect of HRDM practices on the attainment of work goals among MNEs**

Having analyzed the third hypothesis on **table 4** above with chi-square ( $\chi^2$ ), we found out that the calculated figure is greater than the tabulated figure ( $\chi^2_{\text{Calc}} = 154.17 > \chi^2_{\text{Tab}} = 21.03$ ), we reject the null hypothesis and accept the alternate which signifies that *HRDM practices would contribute to the effective attainment of work goals among MNEs*.

#### **CONCLUSION AND RECOMMENDATIONS**

Workplace diversity represents both a challenge and an opportunity for business. A growing number of progressive organizations are realizing the need for valuing diversity in the workforce, so as to ensure strategic utilization of human resources for the realization of strategic goals. The level to which managers recognize diversity and its potential advantages and disadvantages defines an organization's approach to managing the diversity. No organization in this world of globalization would survive without workforce diversity. Organizations are still stuck on the problem of getting people to value diversity and have not yet determine the ways to utilize and exploit it. It is the approach to diversity, not the diversity itself which determines the actual positive and negative outcomes. Finally, creating a diverse workforce takes time and even longer to reap the benefits..

After considering all the findings in the research it becomes a compulsion for the researchers to suggest, the ways to handle the shortcomings found during the survey. It is really a big matter of concern for all HR professionals as one side we say that we should include new trends in HR policies and

on the other hand, the latest trend like workforce diversity is treated as a problem. However, this problem can be solved by adopting various policies like:

- i. Encouraging the use of common language in the organization among the employees
- ii. By conducting various motivational and mentorship programs
- iii. By keeping the channels of communication open among the employees and employers and encouraging employee participation so as to continue to enjoy employee morale and enhanced outputs
- iv. The management and leaders must not lose focus and interest in creating a diverse workforce due to the lack of immediate returns

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