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Original Research

Factors Affecting Employee Retention and Logistic Performance: Evidence from NGO Sector in Northern Area of Bangladesh

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Abstract

It is conceivable to question why highly educated and competent workers are permitted to leave their employment. The determination of this paper is to identify the important issues prompting worker retaining in the northern Bangladesh NGO sector and to examine how staff retention impacts on logistic performance. Some of the things that are looked at in this study as retention drivers are economic stability, psychological security, connections with coworkers, and self-actualization. With a simple random sampling method and a questionnaire, the employees are polled to get the important information. We selected Rajshahi, Bogra, Natore, and Kushtia as well as four NGOs from each district for the random sample. Each NGO conducted ten worker interviews for data collection. The total number of samples is 160. SEM-SPLS examines data, evaluates the research model and hypotheses, and tests the study model and hypotheses. There are economic, psychological, interpersonal, and self-actualization aspects of employee retention. The paper covers the hypothetical and applied ramifications of the inquiry.

Keywords: Employee retention, NGO, Organizational performance, Bangladesh.

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Introduction

Every firm depends on its ability to recruit, retain, and reward competent and productive employees. Keeping qualified employees is a critical source of competitive advantage for every company. When a business makes an effort to keep its employees, it faces a number of challenges (Barney 1991; Pettman 1975; Wernerfelt 1984). Individuals who perform poorly and produce little are typically encouraged to quit their jobs, while companies want to keep hold of employees who are able to think beyond the box. If it were possible to quantify it, businesses would hire and retain workers who had a stronger positive influence on the company's value and profits. Considering the cost of recruiting and training a new worker, it is preferable to keep a productive worker on staff rather than replace them. According to Gering and Conner (2002), any firm must maintain a productive staff. This is because a company cannot maximize the growth of its human capital if it cannot retain its employees. Several research (Alshurideh 2017, Alshurideh et al. 2017, Alshurideh 2016a,b,c,d; Kurdi et al. 2020) have investigated client retention and the extent to which it is advantageous for firms (Alshurideh, 2016a). This point of view supports the idea that employees are crucial to a company's success. In spite of this, there is a dearth of studies examining the factors that contribute to employee loyalty and turn them into an organization's most valuable resource. The financial sector is essential to any country's economy, both directly and indirectly. Furthermore, in the banking business, turnover rates are on the rise, particularly among dissatisfied employees, and the propensity to leave the firm is growing (Schuler & Jackson 2006). This becomes a serious problem for the business and a costly software program if key personnel are leaving. Not to mention the time and money required to train a new hire.

Therefore, it is important to investigate the issues that have an important impact on employee's retention in the NGO sector in Bangladesh. Employee retention may be greatly influenced by a variety of elements, such as job security, social support, wisdom of purpose, and overall happiness. The purpose for this research was to discover what keeps individuals with commercial NGOs in northern Bangladesh. The administration of non-governmental organizations is beginning to place a larger emphasis on retention strategies, as these plans target the organization's most important asset: its employees. The research investigates these approaches for retaining knowledge in greater depth. Focus is given on how employee retention influences institutional performance in their management environment and in growing markets, as well as how psychological work safety, economic work safety, interaction with others, and self-satisfaction influence employee retention. The industry of nongovernmental organizations (NGOs) might be a significant factor in Bangladesh's social endeavors. Despite this, Bangladesh's flourishing non-governmental organizations (NGOs) and microcredit distribution businesses continued to develop while being closely watched. There are now close to 150 notable NGOs functioning in the region. Researchers such as Oladapo (2014) have investigated the issue in order to comprehend what talent management entails and how leaders may ensure they have the tools and knowledge to study their team in order to identify the most talented individuals. To retain employees, businesses must develop ties with them on several levels, including financially, emotionally, and socially.

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Rationale of the study and objectives

This study's major purpose is to raise the Bangladeshi NGO community's awareness of the need of maintaining one of their most valuable resources: their workforce (Vasquez 2014). This study underwrites to the current body of knowledge on the subject of employee retention by exploring the problems of establishing a new

Theoretical framework based on past research in the banking industry. Most research have concentrated on client retention (Alshurideh 2013; Alshurideh, Masa'deh, and Al Kurdi 2012; Ashurideh 2010); therefore, this research could help fill knowledge and understanding gaps about the value of retaining employees in the non-governmental organization (NGO) sector and contribute to the growth of the sector. This study is significant because it attempts to develop a novel approach to staff retention. In the future, the findings of this study may be utilized to explain what inspires employees to remain with a firm. Consequently, this investigation is crucial. Additionally, it might influence the decision-making process of those who work for banks and other financial organizations. This is significant since a significant number of employees in this field have switched careers in recent years. Taking action to address this issue provides firms with the opportunity to generate innovative strategies for increasing employee retention. Therefore, the study contributes to the economic sector's continued growth and stability by enhancing their economic standing. This is accomplished through reducing the expenses associated with recruiting, employing, and training new personnel, as well as the costs associated with losing individuals with specialized expertise. Also, the research is one of the first to examine the difficulty of retaining workers in one of the rising sectors by developing a theoretical model and statistically evaluating it. This was made possible by the study. This establishes the foundation for future studies on how to retain staff in the banking business. These findings should inspire academics to conduct further research on this area, particularly for the benefit of companies that wish to retain their staff. Companies must recognize and understand that not all of their workers are loyal or devoted to the organization for which they work. Some employees remain with a company because they fear leaving their positions or work teams (Shapiro and Kirkman, 1999), they feel connected to the company's culture, or they are unable to obtain other employment. According to Hafeez, Malak, and Zhang (2007) and Alshurideh et al., people are a company's most valuable asset since they impact its total profitability (2020). Alzoubi et al. (2020) and Alshurideh (2019) discovered that retaining workers helps retain consumers, reduces operating expenses, and reduces the cost of acquiring and training new employees. This clarifies the circumstances. This study investigates the relationship between psychological, physiological, relational, and self-actualizing aspects and employee retention.

Literature Review

Economic security and employee retention

The notion of security is centered on anticipating and explaining a range of activities done to avoid or mitigate the effects of malevolent threats to people's lives or property. All points of contact with national security organizations, including the military and police, are included in the security sector. The "security economy" is the

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Term we will use to describe these efforts to counteract economic uncertainty, its sources, and its impacts (OECD 2004). The infrastructure for basic necessities, which covers areas like health care, education, housing, information, social protection, and stable job, shapes it. Maintaining aspects connected to work security can help you achieve financial stability (International Labor Organisation 2004). Workers in any country or sector are less inclined to relocate to another nation or industry or search for new employment when they feel financially secure. As Singh (2012) demonstrates, both employee retention and long-term economic sustainability are possible as long as employees possess the required skills. Slow economic growth is seen in countries like Greece and Spain when unemployment rates are high (Fountoulakis 2014). It is possible to propose the following consequences of economic security on employee retention based on this definition:

H_1: Employees' Economic security influences employees' retention, positively.

Mental satisfaction and employee retention

In Maslow's theory of motivation, which is based on the notion of a hierarchy of human needs, a stable state of mind is seen as the first and most fundamental level. This variable is based on the capacity of individuals to maintain a regular and normal state of their essential life demands. It comprises the material requirements for human existence, such as food, water, the ability to breathe, shelter, etc (Adair 2006). As a result of having a work that will be there for a while, employees with job security usually enjoy a steady, regular lifestyle and are able to effectively meet their requirements and expectations. Strong psychological sustainability contributes to strong overall sustainability, which boosts worker gratification and presentation. Mental security in the commercial segment may be characterized as the provision of a proper working environment and the receipt of enough financial recompense. If these elements are lacking, employees will be compelled to seek work elsewhere in order to meet their psychological wants (Hanif, Khalid & Khan 2013). On the basis of this conception of psychological security, the following may be said about the relationship between psychological safety and employee retention:

H_2: Employees' mental satisfaction influences employees' retention, positively.

Relationship with other colleague and employee retention

A person's behavior and performance may be anticipated and explained using McClelland's theory of needs. These needs have been categorized as the need for connections, the desire for power, and the need for success. Typical aspects of the need for affiliation include the desire to become more socially oriented, to spend more time with friends and coworkers, to be liked, and to spend more time in social relationships and workgroups. Additionally, it encourages teamwork in circumstances when collaboration and reciprocity are crucial (Yamaguchi 2003). A connection may be made in the banking industry if a worker is extroverted, concerned with establishing and maintaining interpersonal relationships, and willing to work in a collaborative environment. In addition, the applicant must be seeking work in a cooperative

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environment. On the basis of an understanding of association, the following may be expressed as the effect of employee connection on employee retention:

H$_3$: Employee relationship with other influences employee retention, positively.

Self-realization and employee retention

Self-realization is a person's ability to achieve his or her own possible; it differs. A parent who can provide for his family may be self-aware. After completing a job-related research project, a scientist may gain self-awareness (McLeod 2007). Self-actualization requires going beyond homeostasis, improving creativity, and having "peak experiences." These things help people reach their full potential. When people reach their maximum potential, they're more productive and creative (Maddi 1996). Self-realization is an extraordinary characteristic, not a regular manner of activity. Self-realized persons are readily distinguishable from the bulk of people (Soni and Soni 2016). Business self-actualization is realizing one's full potential and fulfilling one's full potential as an employee. This may happen when leaders and management help an employee become more motivated and productive (Hanif et al. 2013). Self-realization may have the following effects on employee retention, based on what we know about it:

H$_4$: Employee self-realization influences employee retention, definitely.

Employee retention

The retaining of employees affects the majority of corporate divisions and is a critical topic for business management. All managers and stakeholders must plan for employee retention and investigate its impact on behavior and output (Mohanty, 2009). Employer retention entails retaining desirable personnel to achieve business objectives (Frank, Finnegan & Taylor 2004). Turnover refers to a company employee's voluntary departure. Prior study on employee retention centered on senior employees for ethical concerns (Calo 2008). According to one research, employee retention has long influenced professional commitment, employee happiness, employee motivation, and employee behavior (Davis 2013). According to the survey, employee retention is key. Absenteeism, early retirement, and staff turnover are linked to job dissatisfaction (Saari & Judge 2004). Irshad and Afridi said HRM is key to monitoring and regulating workforce retention (2011). First, ensure a candidate's skills match the job description. "Compensation" is key to attracting and retaining employees. This is especially true for extraordinary performers or people. Organizations appreciate these traits because they result from employee development and orientation. The term rewards refers to all of the monetary and non-monetary benefits given to employees for successful work performance. The company is required under training and career development" to teach its employees how to enhance future sales. The sixth component, "Career advancement 3984 opportunities," entails balancing employee expectations and corporate needs. The sixth factor, "supervisor support," refers to the employee's positive working connection with the supervisor. A poor connection decreases the probability that an employee will remain. The seventh factor, "work environment," influences the likelihood that individuals will work for and remain with firms where they feel valued and can be productive. Organizational justice refers to the company's ethical treatment of its employees. Since recruiting suitable

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employees is essential to the success of any business, employee retention is the top priority. Retention is more crucial than recruitment since the firm must spend more on training the new employee, and replacing an old worker may cost twofold as much as employing a new one (Alshurideh 2014, 2019; Irshad & Afridi 2007). We will now examine how employee retention impacts performance.

Logistic performance in Job

The impact of employee retention on the achievement of a task is one of the most important issues that may be discussed. AlDamoe, Yazam, and Ahmid's (2012) research on human resource management methods centered on those associated with the effect of employee retention on task completion. The study's findings reveal that staff retention moderated these types of relationships and effects across all firms. This corroborates the findings of Paul and Anantharaman (2003), who discovered that human resource management strategies, such as staff productivity and employee retention, have an effect on task completion and financial success. This outcome corresponds to theirs. Numerous research have found a correlation between worker retention and performance (Gberevbie, 2010, Markos, & Sridevi, 2010), worker engagement and retention (Markos, & Sridevi, 2010), worker behavior and task completion (Cascio, 2006), and worker behavior and retention (Gberevbie 2010). (Gberevbie 2010). (2006) (2010) (2013) (2013) Using this definition of work completion, staff retention has the following effects on task performance:

H_5: Employee retention influences logistic performance in job, positively.

Theoretical Background

This study aims to uncover the most influential elements that lead to employee retention in the nongovernmental organizations (NGOs) sector in Bangladesh. Our model is based on a meta-analysis of several previous studies with high impact and significant ties to the current topic. As seen in Figure 1, the four primary factors that influence employee retention are economic stability, psychological security, contact with others, and self-actualization. It was expected that these factors would influence and encourage employee retention, which would have a ripple impact on company outcomes.

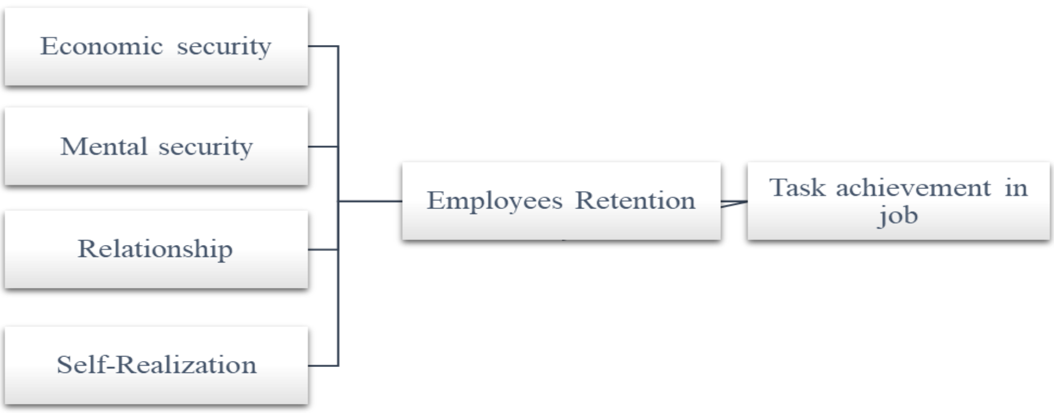

Fig. 1. The hypothetical model

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Hypotheses and functional definitions

The study was intended to investigate a variety of variables that motivate employees to remain with NGOs. On the basis of the study model depicted in Figure 1, the following assumptions were formulated:

H_1: Employee Economic security favorably promotes employee retention.

H_2: Employee mental security favorably promotes employee retention.

H_3: Employee relationship with others influences employee retention positively.

H_4: Employee self-realization influences employee retention positively.

H_5: Employee retention influences logistic performance effectively positively.

This study focused on clarifying several ideas. If a person has the right talents, he or she can preserve the company's financial stability. Employees seek jobs that suit their psychological demands; having a nice work environment and competitive pay helps create mental stability at work. Social needs emerge organically when people spend more time with coworkers and in groups. Self-actualization may occur in company when leaders and managers assist individuals increase motivation and output, recognizing the happiness that comes from using one's talents and abilities.

Research Methodology

This study used a quantitative technique and a validated questionnaire to obtain primary data needed to analyze employee retention in the Northern area of Bangladesh's NGO sector. Five commercial NGOs in the northern portion of Bangladesh were sampled randomly for basic data. Although the questionnaire was randomly distributed to four NGOs, ASA, BRAC, GM Bank, and TMSS, only 160 were valid for analysis. Individually delivered survey questionnaires led to an 82% response rate. Respondents gave their opinions on the research using a Likert scale ranging from highly agreeing to strongly rejecting. Participants in the research sample rated the study structures to determine which factor influenced their ability to recall the content. Men made up 71% of the sample and women 29%. 26% of survey respondents had a high school education, 57% a bachelors, and 17% a postgraduate degree. 45% of participants had worked for the same employer for less than three years, 32% for less than five, and 23% for more than five.

Data Analysis

Several statistical techniques, including Factor Loading (FL), Cronbach's Alpha, CR and AVE, and R2, were used to examine the study model and build items in this work. According to the FL data, Table 1 reveals that for each construct, four items were suitable for data collection. All of the items with FL values between 0.74 and 0.877 were declared appropriate for use. Cronbach's Alpha ratings for study constructs varied from 0.771 to 0.834 and were all more than 70%. All CR values were over 70%, and all AVE values were over 50%. According to Hair et al. (2017) and other statistical measures, the results

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showed that the convergent validity and reliability for each research element and the study model's measurements met statistical standards (Alshurideh et al. 2020; Alzoubi et al. 2020; Kurdi 2016).

Table. 1 Convergent validity results

Constructs	Items	Factor loading	Cronbach`s Alpha	CR	AVE
Economic Security	ES-1 ES-2 ES-3 ES-4	0.86 0.83 0.81 0.82	0.8	0.79	0.7
Mental security	MS-1 MS-2 MS-3 MS-4	0.76 0.79 0.74 0.81	0.78	0.72	0.76
Relationship with others	RS-1 RS-2 RS-3 RS-4	0.82 0.84 0.81 0.83	0.86	0.78	0.69
Self- Realization	SR-1 SR-2 SR-3 SR-4	0.74 0.72 0.79 0.76	0.77	0.73	0.63
Employee retention	ER-1 ER-2 ER-3 ER-4	0.79 0.71 0.77 0.87	0.84	0.81	0.59
Task achievement	TA-1 TA-2 TA-3 TA-4	0.80 0.86 0.87 0.83	0.85	0.76	0.69

Acceptable values (Factor loading, Cronbach’s Alpha, composite reliability ≥ 0.70 & AVE > 0.5)

In this study, a number of statistical approaches, including Factor Loading (FL), Cronbach's Alpha, CR, AVE, and R2, were utilized to evaluate the study model and construct items. Table 1 demonstrates, based on the FL data that for each construct, there were four eligible questions that could be utilized to gather the main data. The FL values of each item were between 0.71 and 0.87, indicating that they were all suitable for usage. Cronbach's Alpha scores for the study's constructs varied between 0.77 and 0.85, indicating that they all above 70%. The range of CR values was 0.72 to 0.81, which was usually greater than 70%. AVE values were between 0.59 and 0.76, usually over 50%. Numerous statistical measures that Hair et al. (2017) defined and compared to others (Alshurideh et al. 2020; Alzoubi et al. 2020; Kurdi 2016) demonstrated that each research element and the study model measurements fulfilled statistical criteria.

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Table 2. Correlation Matrix

	Economic Security	Mental Security	Relation ship	Self-realization	Employee retention
Economic Security	0.71				
Mental Security	0.56	0.78			
Relationship	0.42	0.49	0.64		
Self-realization	0.39	0.57	0.52	0.72	
Employee retention	0.48	0.54	0.43	0.51	0.77

Table 2 shows the correlation and cross-loading coefficients. Each construct's correlation with itself was higher than with the others. Correlations ranged from 0.39 to 0.77. This showed a favorable link between researches constructs.

Table: 3 the value of R^2

Constructs	R^2	Results
Employee Retention Drivers	0.79	High

The coefficient of determination (R2) was the most important factor in the entire analysis of the constructed model. Chin (1998) and Liu, Liao, and Peng (2005) consider a value to be high if it exceeds 60 percent. As shown in Table 3, as a result, the model demonstrated a high capacity for describing the investigated events, and its prediction capacity was 72.1%.

Table: 4 Structural Model hypothesis analysis

H	Relationship	Path	t-value	p-value	Direction	Decision
H1	ES -> ER	.14	9.7	.001	+ Positive	Maintained
H2	MS -> ER	.52	9.8	.004	+ Positive	Maintained
H3	RS -> ER	.16	10.57	.05	+ Positive	Maintained
H4	SR -> ER	.19	4.25	.03	+ Positive	Maintained
H5	ER -> TA	.11	7.36	.04	+ Positive	Maintained

The route analysis was utilized to assess and validate the hypotheses of the investigation. SEM-SPLS was used to validate the theorized connection between the research variables. Table 4 presents the results of the suggested hypothesis's route analysis. Evidently, all hypothesized associations were evaluated and shown to be statistically significant. The data analysis confirmed the hypotheses H1, H2, H2, H4, and

H5 as follows: (= 0.14, P0.002) for the first factor, (= 0.52, P0.004) for the second factor, (= 0.16, P0.000), (= 0.19, P0.001) for the third component, and (= 0.11, P0.005) for the last factor. Table 4 offers an overview of the results of the hypothesis testing.

Findings and discussion

According to respondents, personal growth had the least impact on whether or not they remained with their current business. This study provides support for the notion that psychological well-being is a prerequisite for employment in any company, but is especially important in businesses that place a premium on cooperation (Rasmussen & Jeppesen 2006).

Both the unemployment rate and increased staff turnover hinder the expansion of the national economy. According to Vasquez's (2014) research, it may be able to increase employee retention by upgrading the workplace in a variety of ways, such as by offering incentive and reward programs and strong management support. Salman, Ahmad, and Matin's (2014) examination of worker retention in the Pakistani banking industry in Karachi provides more support. Researchers concluded that a bank's performance was significantly dependent on employee retention. Increasing worker turnover and its negative impact on banking sector productivity inhibited economic growth. Instead of resigning themselves to the inevitable loss of their most valuable personnel, managers in the banking industry can implement strategies to encourage and reward their best workers to remain. Consequently, maintaining a stable economy is necessary for retaining employees, and maintaining a stable economy is necessary for retaining workers. Several scholars, including Ramlall, have confirmed this association (2004). The results validated the second hypothesis, which postulated a connection between psychological security and staff retention (value of 0.423 and P value of 0.004). These researchers discovered that elements outside financial stability, such as employees' emotional well-being, had a substantial impact in determining whether they would remain with a company. They predicted that if upper management paid more attention to these concerns, turnover rates would fall. In addition, Nowack and Learning (2008) argued that maintaining a psychologically healthy workplace was essential for retaining competent workers. Fortunately, there are a number of methods to meet these needs, including enhancing employee participation and cultivating strong social and emotional capabilities. Sandhya and Kumar's (2011) findings showed the relevance of providing employees with a safe and welcoming environment if firms wish to enhance retention rates. The results validated the third hypothesis, which postulated that interpersonal ties influenced employee retention (value of 0.132 and P-value of 0.000). Given the lack of research on the issue, it is hard to overestimate the significance of this revelation. According to professionals such as Kyndt et al. (2009), respect, encouragement, and the opportunity to be heard—particularly from direct supervisors—are essential for retaining competent and talented employees. For top talent to prosper, a more convivial workplace was also essential. Therefore, it is essential to focus on the particular abilities of each individual. Lee and Way elaborated on the extent to which individual characteristics might influence job satisfaction and retention in the hospitality industry (2010). Presumably, high-performing employees should be retained since they are more likely to be loyal to the company and their coworkers, have a positive attitude on consumers, and value teamwork. The results of the study supported the fourth hypothesis, which posited that allowing workers to

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pursue their own objectives at work would boost retention rates (= 0.182, P 0.001) Some businesses took advantage of every chance to educate their personnel, laying the groundwork for future success and overcoming any difficulties that arose (Alshurideh 2019; Alzoubi et al. 2020). Ghannajeh, et al. (2015); Obeidat, Alshurideh, Al Dweeri, and Masa'deh (n.d.); Alshurideh, Ghannajeh, and Masa'deh (2019); (2019). Data (value of 0.152 and P-value of 0.005) supporting the fifth hypothesis that employee retention has an impact on business success. When the antecedent employee retention variables were appropriately considered in addition to the previously evaluated independent factors, employees remained in their positions longer than normal. Keeping key staff, particularly those with specialized experience, enhanced job productivity (Alshraideh, Al-Lozi & Alshurideh 2017; Alshurideh, Alhadid & Al Kurdi 2015; Brayfield & Crockett 1955). When employees' physical and emotional safety is addressed and their social and working environments are well-maintained, they are more likely to be satisfied, feel proud of themselves, have strong relationships with others, and achieve their full potential (Alshurideh et al. 2015; Zu'bi et al. As a consequence, the company is typically able to retain its best staff, which increases its overall performance. 9 - In conclusion In this study, we examined the effectiveness of four potential motivators: psychological, monetary, interpersonal, and self-actualization. The context for this study was the Jordanian commercial banking industry, one of the region's developing economies. Employee retention is increased when employees appreciate their jobs, coworkers, supervisors, and even the clients they serve (Alshurideh et al., 2020; Alzoubi et al. 2020). Those in positions of control and responsibility should give this matter considerable consideration. Service providers must retain their best and brightest personnel in order to run a profitable business and offer a great work environment for their clients (Alshurideh et al. 2015; ELSamen and Alshurideh 2012). A pleasant workplace enables employees to engage positively with coworkers, bosses, and customers (Alshurideh et al., 2015; Alshurideh, Al Kurdi, Abumari & Salloum, 2018; Ammari, Al Kurdi, Alshurideh & Alrowwad, 2017). If they believe their superiors value, accept, and encourage them to express their thoughts and feelings, satisfied employees are more likely to remain with the same company for a long time (Alshurideh, Shaltoni and Hijawi, 2014; Alshurideh, 2016; Ammari, Al Kurdi, Alshurideh & Alrowwad, 2017). When employees feel valued and appreciated, they are more likely to undertake tough assignments, test out fresh approaches, and be comfortable working in environments where they frequently need to raise their voices to be heard by someone less than one meter away. When employees feel valued at work, they are more likely to perceive issues as chances for advancement rather than hurdles. Moreover, individuals develop faith in their talents and self-assurance in their capacity to accomplish occupations that will challenge, inspire, and extend them. Management must make a concerted effort to identify and provide all opportunities for people to acquire new skills. As a consequence, employees felt in control of their job and confident in their capacity to execute everyday chores efficiently. Additionally, they indicated that the benefits of achievement surpassed the costs of failure. It is ultimately the job of the business to not only locate, hire, and retain the finest and brightest personnel, but also to ensure that they remain with the company. Companies get a competitive advantage by retaining their finest staff, as they are the most committed to the project at hand (Balakrishnan, 2014). In light of this study's findings, senior management should develop a strategic strategy to retain their most qualified and competent staff.

Conclusion

In this study, we examined the effectiveness of four potential motivators: psychological, monetary, interpersonal, and self-actualization. The context for this study was the Jordanian commercial banking industry, one of the region's developing economies. Employee retention is increased when employees appreciate their jobs, coworkers, supervisors, and even the clients they serve (Alshurideh et al., 2020; Alzoubi et al. 2020). Those in positions of authority and responsibility should pay great attention to this matter. Service providers must retain their best and brightest personnel in order to run a profitable business and offer a great work environment for their clients (Alshurideh et al. 2015; ELSamen and Alshurideh 2012). A cheerful workplace encourages employees to connect positively with coworkers, bosses, and customers (Alshurideh et al., 2015; Alshurideh, Al Kurdi, Abumari & Salloum, 2018; Ammari, Al Kurdi, Alshurideh & Alrowwad, 2017). Compared to dissatisfied workers, delighted employees are more likely to stay with the same business if they believe their superiors respect, accept, and encourage them to voice their thoughts and feelings (Alshurideh, Shaltoni and Hijawi, 2014; Alshurideh, 2016; Ammari, Al Kurdi, Alshurideh & Alrowwad, 2017). When employees feel valued and appreciated, they are more likely to undertake tough assignments, test out fresh approaches, and be comfortable working in environments where they frequently need to raise their voices to be heard by someone less than one meter away. When employees feel valued at work, they are more likely to perceive issues as chances for advancement rather than hurdles. Moreover, individuals develop faith in their talents and self-assurance in their capacity to accomplish occupations that will challenge, inspire, and extend them. Management must make a concerted effort to identify and provide all opportunities for people to acquire new skills. As a consequence, employees felt in control of their job and confident in their capacity to execute everyday chores efficiently. Additionally, they indicated that the benefits of achievement surpassed the costs of failure. It is ultimately the job of the business to not only locate, hire, and retain the finest and brightest personnel, but also to ensure that they remain with the company. Companies get a competitive advantage by retaining their finest staff, as they are the most committed to the project at hand (Balakrishnan, 2014). In light of this study's findings, senior organization should develop a strategic strategy to retain their most qualified and competent staff.

Study theoretical and practical implications

The study findings have led to a number of hypothetical and applied inferences that may be used to tackle a range of employee retention issues. To begin with, more study and analysis are required to determine how employees in expanding areas feel about their jobs. Managers should be concerned with the psychological issues their employees encounter, as well as the ways in which their psychological states develop and remain stable through time. Second, the majority of companies were concerned about the annual assessment forms and reports they gave to their employees. These performance metrics were based on items that could be seen and handled, but did not take psychological symptoms into consideration. There is an urgent demand for new assessment pointers that are related to emotional assessment instruments, particularly among large-scale employers. Thirdly, respondents believed that economic and physical aspects of the work were significant determinants of employee retention. Fourth, more study must be conducted on workplace-related issues, such as how well individuals understand their jobs, how noisy their jobs are, how large their offices are, how healthy their work surroundings are, how safe their jobs are, and how dangerous their jobs are. Fifth, additional study is required to examine the various types of employment and how people perceive their duties. Managers should research and keep an eye on ways to assist workers become more self-aware and remain with the firm, keeping in mind how difficult some activities are and how hard people strive to do everyday chores that are viewed as difficult. They should also consider how to encourage employees' creativity in their daily activities. There are several factors that must be investigated and recorded in order for workers to learn about themselves and remain with the organization.

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Original Research

Entrepreneurial Intentions among University Students: Insights from the University of Cape Coast

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Abstract

In emerging nations like Ghana, unemployment has grown to be a serious worry for graduates. According to this perspective, the majority of graduates are recommended to start their own businesses rather than wait for positions from the government. This paper aims to examine the entrepreneurial intentions among University students, using variables such as Motivation, Family Background, Entrepreneurship Education and External Factors. This is a cross-sectional study where the results were based on the outcomes of a survey among the University of Cape Coast, school of Business students (n=130). Inferential statistical procedures such as the Pearson Product-Moment correlation test, Multiple Regression and Stepwise Regression Analysis were used to assess the study's specific aims and tested the four main hypotheses. The results indicated that all variables but Family Background positively influence students' entrepreneurial intentions and that Motivation is statistically significant in analyzing the factors that significantly affect the students' entrepreneurial intentions. Hence, more emphasis should be based on motivating the students both within and outside to enable them develop entrepreneurial mindsets. The study suggests that policymakers should focus on encouraging student entrepreneurship as it will be a proper management to deal with the severe unemployment issue in emerging countries, especially Ghana.

Keywords: Entrepreneurship, Entrepreneurial Intention, Business Students.

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Introduction

Unemployment has become a major concern for graduates in developing countries like Ghana. It is of this view that most graduates are being advised to venture into entrepreneurship rather than waiting or calling on the government to provide jobs. "Government payroll is full-making it unsustainable to keep adding to employment figures in the public sector," Ghana's finance minister Ken Ofori Atta told the University of Professional Studies - Accra (UPSA) class of 2021, explaining the need for them to create their own jobs..

In recent years, entrepreneurship has emerged as an important area of study in academic circles (Boahemaah et al., 2020). Entrepreneurship is crucial for economic growth, job creation, and finding solutions to social issues like the overabundance of university graduates (Ambad and Damit, 2016). As a result, scholars have given a lot of attention to studying entrepreneurial intentions among university students, who are an important source of entrepreneurship (Haque et al., 2017).

Entrepreneurial intention, according to Bird (1998), is the attitude that directs, guides, coordinates, and controls the fundamental principles of new business development, implementation, and evaluation. Students that have an entrepreneurial perspective are more likely to see chances to start, expand, and manage new businesses (Kuratko & Morris, 2018; Liguori et al., 2018). Additionally, it equips students with the skills necessary to avoid unfavorable socioeconomic circumstances and make a positive contribution to community growth, self-employment, job creation, and wealth accumulation (Santos et al., 2019; Schindehutte & Morris, 2016)

Youth unemployment is very high in Ghana and quite mentioned among graduates (Amofah et al., 2020). According to Baah-Boateng (2015) and Zakaria et al. (2014), the percentage of graduates who were unemployed in Ghana increased from 14.7% in 1987 to 40% in 2011. The youth's lack of skills and entrepreneurial awareness is the main cause of the unemployment situation (Amofah et.al, 2020). The strong reliance on the government for employment into the public sector is another factor contributing to the high graduate unemployment rates (Amofah et al., 2020). "Today's realities imply that there is no government of any country that can completely supply jobs to absorb all graduates from her higher institutions," according to Johnmark et al. (2016, p. 2). This indicates that in order to realize their educational goals, graduates must alter their perspective from one of "search for a job syndrome" to one of "creating a job mentality.”. According to data from the University of Ghana's Institute of Statistics, Social and Economic Research (ISSER), "only 10% of graduates find jobs after their first year of completing school," and "it may take up to 10 years for a large number of graduates to secure employment due to varied challenges that range from lack of employable skills to many other factors." At the 2017 MasterCard Foundation Annual Learning Summit in Accra, Ghana, educational expert Mr. Kofi Asare revealed these astonishing data.

In the previous years, numerous studies on the entrepreneurial intentions among Ghanaian students have been carried out. For instance, Amofah et al. (2020) used the theory of planned behavior to study the entrepreneurial intention of 159 MBA students from two private colleges in Ghana. According to Lebbaeus Asamani et al. (2013), students in Ghana have a high level of entrepreneurial interest. However, it was discovered that students' academic programs, gender, and age had no obvious influence on their entrepreneurial inclination. Additionally, a study on entrepreneurial intention by Adu et al. (2020), concluded there are other elements besides self-efficacy that moderate the association between entrepreneurial education and entrepreneurship, such as behavioral control, risk-taking prowess, and proactiveness. And many other researchers (Boahemaah et al., 2020; Richmell et al., 2017; Nunfam et al., 2021).

However, the majority of these empirical studies and other studies on entrepreneurial intentions in the Ghanaian context measured the entrepreneurial intentions among Ghanaian students by focusing on personal traits, demographic factors, self-efficacy (i.e., how confident they are in their own entrepreneurial abilities to complete tasks), attitudes, and finally, entrepreneurship education. In the Ghanaian situation, very few literatures focused on determinants including motivation, external factors, and family background. In addition, unlike other studies being conducted in developed nations (Georgescu & Herman, 2020; Purwana et al., 2018; Ishfaq Ahmed et al., 2012; Zovko et al., 2020) where these components were measured, these literatures did not take into account the function of family background, motivation, and external factors in determining the entrepreneurial goals among Ghanaian university students.

Our study therefore focused on accessing the entrepreneurial intentions among University students, using the University of Cape Coast School of Business students as a case study. We focused on using determinants such as Motivation, (being internal or external factors), Education (whether educating students on entrepreneurship can influence their intentions), Family background (being the role of family in influencing their entrepreneurial intention) and External Factors (other factors apart from education, family background and motivation.)

The study concluded that all the factors but Family Background positively influence students' entrepreneurial intentions and that Motivation is statistically significant in analyzing the factors that significantly affect the students' entrepreneurial intentions. Hence, more emphasis should be based on motivating the students both within and outside to enable them develop entrepreneurial attitudes.

The remaining sections are organized as follows.

The review of related literature research is found in Section 2, Section 3 contains the methodology of the study. In Section 4, the study's findings are provided. The study concludes with policy implications and recommendation, and a final section to discuss limitations and future research in Section 5.

Objectives

1. To access the relationship between Motivation and Entrepreneurial Intention

2. To access the relationship between Entrepreneurship Education and Entrepreneurial Intentions

3. To access the relationship between External factors and Entrepreneurial Intentions

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4. To access the relationship between Family background and Entrepreneurial Intentions

Review of Literature

One of the most serious issues in the majority of emerging nations, including Ghana, has been unemployment. Should graduates, however, still rely on government for employment? This study attempts to identify the entrepreneurial intentions among students at the University of Cape Coast School of Business based on a number of variables, including entrepreneurship education, motivation, family background, and external factors. Entrepreneurship according to Diandra and Azmy, (2020), several definition of entrepreneurship is based on sources and types of entrepreneurship such as skills, innovations and managements. Many literatures (e.g.,Boahemaah et al., 2020; Richmell et al.,2017; Nunfam et al.,2021; Amofah et al.,2020; Buli & Yesuf, 2015; Carayannis et al.,2003; Esfandiar et al., 2019; Hueso et al., 2020; Jena,2020; Krueger et al., 2000;Lukman et al.,2021; Nowinski & Haddoub, 2019; Salami, 2017) on entrepreneurial intentions been conducted in developed countries and developing countries. But few of these literatures examined the entrepreneurial intentions among University students in Ghana using constructs such as Motivation, External Factors, Family Background and Entrepreneurship Education.

Entrepreneurial Intention

The ambition to establish a business is what is meant by having an entrepreneurial intention (Riaheen Farzana, 2018). According to Krueger, Reilly, and Krueger et al., (2000), people interested in the emergence of new ventures are related to entrepreneurial purpose. Entrepreneurs have a mode of thinking that prioritizes opportunities above risks. In the modern world, the rise of entrepreneurship is a crucial issue. Small and medium-sized businesses are receiving increased attention from entrepreneurs. In terms of society's expansion, prosperity, and advancement, new firms are essential (Riaheen Farzana, 2018). Education in entrepreneurship, motivation, family background, and other external factors are potential influences on entrepreneurial ambition. The association between the variables and entrepreneurial intention is shown in Figure 1.

Entrepreneurship education and Entrepreneurial Intention.

According to Henry et al., (2005), entrepreneurship education aims at assisting students to develop positive attitudes and innovative skills for reliance rather than relying on the Government for employment. There have been Several literatures (e.g. Boahemaah et al.,2020; Ndofirepi 2020; Nunfam et al.,2021, Adu et al. 2020; Block, Hoogerheide, & Thurik, 2011; Souitaris et al., 2007; Walter & Dohse, 2012; Oosterbeek et al., 2010; von Graevenitz, Harhoff, & Weber, 2010; Witold et al.,2019) on entrepreneurial intention and entrepreneurship education . Some of the aforementioned studies indicated that entrepreneurship education had a beneficial influence on entrepreneurial intention, while others found that it had a negative influence. Other literatures (e.g. Barringer et al.,(2005), Fayolle et al.,(2006), Mueller (2011) or Packham et al.,(2010) have also spoken about the positive contribution that entrepreneurship education can have on its participants in terms of skills, knowhow and better entrepreneurial attitude.

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Boahemaah et al., (2020) concluded that entrepreneurship education have a direct positive influence on entrepreneurial intentions. Ndofirepi 2020 also concluded that entrepreneurship education has a positive and statically significant relationship on entrepreneurial intention among 308 vocational students in Zimbabwe, and many more literatures. In Ghanaian context, very few literatures using this variable have been discussed. This study seeks to examine the relationship between entrepreneurship education and entrepreneurial intention using the University of Cape Coast, School of Business as a case study

H_1: Entrepreneurship education has a direct influence on entrepreneurial Intention.

Family Background and Entrepreneurial Intention

While most researchers in Ghana has conducted several research on entrepreneurial intention, very few or none of these literatures in Ghanaian context has examines the role of family background in accessing the entrepreneurial intentions of Ghanaian University students.

Using Literatures in developed countries: Basu and Virick (2008) concluded that self-employed father will have more positive attitudes towards entrepreneurship. According to Georgescu & Herman's (2020) research, students from entrepreneurial families were more likely to express an entrepreneurial intent than students from non-entrepreneurial families. Thus, students whose parents have their own business or are into entrepreneurship have a higher percentage of becoming entrepreneurs or to follow their parents footsteps, meaning there is a positive relationship between Family background and Entrepreneurial Intention. (Eesley & Wang, 2016; Fairlie et al.,2007;Ozaralli et al.,2016;Siegaer et al.,2019; Laspita et al.,2012) highlighted that the children from families with entrepreneurial backgrounds are more likely to venture into entrepreneurship or to join the family business. Sorensen et al., (2007) found that children with self-employed parents are more likely to become self-employed, but there is a little evidence from Ghanaian Data to show that students are more likely to become entrepreneurs because of the above reasons. It is of this view that this recent study seeks to examine the influence of family background on entrepreneurial intention among University of Cape Coast, School of Business students.

H_2: Family Background has a direct influence on entrepreneurial Intention

Motivation and Entrepreneurial Intention.

Scholars have recognized the influence of Motivation on the entrepreneurial intentions of University students. Purwana et al., (2018), investigated the effect of motivation on entrepreneurial intention of Muslim Vocational School students, using three models. Purwana et al., (2018), concluded testing three models that there is a positive relationship between Motivation and Entrepreneurial Intention. A study conducted by Barba-Sánchez and Sahuquillo (2017) indicated that the need for independence is the key factor that motivate the entrepreneurial intention among 423 engineering students to venture into entrepreneurship or to start their own business. Moving outside from students, Lee et al.,

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(2011) conducted a study to access the entrepreneurial intentions among 4192 IT professionals in Singapore and suggested that, work environment with an unfavorable innovation climate or lack of technical excellence incentive, reduces their motivation to venture into entrepreneurship. And many other literatures (e.g. Saptarshi et al.,2016; Charles & Ghernan.,2013; Jesurajan et al.,2011; Laure Humbert et al.,2010; Stephan et al.,2015) also examined the influence of motivation on entrepreneurial intention, but there is little evidence from Ghanaian data to show the entrepreneurial intentions among Ghanaian University students using Motivation as a factor. It is of this view that this recent study seeks to examine the influence of motivation on entrepreneurial intention among University of Cape Coast, School of Business students.

H_3: Motivation has a direct influence on entrepreneurial Intention

External Factors and Entrepreneurial Intention

Scholars have recognized the influence of External factors on the entrepreneurial intentions among University students. Ishfaq Ahmed et al (2012) concluded from his findings that Pakistan students are not negatively influenced by external factors such as Terrorism, Political Instability and Family support, rather students are willing to start their businesses even in such hostile situation. Other literatures (Maharana et al., 2022; Parvaneh et al., 2011; Yosuf et al., 2007) also conducted a study on whether external factors influenced entrepreneurial intentions. But there have been very few literatures in the Ghanaian context, and this study seeks to examine the relationship between entrepreneurship education and entrepreneurial intention using the University of Cape Coast, School of Business as a case study.

H_4: External Factors has a direct influence on entrepreneurial Intention

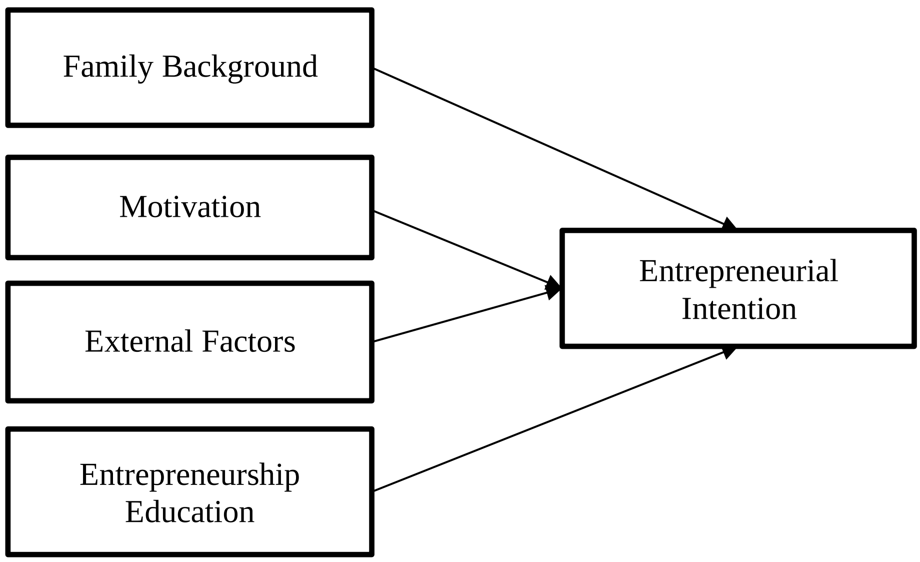

Fig.1. Research Model

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Methodology

The sample size, population, and research design employed for the study are all covered in this section.

Research Design

The current study used a cross-sectional survey as part of a quantitative methodology. Both descriptive and explanatory research designs will be used in this study. The method of descriptive research comprises describing, recording, analyzing, and interpreting existing circumstances. Examining a situation or problem in order to explain the relationships between variables is the focus of explanatory study. It is concerned with how researchers approach answering research questions by deciding what information to get, where to get it, what to use it for, and why a particular research design was chosen (Saunders, Lewis, & Thornhil, 2012).

Sampling and Target Population.

The population is the target group for which the researcher is gathering data and drawing conclusions, according to Leedy and Ormrod (2015). The study's target population was the University of Cape Coast School of Business students. There are six (6) departments in the school. These divisions include procurement and supply chain, management, accounting, finance, Human resource and marketing. The researchers then chose responses from each of the school of business's six departments. A total of 135 questionnaires were given out; however, since only 130 of them were returned by the participants, only a sample size of 130 was employed for the study. The sample size was then proportionally distributed among the programs.

Table 1. Distribution of sample size to various programmes of study

Programme	Frequency	Percent
Management	45	34.6
Accounting	44	33.8
Finance	19	14.6
Marketing	14	10.8
HRM	8	6.2
Total	130	100.0

Source: Field Data: Brobbey (2022)

The sample was taken at random to ensure that every member of the population has an equal chance of selection. The sample was also unbiased of the sampling procedure.

Background Information of Respondents

The demographic background of the respondents used in this study was identified and explained in this section. In this section, we'll talk about background factors like sex, age, educational level, and program of study. According to Proctor et al. (2000), demographic statistics are required in order to gather the respondent's fundamental information. It gives the respondent's identification information, including their age and sex. Additionally, demographic information provides a mechanism for discovering major differences in responses by subgroups, such as on age and sex, through the study of subgroups.

Table 2: age of respondents

Age	Frequency	Percent
Less than 20	46	35.4
21-25	79	60.8
26-30	5	3.8
Total	130	100.0

Source: Field Data: Brobbey (2022)

The age distribution of the respondents as presented in Table 2 shows that majority of the respondents were within the age group of 21-25, this represents 60.8% of the total 130 respondents. 46 students representing 35.4% were in the age group less than 20. And lastly, 5% represented students who are between 26-30. This seems to indicate that the student's populace is made up of the youth who are likely to be entrepreneurs.

Table 3. Gender of respondents

Gender	Frequency	Percent
Male	87	66.9
Female	43	33.1
Total	130	100.0

Source: Field Data: Brobbey (2022)

From table 3, out of the total number of 130 students sampled from various departments from the University of Cape Coast, School of Business indicated that 87 students representing 66.9% were males and the females were 43 representing 33.1% of the total number of students sampled

Data Collection Instruments

The questionnaire was the primary tool utilized to gather data for the study. The questionnaire was designed to include closed ended questions in order to elicit responses from the respondents. The questionnaire was divided into five sections; A was design to obtain information on the demographic and personal details such as sex, age, the level of the respondent, the option in the bachelor of commerce program and the sector where the parents are working. B consisted of questions on the assessment of respondents personal thought about entrepreneurship, C comprises of statements on the motivators of intention of becoming an entrepreneur, D comprises of statements on the factors that may influence an individual into an entrepreneurship, and lastly Section E seeks to know whether or not; prior exposure to entrepreneurship education can affect one's entrepreneurship mindset. The questionnaire was constructed using a five-point Likert type scale. The participants were asked to specify their level of agreement on five point Likert scales, established on "1 = strongly agree" and "5 = strongly disagree."

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Results of the Cronbach's Alpha

Table 4 shows the Cronbach's alpha of all indicators, which measures the reliability of the gathered data.

Table 4. Reliability of Scales and Cronbach's Alpha of study variables

Variables	No. of Items	Cronbach's Alpha
Entrepreneurial Intention (EI)		
Motivation	6	0.942
External Factors	6	0.881
Entrepreneurship Education	6	0.909
Family Background	4	0.793

Source: Field Data: Brobbey (2022)

Data Collection

The pupils were given the questionnaire in each of their several lecture halls. First, the students' agreement was obtained, and they were informed of the study's goals. Additionally, they were given the assurance that any information they provided would be kept private and as anonymous as possible. The respondents were informed of their freedom of exit. We explained to the responders how the study's findings will be used and published. To guarantee a high response rate, this was done.

Data Analysis and Model Specification.

The extracted responses were coded. Data was statistically analyzed using frequencies and percentages, test of normality, correlation analysis and multiple regression analysis, and stepwise regression analysis by the use of Microsoft Excel and SPSS (Statistical Package for Social Scientist). Correlation analysis was used to measure the strength of the linear relationship between the dependent variables and the independent variables. We tested normality to ensure that our data are normally distributed and that we can perform a multiple regression analysis to determine the relationships between the variables and stepwise regression analysis was also conducted to know which of our variables are statically significant.

The following stated regression model is adopted in addressing the specific research objectives:

$$\boldsymbol{Z_{i=}\beta_o + \beta_1 X_1 + \cdots \beta_n X_n} \quad (1)$$

Where Z_i represents the dependent variable

$X_1 \ldots\ldots X_n$ are sets of explanatory variables and

$\beta_o \ldots\ldots \beta_n$ are parameters to be estimated

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We introduce our variables into the general model as:

$$\boldsymbol{EI_i = \beta_0 + \beta_1 FB_i + \beta_2 MO_i + \beta_3 EF_i + \beta_4 EE_i + \epsilon_i} \quad (2)$$

Where

$\boldsymbol{EI_i}$ = Entrepreneurial Intention

β_0 = constant

β_1 = coefficient of family background

FB = Family background

β_2 = coefficient of motivation

MO= Motivation of entrepreneurial Intention

β_3 = coefficient of external influence

EF= External factors

β_4= coefficient of entrepreneurship education

EE = Entrepreneurship education

e = residuals

Test of normality

Table 5. Tests of Normality

Variable	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	df	Sig.
EI	.295	130	.000	.677	130	.000
MO	.248	130	.000	.703	130	.000
EF	.218	130	.000	.852	130	.000
EE	.242	130	.000	.733	130	.000
FB	.151	130	.000	.927	130	.000

a. Lilliefors Significance Correction

The Kolmogorov-Smirnov test was employed to determine the data's normality. When the sample size is greater than 50, the Kolmogorov-Smirnov test is employed; however, when the sample size is less than 50, the Shapiro-Wilk test of normality is used. The Kolmogorov-Smirnov test value for table 5 was P= 0.000 < (0.05). This indicates that the data is not normally distributed; both the Kolmogorov-Smirnov and Shapiro-Wilk tests produce a significance level of 0.000, which is less than 0.05, showing that the distribution is not normal; thus, the null hypothesis was not rejected. However, based on the central limit theorem, multiple regression analysis can be performed on the data.

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In order to take into account the relationship between the independent variables (MO, EF, EE, FB) and the dependent variable (EI), a regression analysis was run to predict the extent of influence that the independent variables have on Entrepreneurial Intention.

Results and Discussion

Descriptive Analysis

Table 6 shows the mean values and standard deviation of the variables that depicts the entrepreneurial intentions of the respondents. Mean valued were obtained for all the five variables- Motivation, Entrepreneurial Intention, Motivation, External Factors, Entrepreneurship education and Family Background. All the variables were rated on a five-point scale.

Table 6. Descriptive Statistics

Variable	Mean	Std. Deviation
EI	1.6410	.99427
MO	1.6162	.90346
EF	1.8718	.92193
EE	1.6069	.86735
FB	2.1962	.70847

Source: Field Data: Brobbey (2022)

Main Study Findings

In line with the study objectives, a correlation was first done on the four independent variables in order to assess those that are correlated to the entrepreneurial intentions among the University of Cape Coast School of Business students. Pearson product-moment correlation analysis was used to establish linear relationship between the independent variables and the dependent variable. The correlation coefficient ranges between -1 to +1. A coefficient of +1.0 means that there is perfect positive correlation between the variables indicating that increase in independent variable will result to an increase in dependent variable by the same measure. A coefficient of -1.0 means that there is perfect negative correlation between the variables indicating that increase in independent variable will result to decrease in dependent variable by the same measure.

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Table 7. Correlations

		Entrepreneurial Intention	Motivation	External Factor	Entrepreneurship Education	Family Background
Entrepreneurial Intention	Pearson Correlation	1	.900**	.728**	.767**	-.117
	Sig. (2-tailed)		.000	.000	.000	.186
	N	130	130	130	130	130
Motivation	Pearson Correlation	.900**	1	.788**	.821**	-.066
	Sig. (2-tailed)	.000		.000	.000	.455
	N	130	130	130	130	130
External Factor	Pearson Correlation	.728**	.788**	1	.813**	-.037
	Sig. (2-tailed)	.000	.000		.000	.673
	N	130	130	130	130	130
Entrepreneurship Education	Pearson Correlation	.767**	.821**	.813**	1	-.017
	Sig. (2-tailed)	.000	.000	.000		.845
	N	130	130	130	130	130
Family Background	Pearson Correlation	-.117	-.066	-.037	-.017	1
	Sig. (2-tailed)	.186	.455	.673	.845	
	N	130	130	130	130	130
**. Correlation is significant at the 0.01 level (2-tailed).						

Source: Field Data: Brobbey (2022)

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Since the correlation significance level is .000, there was a correlation between motivation and entrepreneurial intentions of the students, as shown in Table 6. This reveals that Motivation (r=.900 p< .01) has a positive relationship with Entrepreneurial Intention. This means that motivation and entrepreneurial intention move in the same direction, with more motivation resulting in higher entrepreneurial intent and less or no motivation resulting in lower entrepreneurial intent.

The result in Table 7 also reveals the association between External factors and Entrepreneurial Intention. This suggests that External Influence (r=.728 p<.01) has a substantial positive relationship with Entrepreneurial Intention. This means that External Factors and Entrepreneurial Intention move in the same direction, with more External Factors resulting in higher Entrepreneurial Intention and less or no External Factors resulting in lower Entrepreneurial Intention. Table 7 shows there is a correlation between entrepreneurship education and entrepreneurial intention because the correlation significance level is 0.000. This reveals that Entrepreneurship Education (r=.767 p<.01) has a substantial positive relationship with Entrepreneurial Intention. This means that Entrepreneurship Education and Entrepreneurial Intention move in the same direction.

Finally, given the correlation significance level is .186, the results in Table 6 show that there is a negative association between Family Background and Entrepreneurial Intention. This reveals that Family Background has negative relationship with Entrepreneurial Intention (r=-.117 p>0.01). This means that the variables Family Background and Entrepreneurial Intention have opposite effects.

In order to take into account the relationship between the dependent variables and the independent variables, a regression analysis was run to predict the extent of influence that the independent variables have on Entrepreneurship Intention (Y).

Objective 1. To access the relationship between Motivation and Entrepreneurial Intention

To analyze this objective, the Pearson's correlation analysis, as well as regression analysis was conducted.

Table 8. Model Summary regression of entrepreneurial Intentions on respondents Motivation

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics			
					R Square Change	F Change	df1	Sig. F Change
1	.900[a]	.810	.809	.43456	.810	547.307	1	.000

Source: Field Data: Brobbey (2022)

Again table 8 is a representation of how motivation influences the entrepreneurial intentions of the University of Cape Coast, School of Business Students. The results indicate a significant relationship between motivation and entrepreneurial intention (r=.900, p<0.05). Also from the table, R square value is .810 which means that motivation accounted for 81% of the variation in the student's entrepreneurial intention. This is a line with a research conducted by Purwana et al., 2018, which concluded that taking or receiving motivation and giving motivation significantly affected the students behavioral and entrepreneurial Intentions

Objective 2: To access the relationship between Entrepreneurship Education and Entrepreneurial Intentions

Table 9. Model Summary regression of entrepreneurial Intentions on Entrepreneurship Education

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics			
					R Square Change	F Change	df1	Sig. F Change
1	.767[a]	.589	.586	.64001	.589	183.328	1	.000

Source: Field Data: Brobbey (2022)

Table 9 analyses the extent to which Entrepreneurship education influence entrepreneurial intentions. The independent variable explains 58.9% of the variation towards entrepreneurial Intention. Entrepreneurship Education (EE) had a positive and significant influence on entrepreneurial Intention ($r=.767$, $p<.05$), which implies that Entrepreneurship Education significantly influence the entrepreneurial intention among tertiary students. This reflect the research conducted by Boahemaah et al.,(2020), which indicated that individual factors and entrepreneurship education have a direct positive influence on entrepreneurial intentions, also, entrepreneurship education moderates the influence of individual factors on entrepreneurial intentions among undergraduate students. Boahemaah et al., (2020), also concluded that using agriculture science students, entrepreneurship education plays a major role in equipping and enhancing students with entrepreneurial knowledge and developing entrepreneurial interest among undergraduate students.

Objective 3. To access the relationship between External factors and Entrepreneurial Intentions

Table 10. Model Summary regression of entrepreneurial intention and External factors

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics			
					R Square Change	F Change	df1	Sig. F Change
1	.728[a]	.530	.527	.68401	.530	144.569	1	.000

a. Predictors: (Constant), EF

Furthermore, Table 10 determines the extent to which External Factors influence entrepreneurial intentions among the University of Cape Coast, School of Business students. The independent variable explains 53% of the changes towards entrepreneurial Intention. External Factors (EF) had a positive and significant influence on

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entrepreneurial Intention (r=.728, p<.05), which implies that External Factors significantly influence the entrepreneurial intention of the students. This is in line with a research conducted by Ishfaq Ahmed et al (2012), where the study provided interesting findings as it concluded that students are not negatively influenced by external forces such as political instability and terrorism, rather students are willing to start their businesses even in such hostile situation. It was also observed in the study conducted by Ishfaq Ahmed et al (2012) that students are willing to start their own business even in such hostile situations that might be outcome of increasing unemployment level in Pakistan due to economic crunch, lack of investment, and distrust in Government policies, which fail to increase employment level and youth feel unsecure.

Objective 4. To access the relationship between Family background and Entrepreneurial Intentions.

Table 11. Model Summary regression of Entrepreneurial Intention and Family Background

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics			
					R Square Change	F Change	df1	Sig. F Change
1	.117[a]	.014	.006	.99134	.014	1.765	1	.186
a. Predictors: (Constant), FB								

Source: Field Data: Brobbey (2022)

Finally, table 11 is a representation of how family background influences the entrepreneurial intentions of the University of Cape Coast, School of Business Students. The results indicates an insignificant relationship between the entrepreneurial family background and entrepreneurial intention (r=.117, p>0.05). Also from the table, R square value is .014 which means that family background accounted for 14% of the variation in the student’s entrepreneurial intention. This is in line with a research conducted by Georgescu & Herman (2020) which further concluded that entrepreneurial family background negatively moderated the relationship between effectiveness of entrepreneurship education and entrepreneurial intention. Georgescu & Herman (2020) recommended that emphasis should be placed on both formal and informal entrepreneurial education, which will increase the propensity of young people to choose an entrepreneurial career, since family background negatively influences students’ entrepreneurial intention. And it is evident in this study, as the there is a weak correlation between family background and the students entrepreneurial intention.

Stepwise Regression Analysis

As can be seen from Table 12's stepwise regression results, Motivation (MO) has a statistically significant advantage over the other factors in describing students' entrepreneurial intentions at the University of Cape Coast's School of Business. Overall, the predictor: MO was able to account for 81% of the student's propensity to pursue entrepreneurship. There is a statistically significant association between the dependent variable and motivation, which indicates that the model performed a decent job of predicting the outcome variable (Haque et al., 2017).

Table 12. Stepwise Regression and ANOVA[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	Change Statistics			
						F Change	df1	df2	Sig. F
1	.900[a]	.810	.809	.43456	.810	547.307	1	128	.000

a. Predictors: (Constant), Motivation

Table 13 shows the standardized beta for the predictor under this study. The coefficient of the predictor model is positive and statically significant. This implies that the higher the students are being motivated, the greater the intention to partake in an entrepreneurship career.

Table 13. Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.040	.078		.509	.612		
	MO	.991	.042	.900	23.395	.000	1.000	1.000

a. Dependent Variable: Entrepreneurial Intention

The variation inflation factor (VIF) value is below the conservative threshold of 2 (Ryan, 1997) and below the range of 4 to 10 (O'Brien, 2007). This suggests that multi-collinearity has no impact on the outcome of the regression coefficient. The reliability of the result is further supported by the tolerance of 1.000 >.10.

Analyzing the influence of the four dimensions of Entrepreneurial Intentions

With regard to the extent of influence that the combined four Independent variables have on the entrepreneurial Intentions among the students, multiple regression analysis was performed which is explained by the model in Table 14.

Table 14. Model Summary

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	.904[a]	.817	.811	.43252	.817	139.171	4	125	.000
a. Predictors: (Constant), Family Background, Entrepreneurship Education, External Factor, Motivation									

Source: Field Data: Brobbey (2022)

Table 14 shows that the adjusted R^2 is .811 and R square is .817 at the 0.05 significant levels. The coefficient of determination means that the combined four dimensions of

Entrepreneurial Intentions was 81.7% while only 18.3% are explained by other variables, which are not considered in this study.

Table 15. Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.192	.150		1.285	.201
	Motivation	.896	.080	.814	11.267	.000
	External Factor	.015	.076	.014	.203	.839
	Entrepreneurship Education	.099	.087	.086	1.133	.259
	Family Background	-.085	.054	-.061	-1.579	.117
a. Dependent Variable: Entrepreneurial Intention						

Sig F=.000, P<.05

As shown in Table 15, we therefore write our full equation for the model as:

$$EI_i = .192 - .085FB + .895MO + .015EF + .099EE + \epsilon_i \quad (3)$$

Conclusion

This paper examined the entrepreneurial intentions among the University of Cape Coast, School of Business students in Ghana. Clearly, we analyzed how entrepreneurship education, motivation, family background and external factors determine students entrepreneurial intention.

The study registered statistically explanatory power of 81.7% of the variations in Entrepreneurial intentions, due to family background, entrepreneurship education, external factor, motivation while the remaining 18.3% was a result of other unknown factors.

Our study builds on the body of knowledge in a field that has hardly produced literature in Ghanaian institutions by using variables that have been studied in developed nations. (Georgescu & Herman, 2021; Ishfaq Ahmed et al., 2012; Purwana et al., 2018; Ndofirepi 2020)

The study found out that motivation, the only statistically significant variable in the stepwise regression analysis, influences the entrepreneurial intentions among the University of Cape Coast, school of Business students. This means that, despite the fact that entrepreneurship education has a beneficial impact on entrepreneurial intentions, the students should be motivated both internally and externally to enable them to develop entrepreneurial mindsets. According to Bogatyreva et al. (2019), students who had entrepreneurial intent while in school were generally three times more likely to launch a business after graduation than students who had none.

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The study also came to the conclusion that external factors, entrepreneurship education, and motivation positively influenced the entrepreneurial intentions of the students. However, the students' entrepreneurial intentions were negatively influenced by their family backgrounds.

Limitations and Suggestions for future research

Only a cross-sectional and quantitative data were used in this study. For instance, this study's cross-sectional design may prevent stronger causation inferences from being made. As a result, we advise future researchers to employ both longitudinal research designs and quantitative and qualitative research approaches, as they can both considerably advance the area.

The respondents in our study were primarily students in the University of Cape Coast, School of Business in Ghana, which might make it harder for other higher education institutions to use our findings. However, in order to validate the model's validity, future studies may adopt and use our framework in various contexts.

In order to boost entrepreneurial intention and propensity, policymakers must continue to integrate entrepreneurship education at the University of Cape Coast. Without a doubt, one of the most important factors in successfully developing entrepreneurial competencies is entrepreneurial education. According to Puni et al. (2018), stakeholders are embracing the idea of entrepreneurship education as a crucial conduit in shaping the quality of human capital for full employment as a result of the rising unemployment rates in Sub-Saharan Africa and its accompanying economic and social difficulties.

Major variables were employed in this study; hence, when performing similar research in the Ghanaian context, future researchers should concentrate on one of these variables and elaborate more.

To address these difficulties, we propose that future studies make use of a larger sample size. Each of the components needs larger sample sizes. Future research should investigate if those objectives result in business entry and success in addition to entrepreneurial intention.

Author Contributions

Emmanuel Brobbey initiated the idea for the writing of the paper. He conducted the analysis, wrote the methodology and the literature. He contributed to the final discussion of the paper.

Michael Owusu Appiah contributed to the analysis and the final review of the paper

Tracy Oppong Mensah contributed to the discussion and the final review of the paper

Emmanuel Asafo Adjei contributed to the analysis, reviewed some of the literature and did some of the discussions.

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Appendix

Abbreviations (Nomenclature)

F	Fisher test
H_0	Null hypothesis
n	Sample size
p-value	Probability value
H_1	Alternate hypothesis
r	Pearson correlation coefficient
R^2	Coefficient of determination
$R^2{}_{adj}$	Adjusted coefficient of determination
VIF	Variance Inflation Factor

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Original Research

The Relationship between Audit Committee Attributes and Financial Reporting Quality among Manufacturing Firms in Kenya

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Abstract

This study examines the relationship between Audit Committee Attributes and Changes in Financial Reporting Quality Among Manufacturing Firms in Kenya. Using a sample of publicly listed firms based on 2010-2018 data, our study finds that the expertise of the Audit Committee has an insignificant positive impact on the financial reporting quality of financial reports, measured by accrual quality. Audit committee size and financial reporting quality show mixed findings for two measures of financial reporting quality. The results show a positive, statistically significant effect between the size of the audit committee and discretionary accruals. On the contrary, the size of the audit committee shows a statistically positive insignificant relationship with accruals quality. Audit committee independence has a statistically significant effect on both accruals' quality and discretionary accruals as measures of financial reporting quality. Finally, audit committee meetings on the financial reporting quality show a negative nonsignificant relationship between audit committee meetings on both accruals' quality and discretionary accruals. The results of this research may be of interest for policymakers who have the authority over the appointment of audit committee members to choose independent and expert individuals, for regulators to reconsider their rules and mandate concerning corporations and their corporate governance structure.

Keywords: Audit committee expertise, accruals quality, Audit committee independence, financial reporting quality, discretionary accruals, Audit committee meetings.

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Introduction

The audit committee is "a committee established by and amongst the board of directors of an issuer to oversee the issuer's accounting and financial reporting processes and audits of the financial statements of the issuer." It forms part of a company's governance structure and is arguably the most critical and challenging subcommittee of any company's board of directors. One of the primary functions of audit committees is to monitor the firm's financial reporting system.

The Code of Corporate Governance for Listed Companies in Kenya stipulates that listed companies "may set up an audit committee on board under the resolutions of the shareholders' meeting" to boost the board's decision-making and supervision capabilities. The same Corporate Governance Code requires that audit committees comprise at least three independent and nonexecutive directors (Mwangi, 2018).

Dobija (2015) notes that while all company directors need to act in the company's interest, the audit committee has an even more focused role in ensuring, independently from the executive, that the interests of the shareholders concerning financial reporting quality are protected. One way to ensure financial statements is 'true and fair' is by assessing the quality of earnings presented in these statements. The quality will not be compromised if the audit committee is effective in its role. The quality of earnings is an indirect measure of the efficiency of the audit committee. Thus assessing earnings quality is the right way of investigating the audit committee's (including different characteristics) efficiency (Bédard & Gendron, 2010).

Statement of the Problem

An audit committee's role is to oversee the process of preparing financial statements under accounting policies and judgments and ensuring the quality of the overall financial statements. To achieve this, the auditing committee must have the discretion to defend shareholders' interest through a quality audit report strongly. Moreover, in the recent past years, the audit committee role is becoming more dynamic in reviewing financial statements and reducing the differences between managers and external auditors. This lessens the likelihood of a firm having qualified opinions from the external auditor resulting from accounting errors and noncommitment to accounting standards. However, in the developing economies context, the independence and composition of the audit committees are influenced by recruiting unqualified members of the board with strong connections of the management. This is done exclusively to promote the interest of the management through embezzlement of funds and corrupt activities (Mahadeo, Soobaroyen, & Hanuman, 2012).

The manufacturing sector in Kenya is one of the critical drivers that is considered to accelerate the future economy. However, the industry has experienced challenges leading to buy-outs, restructuring, and poor performance. Thus, it is pertinent to gauge the effectiveness of audit committees in these firms concerning their oversight activities in promoting good corporate governance. However, there has been little empirical evidence that examined how audit committee characteristics influence the audit expectation gap in Kenya's manufacturing sector, which makes this study.

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Literature Review and Hypothesis Development

The board of directors and its committees are at the top of this control system. They are delegated by owners (shareholders) to ratify and monitor critical decisions taken by top managers who initiate and implement them, thus ensuring that decision management and decision control are separated. The costs associated with the monitoring roles of the board of directors and its committees and with the appointment of external auditors represent part of the monitoring agency costs incurred by shareholders "to limit the aberrant activities of managers" (Meckling & Jensen, 1976). From an agency perspective, the board and its audit committee's role is to monitor management actions and ensure their alignment with shareholders' interests. The board and its audit committee will not be considered an effective monitoring mechanism unless they can limit top-level managers' discretionary decisions (Fama & Jensen, 1983).

One of the essential attributes of the audit committee is its independence, which plays a decisive role in exercising effective financial reporting (Fakhari & Pitenoei, 2017). The independence of the audit committee is often considered an essential characteristic in influencing the effectiveness in overseeing the financial reporting process. Independent directors bring their expertise and knowledge, provide continuity, and help recognize alliances and acquisitions; those directors help sustain a morally ethical climate within the organization. According to CMA (2015), the Kenya Corporate Governance Code requires that audit committees comprise at least three independent and non-executive directors. Additionally, the CMA states that it is critical for audit committees to have a clear separation between their roles as board members and audit committee members. Thus, we hypothesize in H01 that there is no significant effect between Audit committee independence and financial reporting quality among Manufacturing Firms in Kenya.

Audit committee size is a fundamental factor for an audit committee to oversee corporate disclosure practices (Persons, 2009). A more extensive audit committee is more effective because it comprises members with diverse knowledge and expertise to perform more reliable monitoring of financial practices (Hamdan & Mushtaha, 2011). Concerning resource dependence theory, AC size has been considered highly resourceful, improving the financial reporting quality because of their diverse skills, expertise, and experience. Thus, we hypothesize in H02 that there is no significant effect between Audit committee size and financial reporting quality of manufacturing firms in Kenya.

The experience and expertise of the audit committee members is an essential aspect of the effectiveness of the audit committee in overseeing the financial reporting process. Theoretically, the experience of AC in general and financial accounting expertise play a vital role in mitigating agency costs. AC accounting experts provide such committees with an effective means of monitoring management's FR practices and reducing agency costs (Salehi & Shirazi, 2016). However, Lisic et al. (2011) suggested that the presence of a financial expert on the audit committee does not mean more effective monitoring. Instead, monitoring the audit committee's financial expertise's effectiveness depends on top management's authority. Thorough financial expertise allows audit committee members to categorize and debate questions that challenge managers and external auditors to a more extensive scope of

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financial reporting quality (Bédard & Gendron, 2010). Thus, we hypothesize in H03 that there is no significant effect between Audit committee expertise and financial reporting quality of manufacturing firms in Kenya.

Consistent with agency theory, Beasley, Carcello, Hermanson, and Neal (2009) argued that members of the Audit committee are committed to meaningful and substantive meetings which still lead to better monitoring and improved the financial reporting processes. Effective monitoring may increase when audit committee members meet regularly and frequently. Regularly scheduled meetings will assist audit committees in monitoring accounting records and internal control systems (Lisic et al.,2015). The frequency of meetings is a core element in the reliability and efficiency of a company's activities and processes. However, few studies acknowledge the connection between the company's performance and the number of meetings (Ghazali & Shafie, 2019). The frequency of meetings is an essential characteristic of audit committees. Board members who regularly meet are more likely to accomplish their work and responsibilities with attention and successfully. An increase in frequency indicates that the committee is more efficient and committed to producing quality performance Abbott, Parker, and Peters (2004). Thus, we hypothesize in H04 that there is no significant effect between Audit committee meetings and the financial reporting quality of manufacturing firms in Kenya.

Data and Methods

The study will adopt a quantitative research design. The research will adopt a descriptive research approach. Descriptive research aims to become more familiar with the phenomena, gain new insight, and formulate a more specific research problem or hypothesis. Thus, it will be helpful for our study to determine the effects of audit committee attributes on the reporting frameworks of companies identified for this research. The study population is Nine firms listed under the manufacturing and allied sector of the main investment market segment at the NSE. The research period will be restricted to 8 years, from 2010 to 2018. Listed companies will be preferred due to readily available financial statements from the NSE handbook and the CMA website. The study will involve collecting secondary data from annual reports provided by the companies in every AGM and from the financial statements of companies filed with the registrar of companies. Also, Table 1. indicates the operationalization of research variables.

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Table 1. Operationalization of Variables

Variable	Measure	Data	Source
Audit committee size	0 if the Audit committee members are not between three and seven-members and otherwise 1 (Garcia et al.,2012 – Davidson et al.,2005 – Ghosh et al., 2010)	Number of Audit committee members in each company	Annual corporate reports
Audit committee composition	0 if a member has less than five years of experience as an audit committee member one otherwise	Number of years of experience in the audit committee	Annual corporate reports
Audit Committee Independence	0 if the audit committee members are not controlled by more than 50% independent outside members and one otherwise (Abbott et al., 2004; Davidson et.al, 2005 – Garcia et.al, 2012)	Number of independent committee members	Annual corporate reports
Audit committee meetings	0 if the audit committee meets fewer than five times in a year and 1 otherwise	Number of meetings held by the audit committee	Annual corporate reports

Accrual Quality

To measure financial reporting quality, the research adopted modified McNichols (2002) and Francis et al. (2005) accrual estimation error. This measure defines the quality of accruals as the extent to which they map past, current, and future cash flows. The model is a regression of working capital accruals on lagged, current, and future cash flows plus the change in revenue and PPE. All variables are scaled by average total assets:

$$\Delta WC = \beta_0 + \beta_1 CFO_{t-1} + \beta_2 CFO_t + \beta_3 CFO_{t+1} + \beta_4 \Delta REV_{it} + \beta_5 PPE_{it} + \varepsilon_{it} \text{..........................(1)}$$

Where;

that is, the change in the current assets minus the change in current liabilities

CFO = CFO is the cash flows from operating activities of a firm measured at $t-1, t, t+1$

REV = change in revenue between year t-1 and year t

PPE is the gross value of plant, property, and equipment

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Discretionary Accruals

To measure financial reporting quality, the research adopted performance-adjusted discretionary accruals developed by Kothari et al. (2005). Therefore, the study estimates the following model.

$$TACC_{i,t} = \alpha_0 + \alpha_1 \frac{1}{Assets_{i,t-1}} + \alpha_2 \Delta \mathrm{Re}v_{i,t} + \alpha_3 PPE_{i,t} + \alpha_4 ROA_{i,t} + \varepsilon_{i,t}$$

Where is $TACC_{i,t}$ total accruals, measured as the change in non-cash current assets minus the change in current non-interest-bearing liabilities, minus depreciation and amortization expense for firm i at year t, scaled by lagged total assets $Assets_{i,t-1}$, $\Delta \mathrm{Re}v_{i,t}$ is the annual change in revenues scaled by lagged total assets; $PPE_{i,t}$ is property, plant, and equipment for firm i at year t, scaled by lagged total assets; $ROA_{i,t}$ is the return on assets for firm i at year t. The residuals from the regression model are discretionary accruals. In our tests, we use the absolute values of discretionary accruals as a proxy for financial reporting quality.

Measures of control variables

The research adopted leverage as a control measure due to the hypothesis that highly leveraged firms are likely to engage in opportunistic activities and manipulation to avoid breach of the debt covenant violation. This study predicts that leverage has a negative association with financial reporting quality. Controlling for firm size is common in earnings management research. It is expected that a large firm will have relatively higher discretionary accruals compared to a small firm since a large firm generally will have diversified or decentralized management decision-making. Therefore, this study expects the size of the firm to exhibit a converse relationship with the quality of financial reporting quality. The size is determined as the natural logarithm of the total assets at the end of the period (Ln it = log (Ai,t)). In addition, the firm age is included, which impacts the firms' financial reporting quality. Past research alludes to growing companies are more likely to engage in opportunistic activities and manipulate accounting numbers than companies in the stagnant growth stage. Therefore, this study predicts firm age to affect financial reporting quality positively. Firm Age = log(sizei,t)-log(sizei,t-1)

Empirical Regression Models

To test our hypothesis on whether Audit committee attributes in year t affect financial reporting quality in year t + 1, we estimate the OLS regression as shown in the equation.

Model 1

$$AQ_i = \alpha_{i,t} + \alpha_1 ACE_{i,t} + \alpha_2 ACS_{i,t} + \alpha_3 ACI_{i,t} + \alpha_4 ACM_{i,t} + Control\ \mathrm{variable}_{t,1} + \varepsilon_{i,t} \ldots\ldots\ldots\ldots \mathrm{Model1}$$

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Model 2

$$DD_i = \alpha_{i,t} + \alpha_1 ACE_{i,t} + \alpha_2 ACS_{i,t} + \alpha_3 ACI_{i,t} + \alpha_4 ACM_{i,t} + Control\ \text{variable}_{t,1} + \varepsilon_{i,t} \text{............Model 2}$$

Empirical Results

Descriptive Statistics

These descriptive statistics are based on eight-year observations of the listed manufacturing firms in Kenya. The data span from the year 2010 to 2018, leading to a total of 81 observations of all the measures under observation. The mean value of discretionary accruals is 0.06 while the accrual quality is 0.17 indicating a close relationship between the two models. These findings also suggest that most accruals estimation errors are associated with an intentional or discretionary part of the accruals estimation equation. These values are also consistent with recent US-based studies of Alshrife (2016) and Alkebsee, Tian, Garefalakis, Koutoupis, and Kyriakogkonas (2022), which documented mean values as .052 and .070, respectively.

Audit committees' size in this sample have, on average, 0.97; this represents the range of audit committee size of 2 to a maximum of 6 members. Most of the companies listed in this study meet the recommended Kenyan corporate governance code of audit committee size of more than three members. Audit committees in the sample meet, on average, 0.14 times per year, with the recommended number of meetings at least 4-6 times per year. On average, the independence of the audit committee represents 0.74 of the reaction between independent nonexecutives and independent executive members. The descriptive statistics in Table 2. also show that, on average, 0.90 of the composition of the audit committees are individuals with financial expertise. This shows a high proportion of individuals with accounting and finance expertise necessary for quality audit reports.

Table 2. Descriptive Statistics

Variables	(1)	(2)	(3)	(4)	(5)
	N	MEAN	SD	MIN	MAX
Audit Committee Size	81	0.975	0.156	0	1
Audit Committee meeting	81	0.136	0.345	0	1
AIndependence	81	0.741	0.441	0	1
AExpertise	81	0.901	0.300	0	1
Leverage	81	1.518	1.282	0.0140	4.682
Fsize	81	15.00	1.844	11.14	18.08
FAge	81	0.000538	0.0660	-0.258	0.362
DD	81	0.0626	0.875	-0.861	3.072
AQ	81	0.174	1.889	-2.511	12.12

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Correlation Matrix

Table 3. shows the correlation matrix for all model variables, with Pearson coefficients OF correlations as appropriate. Correlation above 0.8 between independent variables indicates that multicollinearity is present and might affect the results (Carcello, Neal, Palmrose, & Scholz, 2011). However, correlation coefficients in Table 3.3 show that there is no Multi-collinearity between the variables in the study.

Table 3. Pairwise Correlations

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(1) AQ	1.000								
(2) DD	0.506***	1.000							
(3) AExpertise	0.124	-0.021	1.000						
(4) AIndependence	0.113	0.126	-0.007	1.000					
(5) ASize	0.078	0.090	0.481***	0.269**	1.000				
(6) Ameeting	-0.096	-0.134	0.010	0.070	0.063	1.000			
(7) Leverage	0.299***	0.270**	0.064	-0.116	0.148	0.260**	1.000		
(8) FAge	0.057	-0.066	0.137	0.166	0.206*	-0.083	-0.063	1.000	
(9) Fsize	-0.326***	-0.305***	0.038	0.300***	0.339***	0.341***	0.070	0.270**	1.000

**** p<0.01, ** p<0.05, * p<0.1*

Correlation Matrix Table 3. contains correlations between the two dependent variables and the explanatory variables. The two measures of financial reporting quality do not have a significant correlation between the variables of the characteristics of the audit committee characteristics variables. However, the size and leverage significantly correlate with the measures of financial reporting quality and show a negative correlation. Audit committee size is positively correlated with the discretionary accruals measure of financial reporting at 0.0908, while accrual quality by M.Nichol is also positively correlated with Audit committee size at 0.0790. This indicates that the number of audit committee members is important to the quality of the company's financial reports. Both discretionary accruals and the accruals quality negatively correlate to the numbers of audit committees' meetings; -0.096 and -0.134 for accruals quality and discretionary accruals, respectively. The number of meetings as directed by the corporate governance code in Kenya is a minimum of 4 meetings a year, and companies vary in their meeting schedules. Thus, the inverse relationship between the two variables indicates that an increased number of audit committee meetings does not add quality to companies' financial reporting. The independence of the audit committee reveals an insignificant positive correlation of 0.113 and 0.126 between accrual quality and discretionary accruals, respectively. A high ratio of nonexecutive audit committee directors guarantees a high level of quality in the financial reporting structures of the companies. Discretionary accruals have a negative correlation of -0.021 to the audit committee finance expertise, while the accrual quality has a positive correlation of 0.125.

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Multivariate Analysis

After conducting the Breusch-Pagan Lagrange Multiplier (LM) test and the Hausman test, the LM test helps decide whether to use a random-effect regression or a simple OLS. Then the Hausman test is used to determine between random or fixed effects. Finally, the association between the dependent variables (Audit committee characteristics) and the independent variables (Financial Reporting quality) is estimated using panel regression with a random effect model.

Table 4. Breusch and Pagan Lagrangian Multiplier Test for Random Effects

Panel A: Accrual Quality model		Panel B: Discretionary Accrual model	
Hausman (1978) specification test		**Hausman (1978) specification test**	
	Coef.		Coef.
Chi-square test value	-25.353	Chi-square test value	11.618
P-value	1	P-value	.114

The null hypothesis in the LM test is that there is no panel effect or significant difference across entities. The results of the LM test in both panels A and B reveal acceptance of the null hypothesis and that random effect regression is appropriate due to significant differences across firms. Hausman test results for the accrual quality model and Discretionary accruals models are presented in Table 4. Panel A and Panel B, respectively. Both reveal acceptance of the null hypothesis that the difference between fixed and random coefficients is systematic and indicate the use of random-effect regression.

Table 5: Audit Committee Attribute and Accruals Quality

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	AQ	AQ	AQ	AQ	AQ	AQ	AQ
AIndependence	0.960*	0.891	0.510	0.535	0.839*	1.153**	1.106**
	(1.735)	(1.611)	(1.008)	(1.054)	(1.731)	(2.407)	(2.312)
AExpertise		1.058	0.838	0.827	0.911	0.612	0.520
		(1.574)	(1.026)	(1.012)	(1.188)	(0.845)	(0.718)
ASize			-0.214	-0.143	-1.052	0.644	0.554
			(-0.131)	(-0.088)	(-0.676)	(0.420)	(0.363)
Ameeting				-0.575	-1.115*	-0.444	-0.307

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				(-0.930)	(-1.852)	(-0.734)	(-0.503)
Leverage					0.557***	0.567***	0.576***
					(3.367)	(3.545)	(3.612)
Fsize						-0.442***	-0.484***
						(-3.671)	(-3.902)
FAge							3.960
							(1.312)
_cons	-0.537	-1.440*	-0.750	-0.750	-0.936	4.006**	4.804**
	(-1.003)	(-1.847)	(-0.559)	(-0.558)	(-0.743)	(2.234)	(2.549)
r2_w	0.064	0.096	0.079	0.069	0.121	0.147	0.159
p-values are in parentheses							
*** *p<.01*, ** *p<.05*, * *p<.1*							

Table 6. Regression results

AQ	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
AIndependence	1.106	.527	2.10	.036	.072	2.139	**
AExpertise	.52	.652	0.80	.425	-.757	1.797	
ASize	.554	.681	0.81	.416	-.781	1.889	
Ameeting	-.307	.385	-0.80	.425	-1.06	.447	
Leverage	.576	.314	1.83	.067	-.04	1.191	*
Fsize	-.484	.138	-3.50	0	-.755	-.213	***
FAge	3.96	1.949	2.03	.042	.14	7.779	**
Constant	4.804	1.508	3.19	.001	1.849	7.76	***
Mean dependent var	0.181	SD dependent var		1.925			
Overall r-squared	0.325	Number of obs		78			
Chi-square	16041.851	Prob > chi2		0.000			
R-squared within	0.159	R-squared between		0.907			
*** *p<.01*, ** *p<.05*, * *p<.1*							

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Table 7. Audit committee attributes and Discretionary accruals

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	DD	DD	DD	DD	DD	DD	DD
AIndependence	0.448*	0.458*	0.198	0.215	0.345	0.489**	0.490**
	(1.770)	(1.786)	(0.843)	(0.915)	(1.524)	(2.170)	(2.152)
AExpertise		-0.030	-0.191	-0.199	-0.162	-0.300	-0.298
		(-0.094)	(-0.504)	(-0.528)	(-0.453)	(-0.879)	(-0.865)
ASize			0.532	0.586	0.188	0.956	0.958
			(0.703)	(0.777)	(0.259)	(1.327)	(1.318)
Ameeting				-0.373	-0.606**	-0.298	-0.300
				(-1.304)	(-2.156)	(-1.046)	(-1.031)
Leverage					0.239***	0.242***	0.242***
					(3.099)	(3.211)	(3.184)
Fsize						-0.200***	-0.200***
						(-3.534)	(-3.381)
FAge							-0.062
							(-0.043)
_cons	-0.269	-0.249	-0.431	-0.438	-0.511	1.729**	1.716*
	(-1.142)	(-0.684)	(-0.691)	(-0.706)	(-0.868)	(2.049)	(1.912)
Observations	81	81	81	81	81	78	78
r2_w	0.077	0.077	0.147	0.085	0.096	0.185	0.185
p-values are in parentheses							
**** p<.01, ** p<.05, * p<.1*							

Table 8. Regression Results

DD	Coef.	St.Err.	t-value	p-value	95% Conf	Interval	Sig
AIndependence	.49	.216	2.27	.023	.067	.914	**
AExpertise	-.298	.447	-0.67	.504	-1.174	.577	
ASize	.958	.483	1.98	.047	.011	1.905	**
Ameeting	-.3	.303	-0.99	.323	-.894	.294	
Leverage	.242	.06	4.05	0	.125	.359	***
Fsize	-.2	.065	-3.08	.002	-.327	-.073	***
FAge	-.062	1.095	-0.06	.955	-2.209	2.086	
Constant	1.716	.763	2.25	.024	.222	3.211	**

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DD	Coef.	St.Err.	t-value	p-value	95% Conf	Interval	Sig
Mean dependent var	0.065	SD dependent var	0.892				
Overall r-squared	0.287	Number of obs	78				
Chi-square	650.988	Prob > chi2	0.000				
R-squared within	0.185	R-squared between	0.739				
*** *p*<.01, ** *p*<.05, * *p*<.1							

According to Table 5 to 8, Audit committee expertise has an insignificant positive impact on the financial reporting quality of financial reports as measured by accrual quality. This finding is consistent with those of Aanu, Odianonsen, and Foyeke (2014), Dobija (2015), and Carcello et al. (2011). Furthermore, Alawaqleh and Almasria (2021), show that an accounting financial expert on the Audit Committee is significantly associated with more accurate or less dispersed analyst earnings forecasts. In contrast, they find that the association between non-accounting financial expertise and analyst earnings forecasts is insignificant. However, the study found an insignificant negative effect of the expertise of audit committees on financial reporting quality measured using discretionary accruals. The findings are consistent with Fakhari and Pitenoei (2017), who found an insignificant relationship between Audit committee financial expertise and discretionary accruals.

The findings on the relationship between audit committee size and financial reporting quality show mixed findings for two measures of financial reporting quality. The results show a positive, statistically significant effect between the size of the audit committee and discretionary accruals. This is consistent with the findings of Shankaraiah and Amiri (2017), who argues that an increase in Audit Committee members is an opportunity for a mixture of different experts. Indeed, larger audit committees are more likely to behave as authoritative bodies exercising effective monitoring functions. Moreover, Ghafran, O'Sullivan, and Yasmin (2022) reveal that the Audit Committee size improves the financial reporting quality because of the diverse skills expertise, and experience they share among themselves. The study results are consistent with (Shankaraiah & Amiri, 2017). The results confirm that the effectiveness of the AC depends on the appropriate size of the AC. On the contrary, the size of the audit committee shows a statistically positive insignificant relationship with accruals quality.

Based on the study's results, audit committee independence has a statistically significant effect on both accruals quality and discretionary accruals as measures of earnings quality. This suggests that fully independent audit committees can better constrain earnings management practices. This finding is consistent with Mahadeo et al. (2012), which indicates that Audit committee independence significantly improves the financial reporting quality and suggests that independent directors are more concerned about their reputation in the market and hence more objective in their monitoring role (Fama & Jensen, 1983). This finding also contradicts the evidence provided by (Dobija, 2015). Therefore, it can be inferred that an independent audit committee may perform its oversight function within the corporate governance structure of a firm more effectively and consequently improve the quality of its financial reporting.

The effects of audit meetings on the quality of financial reporting show similar results. The research, therefore, alludes to a negative non-significant relationship between audit committee meetings and accruals quality. Nevertheless, an active Audit Committee could provide more accurate and better supervision for the internal and external audit functions and the firm's performance. Indeed, it is hypothesized that the greater the number of AC meetings held during the fiscal year, the more opportunity for dealing with the firm's potential problems (Abbott et al., 2004). In contrast to these results, the present study does not find evidence on the significance of this relationship. However, we show that the number of AC meetings could negatively affect the quality of financial reporting. This is inconsistent with expectations since audit committees meeting more frequently are expected to be more effective and diligent monitors of the financial reporting process.

Summary and Conclusions

Our findings have implications for several interested parties, such as auditors, institutional investors, regulators, and policymakers, who are in charge of examining the effectiveness of corporate boards of directors in monitoring a firm's financial reporting and disclosure processes. Based on our results, it can be argued that these interested parties would increase their external assessment of financial reporting quality and disclosure when recognizing corporate boards of directors and audit committees' failure to make voluntary improvements in their overall effectiveness and efficiency, particularly when both have the incentive and ability to do so. In addition, the results of the present paper may be of interest for policymakers who have the authority over the appointment of audit committee members to choose independent and expert individuals, for regulators to reconsider their rules and mandate concerning corporations and their corporate governance structure, and, finally, for auditors to adopt better strategies when communicating with audit committees and assessing their effectiveness regarding the improvement of financial reporting quality and disclosure.

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Original Research

Globalization and Income Inequality in Nigeria

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Abstract

The main objective of this study was to empirically examine the influence of globalization on income inequality in Nigeria from 1986 to 2021. The income inequality was represented by the Gini coefficient while globalization was measured by key indices like foreign direct investment, remittances, and trade openness. With the use of the autoregressive distributed lag (ARDL) approach which was as a result of the stationary of our series at levels and first difference as reported by the Augmented Dickey-Fuller unit root test, the study observed that a long-run relationship exists amid inequality and measures of globalization. In the short-run, it was realized that foreign direct investment, remittances, trade openness, and urbanization aided in reducing income inequality in the short-run while inflation accelerated income inequality within the study period. In the the long-run, the only measure of globalization that significantly reduce income inequality is remittances; while foreign direct investment significantly increased income inequality in the long-run. the paper concluded that it is not inevitable that measures of globalization have different influence on inequality of income and wealth depending on time.

Keywords: Inequality, Poverty, Globalization, International Trade, Gini Coefficient.

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Introduction

Economic globalization is the term used to describe how interdependent the world's economies have become due to the expansion of cross-border commerce in goods and services. It is an unstoppable trend for global economic development at the turn of the millennium and symbolizes the massive growth and reciprocal connectivity of market borders. Increases in commerce (products and services), cross-border investment, and labour movement from one country to another have made countries, businesses, and individuals more interconnected and interdependent, which brings about "globalization".

In recent years, globalization, which economists defined as “the unrestricted flow of money, labour, technology, and goods across national borders”, has taken on a new dimension. This is demonstrated by the outsourcing of jobs, the low level of financial integration, and the volume of international trade, the presence of multinational firms, the exchange of highly skilled workers, and the high level of technology. The disparity in income inequality between various globalized nations is the result of this. Income disparity can be defined as the gap in earnings between people living in the same country, between employees and property owners in the same country, or between the average incomes of different countries (nations) (Milanovic, 2005). Because the GATT (General Agreement on Tariffs and Trade) and WTO (World Trade Organization) frameworks have compelled many nations to gradually reduce their tariff and non-tariff barriers, an increasing number of nations are opening up their capital and current accounts. All of these have significantly boosted trade and investment growth through globalization (World Trade Organization (WTO), 1995). The economic process of globalization also refers to the process of industrial readjustment and restructuring on a worldwide scale. In recent years, many labour-intensive businesses with low international competitiveness have begun to migrate to developing countries from western industrialized countries as they increasingly embrace the era of the information economy (Shangquan, 2000).

Globalization affect developing countries through changes in commodity prices in global markets. For example, increase in food and energy prices across the globe is believe to be driven by the Russia-Ukraine wars. Globalization also affects wage income in in some countries as a result of increase is that technological change and globalization created a global market for top executive talent and superstars (Atkinson, Piketty, & Saez, 2011), which increased the global demand and earnings for the most talented individuals. International trade is also believe to increase inequality because changes in inequality that occur if workers lose jobs in response to trade shocks and experience transitional unemployment (Milton, 1995).

Increasing specialization and trade are two ways that globalization worsen income inequality. Some of the earlier studies ignored the effect that globalization will have on jobs and income inequality globally. This is contrary to popular belief, because trade based on comparative advantage can increase relative poverty even though it has the ability to boost economic growth and per capita incomes. For instance, if a nation can import good at a lower cost from abroad, there is going to be reduction in domestic supply, employment, and real incomes in that industry, resulting in a reduction in real wage and an increase in income inequality. Although through increase in international trade, government increase its tax revenues to fund capital investment by providing public goods and services and funding programmes which will improve the welfare of the citizens (Calderon & Chong, 2001; Rodriguez & Rodrik, 2001). Through comparative advantages, the introduction of cutting-edge technologies, capital inflows, the dismantling of monopolies, and the ensuing development of market competition, developing countries gain from globalization (Dollar & Kraay, 2001). Despite these advantages, the gap between industrialized and developing nations has grown rather than shrunk as a result of economic globalization (Shangquan, 2000).

Recently, 52% of global income goes to the richest 10% of people. the world's poorest 50 percent of people? Well, they only make 8%. An individual from the top 10% will typically make $122,100, while someone from the bottom half will only make $3,920. The disparity is much bigger when it comes to wealth (valued possessions and items over and beyond income). Just 2% of the world's total wealth is owned by the poorest 50% of people, while 76% of all wealth is held by the richest 10% (Myer, 2021). Also, the global inequality in 1990s stood at 66%, while in 2000, it stood at 63% (Bourguignon & Morrisson, 2002; Sutcliffe, 2003). Ii has further been pointed out that increase in profit by multinational corporations through globalization usually increases inequality. Most multinationals present in developing countries are involved in tax evasion, which can result in inability of the host country to generate enough tax revenue to meet her obligations such as paying for public services and welfare systems which will affect income distribution and increase inequality. Oxfam (2013) reports, estimates that tax avoidance costs developing countries $160 billion a year whereas $100 billion could provide an education for 124 million children and pay for healthcare services that could prevent the deaths of at least six million children annually.

One area where the effects of globalization have been hotly contested is economic inequality. Since it makes up the majority of global income inequality, income inequality between countries is significant. For the reason that poverty is essentially a distribution issue rather than a globalization issue, income disparity is crucial. In the majority of emerging nations, the effects of globalization outweigh those of decreased income inequality. Inequality has remained high in a significant number of developing economies even though the typical individual is far wealthier now and some countries have profited more from globalization than average people and countries in the past. The Nigerian government, like other developing countries, has since changed its trade policies to incorporate trade openness, like other emerging nations due to Bretton Woods's recommended Structural Adjustment Programme (SAP) (Central Bank of Nigeria (CBN), 2021; Lamoreaux & Shapiro, 2019; Dasgupta, 1997). Despite the high level of globalization, global inequality still remains very high with continuous absolute poverty. Around 2.1 billion people, or 35% of the world's population, were estimated to be living on less than $3.10 per day in 2012. Low levels of nutrition, sanitation, and education are the results of such poverty, as are high rates of child labour and exploitation. Approximately 29,000 children each day pass away from primarily preventable causes, and wealth is not spread equitably (World Bank, 2012). Most studies have agreed on the size of inequality around the world (Milanovic, 2005; Sala-i-Martin, 2002; Bhalla, 2002). However, there is a controversy regarding the recent direction in which inequality has followed as a result of globalization. While Maku, Ogede, Adelowokan, & Oshinowo (2021) and Odo, Agbo & Agbaji (2020) argued that "globalization worsens Nigerian income inequality", Ifeakachukwu (2020) and Baek & Shi (2016) argued otherwise.

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This study is interested in examining the impact of globalization on income inequality in Nigeria due to disputes in the literature over how it affects income disparity. Examining the effects of globalization on income inequality in Nigeria is the main goal of our study. The specific goals are to evaluate the combined effects of trade openness, FDI, remittances, exchange rates, and inflation on income inequality in Nigeria; and to outline the policy implications, taking the impact of globalization on income inequality into account.

Literature Review

Globalization has been proved to have several advantages. Indeed, globalization has lifted hundreds of millions of people out of poverty. Since Samuelson's (1939) pioneering work on trade gains, several studies have confirmed that trade improves welfare compared to autarky due to productivity gains and a new variety of products. See (Arkolakis, Costinot, & Rodríguez-Clare, 2012; Costinot & Rodríguez-Clare, 2014) for empirical studies confirming that trade improves welfare compared to autarky; Bergh & Nilsson (2011) for empirical evidence on globalization). When globalization is accelerating, it is not certain that everyone in any country will benefit.

The Heckscher-Ohlin (HO) model is the traditional theoretical framework for examining the link between globalization and distributional market outcomes (Ohlin, 1933). It describes the globalization's inequality effect as “a result of productivity disparities and country's relative factor endowment, as well as the amount to which individuals rely on labour or capital income” (Dorn, Fuest, & Potrafke, 2021). When countries open up to trade, they concentrate in manufacturing in their relatively plentiful factor and export these items. Consistent with the Stolper-Samuelson theorem, “future trade-induced relative changes in product prices enhance the real return to the factors employed intensively in the manufacturing of the factor-abundant export items while decreasing the returns to the other factors” (Stolper & Samuelson, 1941).

As a result, the country's plentiful production factors benefit from openness, while scarce factors suffer. Most theories discriminate between labour and capital as production inputs, or between unskilled and skilled labour. For the reason that capital and trained labour are relatively abundant in industrialized countries, income inequality and concentration of income towards the top earnings are likely to rise (Dorn, Fuest, & Potrafke, 2018). Unskilled labour, which is heavily engaged in local manufacturing in developing nations, would profit from economic openness by rising salaries. Income disparity in industrialized nations is so anticipated to decline. Consistent with the HO-model assumptions, how globalization affects income disparity depends on a country's degree of development (Dorn, Fuest, & Potrafke, 2018).

Many research has highlighted to the shortcomings of the typical HO-model assumptions and explored other ways in which globalization may effect income inequality during the 1990s. Leamer (1998) established proof for the Stolper-Samuelson mechanism only in the 1970s, while there is absence of proof in other decades; Goldberg & Pavcnik (2007) demonstrated also poor performance of the model’s predictions about the bond of trade and earnings in developing nations). The Heckscher-Ohlin model, for example, “is based on between-sector reallocations and ignores within-sector movements in production and vertical specialisation between nations" (Dorn, Fuest, & Potrafke, 2018). While offshoring and outsourcing of low-skilled output within a sector reduces salaries and bargaining strength for low-skilled employees in advanced economies, offshored and outsourced activities along the value chain may be highly skill-intensive from the perspective of developing countries (Feenstra & Hanson, 1996; Feenstra & Hanson, 1999).

Along the same lines, Feenstra & Hanson (1997) argue that "FDI raises the relative demand for skilled labour and the skill premium in the developing world due to capital-skill complementarities". Furthermore, as a result of increased exposure to import competition, employment in the developing world's traded sectors may become more skill-intensive, resulting in lower relative salaries for low-skilled employees (Cragg & Epelbaum, 1996). Income inequality may also develop as a result of diverse enterprises within sectors and nations, as well as salary premia for workers in international trade firms. Exporting enterprises are more productive than non-exporting firms, and they pay higher wages to attract more qualified workers (Manasse & Turrini, 2001; Munch & Skaksen, 2008; Egger & Kreickemeier, 2009; Frias, Kaplan, & Verhoogen, 2012; Sampson, 2014).

Political and social globalization are also likely to have an impact on economic disparity (Dorn, Fuest, & Potrafke, 2018). Political globalization may lead to countries establishing shared basic standards, hence increasing equality within countries (Dreher, 2006). International migration can have a variety of consequences on income distribution in both the sending and receiving countries. Standard immigration models predict that "elements for which immigration is an effective substitute will lose compared to complementing ones. If immigration increases the labour supply of unskilled workers, the pay gap between high-skilled and low-skilled labour will widen, as will income inequality" (Borjas, Freeman, & Katz, 1997). Changing social norms as a consequence of increased engagement and integration throughout the world may also modify social acceptability of income disparity and hence affect people's behaviour, such as union wage negotiation (Atkinson, 1997).

In line with the "race-to-the-bottom" theory (e.g., Sinn (2003), "globalization exerts lower pressure on tax rates and regulations for movable elements such as capital tax rates". Furthermore, large welfare states attract unskilled and impoverished immigrants seeking to gain from redistribution. This results in lesser government spending and less redistribution. Thus, after taxes and transfers, globalization is predicted to worsen income inequality. Experts that emphasize the "bad side of globalization," such as Stiglitz (2002), argue that "globalization is to blame for reduced redistribution activities and dwindling social security systems" (Dorn, Fuest, & Potrafke, 2018).

The compensation theory (Rodrik, 1998), on the other hand, expects a growth of the welfare state, providing insurance against the mounting risks connected with globalization. One form of this argument is that "victims of globalization may seek restitution" (Dorn, Fuest, & Potrafke, 2018). Based on this theory, globalization will expand the size and reach of government. In a similar line, it has been argued that "when globalization increases market income inequality, policymakers that seek to maximize the sum of all agents' welfare would boost redistribution" (Gozgor & Ranjan, 2017). In keeping with Meltzer & Richard (1981), “rising inequality tends to enhance redistribution since the median voter would prefer more redistribution”. The empirical evidence on the relationship between globalization and welfare states is mixed (Schulze & Ursprung, 1999; Ursprung, 2008; Kauder, 2015; Potrafke, 2015).

We review some of the relevant literature that concentrates on country-specific, regional, and cross-section analysis. Borjas & Ramey (1994) analyzed the causal impact of several explanatory factors on income inequality in the United States using cointegration methods. It was determined that the durable goods trade deficit as a percentage of GDP is the sole explanatory variable with a significant long-term trend to income inequality. The study demonstrates a positive association between inequality and globalization by using trade as a proxy for globalization.

Chakrabarti (2000) investigated the influence of intra-national income distribution and international trade. The study analyzed data from 73 nations in 1985, including low-income, lower middle-income, higher middle-income, and high-income countries. For estimate, the study used OLS and IV-GMM. The study's findings revealed that “increasing involvement in international trade and growth decreases income inequality”, providing a method via which international trade might reduce income unequal distribution.

From 1995 to 2001, Heshmati (2004) used two globalization indexes from 62 nations to study the relationship between income inequality and globalization. For estimate, the ordinary least squares approach was applied. In keeping with the findings, different aspects of globalization have varying effects on inequality. Technology helps to reduce income inequality, but economic liberalization increases inequality, and political participation has little influence on income inequality. Consistent with the study, “wealthy nations have a more equitable distribution of income than developing ones”.

Panel data from 1972 to 1994 in the US under the framework OLS was used by Silva & Leichenko (2004) to investigate the influence of international trade on income inequality. In relation to the study's findings, “costlier imports and cheaper exports are exacerbating the situation of economic inequality in various United Nations member nations. The study determined that inequality rose across and across states in the United States from 1992 to 1994.

Rudra (2004) looked into the link between government social spending, openness, and wealth distribution in developed and developing nations. Panel data from 35 less developed and eleven OECD nations were utilized from 1972 to 1996, with fixed effect and two stage least square estimation techniques applied. The findings revealed that “trade increased inequality only in LDCs and social expenditure decreased inequality only in OECD countries, although education spending also lowered inequality in LDCs”. Consistent with the study, wealthy nations' social spending and trade conditions are far superior than those of less developed ones.

With cross-sectional data from 95 nations in 1988 and 113 countries in 1993 for analysis using simultaneous decile and IV-GMM, Milanovic (2005) investigated the rapport between openness and income distribution in low-, middle-, and high-income nations. In line with the study's findings, “trade increases inequality but financial depth decreases it”. Foreign direct investment had little effect, and democracy increased economic inequality. The study showed that “the gains of international trade were mostly obtained by the wealthy, with the poor getting a lesser percentage of income in progressively interconnected countries”.

Felbermayr (2005) reviewed the bond between openness of economies and per capita income by utilizing panel data, and the temporal dimension was a five-year average which was analyzed using a system-GMM method. The earliest period utilized was 1960 to 1964, and the latest period was 1995 to 1999 for 93 nations. The study discovered “a positive trade-income association but no evidence that trade decreases income inequality”. As a result, the study found that the impact of free trade differs between poor and affluent nations.

From 1973 through 1997 with unbalanced panel data for 12 European nations, Beckfield (2006) looked at the connection between national income inequality and regional integration. The methodology used in the study included generalized least squares, fixed and random effects. Economic integration was shown to be positively connected to the GINI coefficient in all three estimating methodologies. According to the report, “more regional economic cooperation among European nations raises income inequality”.

Ali & Isse (2007) looked at how foreign aid and trade liberalization affect income distribution by using panel data from 150 nations spanning the years 1975 to 2000. The study employed the simultaneous equations system and the three-stage least squares approach. In keeping with the findings, “there is a positive and substantial relationship between international trade and GDP per worker, but government spending and foreign direct investment have a negative impact on income”. They determined that trade and foreign aid are strong predictors of GDP per capita, and that international trade appears to be beneficial to economic performance.

In Mozambique's developed southern and less developed northern regions, Silva (2007) investigated the influence of export and domestic agricultural trade on income inequality. The study employed OLS to analyze cross-sectional data from 1996 to 2000. Consistent with the study's findings, “domestic agricultural trade has a growing influence on inequality in southern Mozambique. Whereas international agricultural export has a moderating influence on inequality in northern Mozambique”. As a result, the study determined that income inequality differs by geography and trade type.

Meschi & Vivarelli (2007) estimated the influence of trade on within-country income inequality in a sample of 70 developing countries (DCs) from 1980 to 1999 using a dynamic specification. In accordance with the findings, “overall aggregate trade flows are only marginally associated to income inequality”. However, by breaking down overall trade flows by origin/destination, the study discovered that “trading with high-income nations worsens income inequality in developing countries, both through imports and exports”. This study lends preliminary support to the concept that technical differences between trading partners play a major role in influencing trade openness's distributive impacts. Furthermore, when controlling for the differential impact of trade in middle-income versus low-income DCs, it was discovered that the prior conclusion only applies to middle-income nations (MICs). This outcome is interpreted by taking into account “MICs' larger technical upgrading potential, both in terms of their higher ‘absorptive capacity’ and their superior ability to serve the differentiated and high-quality markets of the developed world”.

Babones & Zhang (2008) examined the relationship between inequality and trade by categorizing nations into three income groups: core, semi-periphery, and periphery. The study employed a world-systems approach, with cross-sectional models calculated at five-year intervals: 1980, 1985, 1990, 1995, and 2000. The results for semi-periphery nations revealed that trade is associated with reduced income inequality, but trade is associated with increased income inequality in core and peripheral countries. As a result, the study indicates that “trade affects income inequality in zone-specific ways”.

For the economy of China, Tian, Wang & Dayanandan (2008) evaluated the influence of economic globalization on income inequality through FDI and international trade. The ADF unit-root test and the Johansen and Juselius multivariate cointegration technique were used to analyze yearly data from 1979 to 2006. The findings revealed that “trade, FDI, and government expenditure all have the potential to improve wealth distribution”. They determined that income inequality in China is caused by variables other than trade liberalization.

To Atkinson, Piketty, & Saez (2011), the reduction in inequality witnessed by most nations following WWII may be linked to a decline in the capital share of income caused by the Great Depression and conflicts through physical damage, hyperinflation, and bankruptcy, among other factors. The decline in inequality is considerably more pronounced for the top 1% since their incomes are more strongly concentrated in capital sources. Interestingly, the percentage of the top 4% or top 9% did not fall as much since these groups rely more largely on labour income, which was unaffected by the aforementioned shocks. Inequality did not recover after the Second World War. The authors explain this stall in inequality to the implementation of progressive taxation and estate taxes, which prevented capital income from being recovered in numerous developed nations (Pavcnik, 2011).

Bergh & Nilsson (2011) used GMM to investigate the relationship between globalization and within-country income inequality. They included various control variables and controlled for potential endogeneity. They observed that “economic freedom changes appear to enhance inequality mostly in the North, whereas social globalization is more relevant in the South”. It has also been discovered that monetary, legal, and political globalization do not promote inequality.

With the aid of data from 1990 to 2009 in Hungary and the OLS method of analysis, Georgantopoulos & Tsamis (2011) investigated how globalization affected income distribution. Consistent with the study's findings, “boosting trade and foreign capital penetration improves income distribution, whereas remittances have a favourable influence”. The study stated that the outcome of the analysis support common knowledge that “opening up countries to foreign trade reduces income disparity and that the globalization process benefits Hungary”.

Lu & Cai (2011) investigated the link between trade openness, factor endowment, and individual income distribution. The study estimated panel data from twenty-four Chinese provinces from 1997 to 2005 using a random and fixed effect approach. They discovered that "income distribution is more equitable in land and capital-intensive provinces, but less so in human capital and labour-intensive provinces". The study maintained that China's total trade openness adds to rising income inequality.

With sample of 41 nations for the years 1970, 1980, and 1990 which were analysed by employing a reasonably generic model and many robustness tests, Bensidoun, Jean, & Sztulman (2011) re-examined the link between income distribution and international trade by taking each country's trading pattern into account. The study's findings revealed that "changes in the form of trade had a considerable influence on income distribution, with the amount depending on the country's national income level". Consistent with the report, international trade considerably contributes to rising income disparities in emerging nations.

Cassette, Fleury, & Petit (2012) differentiated between the short and long run effects of international trade in commodities and services on income inequality. The study employed yearly panel data for ten advanced nations from 1980 to 2005, using panel cointegration, an error correction technique, and dynamic ordinary least square estimation. As stated by the study's findings, "trade in services has only a short run influence on income inequality, but trade in products has both a short and long term impact". Accordingly, total international trade causes a rise in income inequality.

For 68 developing countries' panel data from 1990 to 2010, Atif *et al.* (2012) examined the influence of globalization on income inequality by estimating static and dynamic models. The findings are consistent expectation, and it is claimed that "more globalisation in poor nations leads to an increase in income inequality". The report portrayed that the influence of globalization on income distribution differs each country, depending on the structures and institutions in existence.

Rodriguez-Pose (2012) studied the relationship between trade openness and intra-country inequality. The study examined unbalanced panel data for 28 nations from 1975 to 2005, employing both static (OLS) and dynamic (GMM) panel data methodologies. In relation to the findings, "an increase in international openness has a good influence on regional inequality". However, the analysis indicated that changes in trade agreements have a greater impact on income inequality in medium and low income nations than in high income countries.

Using unbalanced panel data from 55 DCs which analyzed via IV-GMM and 2SLS, Demir, Ju, & Zhou (2012) investigated the relationship between trade structure, sectoral employment, and income inequality in developing economies. The study's findings indicate that "trade structure and employment are considerably positive, implying that an increase in the percentage of manufactured exports and industrial employment increases income disparity". In view of that, differing trade structures considerably exacerbate income disparity.

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In the case of data from 51 economies, 20 of which are advanced and 31 of which are developing and emerging economies, from 1981 to 2003, Jaumotte, Lall, & Papageorgiou (2013) investigated the impact of trade, technology, and financial globalization on income inequality. For estimate, the researchers utilized OLS with heteroskedasticity-consistent standard errors and instrumental variable least squares. With reference to the findings, "more trade tends to lessen income disparity, but technical and financial globalization tends to worsen it". As a result, the study indicated that different mechanisms of globalization had varying effects on income inequality.

In the case of the Nigerian economy from 1986 through 2010, Ogunyomi, Daisi, & Oluwashikemi (2013) investigated the influence of economic globalization and growth on income inequality. The static linear model and structural simultaneous equation model were used in the investigation. The findings revealed that "trade had a negative influence on income inequality, however financial globalization has a large favourable impact". On account of the emphasis on financial globalization, it was established that economic globalization tends to exacerbate income disparity and limit economic growth in the Nigerian economy.

In Pakistan through the use of data from 1972 to 2008 which were analysed using cointegration and vector error correction techniques, Munir *et al*. (2013) examined the relationship between trade openness and income inequality. In line with the findings, "trade, remittances, interest rates, and urbanization all raise inequalities, but FDI decreases them". The study affirmed that following liberalization, income disparity increased in Pakistan's economy.

Lee (Lee, 2014) investigated how international and financial integration affects poverty and income inequality using the OLD technique. The study collected data from 1976 to 2004 for the income inequality model and 1990 to 2004 for the poverty model. The study's findings revealed "a conditional relationship between international trade, income disparity, and poverty, whereas financial integration worsens poverty and income inequality in general".

Hepenstrick & Tarasov (2015) studied how trade openness differences lead to cross-country income disparities. The model was calibrated for the year 2003 for 86 nations using OLS and the Poisson pseudo maximum likelihood (PPML) estimate method. The study discovered that "if the nations are fully symmetric, there will be no trade openness inequality. However, in a world where nations differ in endowment, population size, and changeable trade costs, income inequality would rise as a result of trade".

In Asian nations, Bukhari & Munir (2016) investigated the impact of trade, financial, and technical globalization on income inequality using pooled OLS and the instrumental variable least square approach. The study employed panel data from 1980 to 2014 for selected Asian nations for the trade and technology globalization models, and 1990 to 2014 for the financial globalization model. The findings reveal that "trade and technological globalization considerably reduce income inequality in the chosen Asian nations, but financial globalization increases income disparity". While education has a negative influence on income disparity, FDI has a direct impact on income inequality.

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Dorn, Fuest & Potrafke (2018) used an IV-GMM method to cope with the endogeneity of globalization measures to re-examine the connection between globalization and income inequality for 140 countries from 1970 to 2014. The findings demonstrated that the relationship between globalization and income inequality varies between nations. Globalization and inequality have a strong positive association in transition nations such as China and the majority of Middle and Eastern European countries. Neither OLS nor 2SLS results demonstrated a significant positive link between globalization and inequality in the sample of the most advanced economies. It was determined that "income insurance and education institutions, which define most advanced economies but are less established in transition economies, may have reduced the impacts of globalization on income disparity".

Ebele, Nnenna, & Nkechinyere (2019) investigated the impact of globalization on oil-rich Nigeria using quarterly time-series data on an empirical model that is based on the Stolper-Samuelson theorem, the Johnson cointegration test, and error correction model. The study's conclusions showed that while productivity significantly reduced income inequality in Nigeria over time, globalization, technology, and foreign direct investment significantly increased it. In order for Nigeria to benefit from globalization, the study suggested encouraging domestic entrepreneurship through strategies for export promotion and import substitution.

Data from 158 economies for the years 2006 to 2014 were used to create a new composite globalization index, which Hyeon-Seung & Cyn-Young (2019) used to empirically assess the potential impacts of globalization on economic growth and income inequality. The findings demonstrate that, despite encouraging economic growth, globalization may worsen income inequality. High-income countries benefit the most from globalization because it has a stronger positive impact on their economies than it does for other income groups, and because the gap between rich and poor is not as wide in these countries.

The study on "Globalisation, Economic Growth and Income Inequality in Nigeria" was explored by Nwosa (2020) using that which spans through 1981–2018. With the utilization of VECM and ARDL approaches, inequality and globalization are uni-directionally related to economic growth in the long run, according to the VECM results, whereas inequality and economic growth are uni-directionally related in the short term. For the ARDL estimate, economic growth and globalization are important factors influencing inequality in Nigeria. Furthermore, it has been found that the effects of global trade and financial integration on income inequality were different.

Osode, Iheonu & Dauda (2020) looked at the connection concerning globalization and income inequality in addition to the effects of institutional quality on income inequality and the link between globalization and income inequality. The study used instrumental variable quantile regression to take simultaneity and reverse causality into account. It was discovered that "trade globalization significantly increases income inequality in countries where the initial levels of income inequality are high, while it decreases income inequality in countries where the initial levels of income inequality are low in the presence of improved institutions". Additionally, in countries with high and low initial levels of income inequality, respectively, foreign direct investment and official development

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assistance significantly increase income inequality in the presence of improved institutional quality.

In Bangladesh, Uddin (2020) investigated the impact of globalization on income inequality in Bangladesh between 1975 and 2018 using OLS and cointegration analysis. According to study findings, Bangladesh's income inequality is significantly affected over the long term by globalization variables such as exports, imports, foreign aid, foreign direct investment (FDI), and remittance inflows. During the study period, Bangladesh's income distribution is being negatively impacted by exports, FDI, and remittance inflows while long-term foreign aid and imports are improving.

It is clear from the above review that the exact effect of globalization on income inequality is not unique across nations and regions of the world. This is evidenced from the mixed findings on the literature so reviewed. This lack of consensus creates a gap in the literature which this study intends to fill. This study utilizes recent data and the ARDL framework to explore both the short-run ad long-run effect of globalization on income inequality with specific interest in Nigeria.

Methodology

Research Design

Utilizing secondary data from the statistical bulletin of the Central Bank of Nigeria from 1986 to 2021, this analysis will be quantitative in nature. The 5% threshold of significance will be used for the hypothesis test. The Autoregressive Distributive Lag method will be used in economic analysis to look at how globalization has affected income inequality in Nigeria (ARDL). We will use a single multiple regression model to examine how globalization has affected income inequality in Nigeria.

Model Specification

Based on the International Trade Theory (Haberler, 1961) and the work of Hussain, Chaudhry and Hassan (2009) the model that this study will adopt is specify as follows:

$$gini = f(fdi, rem, inf, top, urgr) \qquad (1)$$

The econometric version of the model is stated as follows:

$$gini = \beta_0 + \beta_1 fdi + \beta_2 rem + \beta_3 inf + \beta_4 top + \beta_5 urgr \qquad (2)$$

Where:

gini = the GINI coefficient use as a proxy for income inequality

fdi = foreign direct investment

rem = Remittances

inf = Inflation Rate

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top = Trade Openness (proxy for Export + Import as a ratio of GDP)

urgr = urbanization Growth Rate (proportion of the population in the urban area)

β_0 is the constant term; $\beta_1, \beta_2, \beta_3, \beta_4,$ *and* β_5 are the coefficients of the independent variables; and μ is the error term

A priori Expectation

The a priori expectation for our specific model is stated below:

$\beta_1, \beta_2, \beta_3 > 0; \beta_4, \beta_5, \beta_6 < 0.$

Data Collection and Sources

The study will assess secondary data from the CBN statistical bulletin, Nigeria Bureau of Statistical (NBS) bulletins, World Bank database on World Development Indicators, and annual reports from 1986 – 2021.

Method of Analysis

The study will use the subsequent data analysis techniques. To check for stationary, an Augmented Dickey-Fuller (ADF) - Unit Root-test will be used first. Second, the Autoregressive Distributed Lag (ARDL) test will be used to evaluate the impact of the independent factors on the dependent variables over the long and short terms. The following methods are discussed:

Unit Root Test

The unit root test is conducted to ascertain the order of integration of the time series variables employed in the study. In this regards, the study utilized the augmented Dickey-Fuller (ADF) unit root test. The test follows the constant and trend assumption, which the test equation in its general form is specified as follows:

$$\Delta m_t = \varphi + \delta t + \beta_1 m_{t-1} + \sum_{i=1}^{q} \rho_i \Delta m_{t-i} + \varepsilon_t \qquad (3)$$

As can be observed from Equation (3), m_t is the time series variables to be tested for unit root (in this case we have a vector of GINI, TOP, FDI, REM, EXR, CRD, and URB); q captures the lag length; t measures the time trend, φ is the constant (drift); β_1 is the parameter to be subjected to the test where the null hypothesis is stated as $\beta_1 = 1$; Δ is the difference operator; and the summation component of the model captures the augmented aspect of the model where its importance is to correct for any form of serial correlation. The decision rule follows the 5% level of significance where the ADF statistic must be more negative than the 5% critical value for the null hypothesis of unit root to be rejected.

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Test for Cointegration

Since our study utilizes the autoregressive distributed lag (ARDL) approach of estimation, the test for cointegration follows the bounds testing approach. This approach is appropriate when the variables are integrated in mixture of levels, I(0), and first difference, I(1). The test facilitates the detection of the presence of long-run relationship among variables of interest given that they are not all integrated at levels.

Error Correction Model

For an examination of the short-run dynamics and long-run levels estimates, the ARDL error correction model offers a potent framework within such can be executed. The model estimation brings forth both the short-run and long-run estimates and also present how fast the model adjust from the short-run for equilibrium to be achieved in the long run. The model is specified thus;

$$\Delta GINI_t = \theta + \sum_{i=1}^{p} \varphi_i \Delta GINI_{t-i} + \sum_{i=0}^{q} \rho_i \Delta X_{t-i} + \delta ECM_{t-1} + \epsilon_t \qquad (4)$$

Where the variables are as earlier defined and X is a vector of the explanatory variables given as: $X_t = [TOP_t, FDI_t, REM_t, EXR_t, CRD_t, URB_t]$.

In Equation (4), *n* is the optimal lag length of the dependent variables while *q* captures that of the explanatory variables. The parameters φ_i and ρ_i represents the short-run parameters, δ denotes the speed of adjustment of the short-run disequilibrium to long-run equilibrium, and ECM is the error correction mechanism expressed as the one-period lag of the residual. It must be noted that for any error correction to take place, δ must be negative and statistically significant at the 5% level.

Data Analysis, Interpretation of Results and Discussion of Findings

Stationary Test

Table 1. Augmented Dickey-Fuller (ADF) Unit Root Test Result

Variables	Augmented Dickey-Fuller Test Statistic	5% Mackinnon Critical Level	Order of Co-integration
gini	-5.9984	-2.9540	I(1)
fdi	-3.9574	-2.9484	I(0)
rem	-6.0568	-2.9511	I(1)
top	-3.3704	-2.9484	I(0)
upgr	-3.7227	-2.9862	I(1)
inf	-3.4614	-2.9511	I(0)

According to the unit root finding in Table 1, three of the seven variables utilized in this study are stationary at the first level (I(1)), while the other three are stationary at the level (I) (0). Gini, Upgr, and Rem are the variables that are stationary at the first level,

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while fdi, Top, and Inf are the three variables that are stationary at the level. The paper then moves on to utilize the Autoregressive Distributive Lag (ARDL) in other analyses in light of the findings from the stationary tests.

ARDL Estimation for Long Run Coefficients

At this stage of the ARDL modeling for the univariate co-integration test, estimates of the model's long-run coefficients are generated. The Schwarz Bayesian Criterion and the Akaike Information Criterion define the ideal delays for the ARDL model. The estimated long run coefficients for the presented model, calculated using both the criteria and the ARDL (3, 4, 3, 1, 4, 4) specifications, are shown in Tables 2 and 3.

Table 2. F-Bounds Test Result

Null Hypothesis: No levels relationship				
Test Statistic	Value	Significance	I(0)	I(1)
Finite Sample: n=35				
Actual Sample Size	32			
F-statistic	5.2296	10%	2.331	3.417
K	5	5%	2.804	4.013
		1%	3.9	5.419

Table 3. ARDL Long Run Form and Bounds Test Result

Dependent Variable: DLOG(RGDP)				
Selected Model: ARDL(3, 4, 3, 1, 4, 4)				
Variable	Coefficient	Standard Error	t-Statistic	Probability
FDI	12.7943	4.2105	3.0386	0.0189
INF	-0.8182	0.2585	-3.1653	0.0158
REM	-1.9740	0.5816	-3.3941	0.0115
TOP	-0.4725	0.3383	-1.3964	0.2053
UPGR	-5.5566	4.1166	-1.3498	0.2191
C	87.0049	27.1803	3.2010	0.0150

The variables utilized in this study are co-integrated, as evidenced by the F test statistics of 5.2296 with the upper critical at 5% (2.804). This suggests that the independent variables and the dependent variable have a long-term relationship.

The association between foreign direct investments (fdi), inflation rate (inf), and remittance (rem) is statistically significant, but trade openness (top) and urbanization growth rate (upgr) are statistically insignificant, according to the ARDL predicted values for the long-run coefficients. The associations between the variables demonstrate that inflation and remittances have an inverse connection with inequality (gini), and that a 1% rise in either will reduce income inequality by 0.8182 percent and 1.974 percent, respectively. However, there is a direct correlation between foreign direct investments and inequality, which suggests that for every unit increase in foreign direct investments, income disparity will rise by 12.79%.

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Due to the presence of the long-run relationships among the variables, we proceed further to the parsimonious error correction model (ECM) that presents the short-run results.

Parsimonious Error Correction Model

The parsimonious error correction result is presented in Table 4.

Table 4. Error Correction Model Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(GINI(-1))	0.3545	0.1179	3.0067	0.0198
D(FDI(-1))	-9.4770	1.2937	-7.3251	0.0002
D(INF(-1))	0.5288	0.0856	6.1755	0.0005
D(REM)	-1.0342	0.4357	-2.3733	0.0494
D(TOP)	-0.1736	0.0586	-2.9619	0.0210
D(UPGR)	-6.5065	2.5393	-2.5622	0.0374
ECM (-1)*	-1.1487	0.1393	-8.2452	0.0001
R-squared	0.876781			
Adjusted R-squared	0.706170			

Interpretation of Results and Discussion of Findings

The comparison of the long-run and short-run equations quantifies how quickly the economy adjusts to changes in sectorial variables. The difference between the short run and the long run is demonstrated by the error correction mechanism (ECM) coefficient, which has an absolute value of 115% (1.148749). The 115% shows that each period's rate of adjustment is moving very quickly. The residual coefficient shows that the economy's disequilibrium between long-run and short-run growth is adjusted within a year. The co-integration of the variables is demonstrated by the fact that the parsimonious result for the error correction term ECM(-1) is negative and significant. The dynamic model's output reveals that 87.6781% of the income inequality is described by the equation's variables, accounting for 0.876781 of the total coefficient of determination (R^2), while the remaining 12.3219% is accounted for by the error term. The outcome demonstrates the short-term utility of all the variables taken into account in this investigation.

The short-run results show that the coefficient of foreign direct investment is statistically significant with a negative relationship to income inequality. This implies that increasing foreign direct investments by one unit in the short-run will result in reducing income inequality by 9.48%. This result supports the findings of Rezk, Amer, and Fathi (2022). This relationship is due to the impact that an increase in the inflow of FDI will have on job creation for the unemployed, income increase for the already employed, and the provision of skills and technology, thereby reducing income inequality. As Le *et al.* (2021) observed, by educating workers and enhancing their abilities, income disparity will be decreased.

The result further shows that remittance is statistically significant and inversely related to income inequality. This indicates that a 1% increase in remittances will lead to a

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1.0342% reduction in income inequality. This result supports the works of Ofori *et al.* (2022). The continuous remittance by family members from abroad to their aged and poor family members for consumption and social events, which is sometimes saved as retainer income for these family members, is evidenced in the reduction of income inequality as shown in the result. Remittances, according to Kindleberger (1965), can give impoverished and financially excluded households a way to handle their liquidity issues. This can help to foster entrepreneurship, innovation, and the development of new jobs, which in turn provides a solid foundation for reducing income inequality.

An increase in the inflation rate by 1% will increase income inequality by 0.5289%. This is evidence from the short run, when inflation is high. This is because the relationship between the two variables is positive and significant. Increased income inequality is caused by a decrease in the purchasing power or take-home pay of low-wage workers, the unemployed, and the vulnerable as the inflation rate rises. This agrees with Nantob (2015) and Muhibbullah & Das (2019).

Still, from the short-run result, trade openness is statistically significant with a negative relationship to income inequality. This suggests that when trade openness is increased by a unit, it will lead to a reduction in income inequality of 0.1736%. This finding agreed with Dorn, Fuest, and Potrafke (2021) who agreed that trade openness reduces income inequality in developing and emerging economies. This relationship is due to the effect that trade openness has on the labour market through the provision of jobs and other sources of revenue for those with no skills or formal education (Gourdon, Maystre, & Melo, 2008).

The urbanization growth rate is negatively related to income inequality in Nigeria. This finding implies that when urbanization is increased by 1%, income inequality will be reduced by 6.5066%. This finding agrees with Ha**,** Le & Trung-Kien (2019)**.** This reduction might be all a result of some characteristics of urbanization, such as the presence of industries that create job opportunities, the availability of basic infrastructures that support small and medium-scale enterprises (SMEs), and the presence of large markets for products. Gotham (2012) opined that urbanization is influenced by a number of factors, including population growth brought on by migration and natural causes, as well as economic, social, and technological advancements that encourage movement to urban regions. Government policies and market regulations support urbanization. The management of natural resources, land usage, health, and people's livelihoods are all impacted by urbanization.

Conclusion

The issue of globalization as it affects income inequality has been on the debate by scholars all over the globe. It has been noted by Kilic (2015) that even though globalization generates opportunities for some country's economic growth, it also triggers off poverty, inequality, and negative economic growth for others (Atan & Effiong, 2020). In the Nigerian case, our study is geared towards empirically ascertaining the influence of globalization on income inequality from 1986 to 2021. The income inequality was measured by the Gini coefficient while globalization was measured by key variables like foreign direct investment, remittances, inflation rate, and trade openness. The study utilized the augmented Dickey-Fuller (ADF) approach for stationarity test; the ARDL Bounds test for cointegration, and ARDL Error Correction Model to explore both the short-run dynamics and the long-run stable relationship.

The ADF unit root revealed that foreign direct investment, trade openness, and inflation rate were stationary at levels; while Gini coefficient, remittances, and urbanization were stationary upon first differencing. For the fact that the variables are I(0) and I(1) does not require the use of the traditional Engel-Granger test for cointegration thus, the need to utilize the ARDL Bounds testing approach to cointegration (levels relationship). Findings from the Bounds test revealed that the F-statistic was outside the lower and upper bounds 5% critical values, thereby prompting the rejection of the null hypothesis of “no levels relationship”. Accordingly, cointegration exists.

The presence of cointegration is an indication that we need to estimate both the short-run and long-run estimates of our model. This was done using the ARDL error correction model (ECM) approach. The long-run result indicated that remittances, inflation, trade openness, and urbanization put forth a negative influence on income inequality while foreign direct investment wielded a positive effect. While the long-run effect of foreign direct investment inflation and remittances were significant; that of trade openness and urbanization were insignificant. Consequently, it can be concluded that foreign direct investment increased the level of income inequality significantly in Nigeria while inflation and remittances helps to reduce income inequality all in the long-run.

In the short-run, the model exhibits a high degree of endogeneity as the one-period lag of inequality put forth a positive and significant effect on the changes in income inequality. The implication here is that the previous level of income inequality determines what the present day level of income inequality will be. Consequently, if the income inequality in the last year was high, then the income in the next year will also be high if appropriate measures are not taken. It is worthy to note that foreign direct investment only has the ability to significantly reduce income inequality only in the short-run. this is obtained from the fact that the variable put forth a negative and significant short-run influence on income inequality. Thus, as foreign direct investment increases, income inequality decreases in the short-run. Inflation is also seen to be a short-run driver of income inequality in Nigeria as the variable wielded a positive and significant influence on income inequality. As inflation increases, income inequality increases which points to the deleterious effect of inflation on wealth distribution. Remittances still maintain its potency in reducing income inequality given its negative and significant short-run influence on the income inequality thus, as remittances increases, income inequality decreases and vice versa. The influence of trade openness and urbanization are seen to be critical variables for curbing income inequality in Nigeria as they both put forth a negative and significant influence on income inequality. Thus, rising trade openness and rising urbanization will aid in reducing the level of income inequality substantially.

Given these findings, the paper concluded that for the Nigerian economy to experience a declining trend in income inequality, the short-run variables that are potent are foreign direct investment, remittances, trade openness, and urbanization. This does not remain so in the long-run as only inflation and remittances serves as the potent variables that could aid in the reduction of income inequality in Nigeria. Therefore, it is not inevitable that measures of globalisation have different influence on inequality of income and wealth depending on time. What matters is how governments approach the task of enhancing knowledge and skill access and ensuring that the advantages of international trade and investment generate sufficient tax revenues to provide high-quality and reasonably priced public services. By doing this, more benefits of globalization can be transformed into "public goods" as opposed to "public bads". The government should lower trade barriers and give subsidies to promote trade volume and minimize income disparity. There is need to invest in research and development efforts to improve technology globalization and to construct institutions that train low-skilled employees, which would help to reduce economic disparity.

Authors' Contributions

Idongesit Edem Udoh conceptualized the idea behind the research and wrote the introduction. He also conducted the data analysis and interpreted the results. He was further involved in the reading and approval of the final copy of the manuscript.

Ubong Edem Effiong prepared the literature review and methodology of the research, and also read and approved the final clean copy of the manuscript. Further, he was involved in the formatting of the references and the manuscript to fit the guide for authors as prescribed by the journal.

John Polycarp Ekpe was involved in gathering the required data and arranging them in a form amenable for analysis. He also wrote the conclusion aspect of the paper, and was involved in the reading and approval of the final copy of the manuscript.

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