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***PUBLIC ADMINISTRATION***



## **THE RELATIONSHIP BETWEEN EDUCATION AND SUSTAINABLE DEVELOPMENT IN NIGERIA**

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**Abstract:** *Essential changes in any knowledgeable and dependable social society are not unconnected to educational renaissance. However, education as a potential factor in determining sustainable development in Nigeria is grossly understudied. Consequently, this study investigates the relationship between education and sustainable development in Nigeria. The study adopted the ex-post-facto research design and utilized time series data which were sourced from CBN Statistical Bulletin from 1992 to 2021. The data were analyzed using the ARDL model to determine both the long run and short run relationships between education and sustainable development. Inferences were drawn at 5% level of significance. The estimated long run ARDL model showed that education crowd-out sustainable development in Nigeria with a negative and significant relationship. Population had a positive and significant relationship with sustainable development. Hence, based on the established relationship between education and sustainable development, the study concluded that education is significant with weaken effect on sustainable development. The study therefore recommended that the government of Nigeria should ensure quality control and result oriented policies at all levels of education in Nigeria, educational funding in Nigeria should be adequate, conducive learning environment should be enhanced.*

**Keywords:** *Education, Sustainable Development, ARDL, Nigeria*

### **Introduction**

The variations in an intellectual society have always tailored towards educational revitalization. Education for Sustainable Development (ESD) is commonly understood as education that encourages changes in knowledge, skills, values and attitudes to enable a more sustainable and just society for all (UNESCO, 2012). Its purpose is to allow present generations to meet their needs without impeding the future generation. Sustainable development goals, specified by UNESCO, 2017 as necessary conditions for nations to ensure economic sustainability for human beings are: No poverty, decent work and economic growth, zero hunger, good health and well-being, quality education, gender equality, clean water and sanitation, affordable and clean energy, industry, innovation and infrastructure, reduced inequalities, sustainable cities and communities, responsible consumption and production, climate action, justice and strong institutions, partnership for the goals are not negotiable, then it becomes abundantly clear that most countries in Africa are still lagged in attaining the sustainable development agenda when compared to China,

India, Malaysia, South Korea, Singapore and the other Asian Tigers that uses industrialization and education to escape the trap of poverty and build world-class economies.

Therefore, education becomes a fundamental objective of sustainable development and a prominence source of sustainable development indeed. An input and output of development, education is fundamental to the wider belief to expand human competences which is the pivot of development (UNDP, 2017). At the same time, education plays a key role in the ability of a developing country to absorb modern technology and to develop the capacity for self-sustaining growth and development (Todaro & Smith, 2009). In other words, education holds the master key that unlocks a country's potentials towards national transformation, and sustainable human national development.

There is an extensive disparity between educational standards and learning achievements in Nigeria. The system emphasizes theoretical knowledge at the expense of technical, vocational, and entrepreneurial education. School curricula almost remain unstandardized without review to make them relevant and practice oriented. Unfortunately, literature had only focused on many of the UNDP sustainable development goals but the empirical relationship between education and sustainable development has been grossly understudied in the literature for Nigeria which is a crux for this study. Education in Nigeria has faced several tailbacks, one of which is the poor funding. The government has not been providing adequate funds to stir up educational activities in the country. Annual budgetary estimates carry little proportions of allocation for education sector which ought to have been given more priority. UNESCO (2012) specified that developing nations should allocate at least 26 percent of their yearly budget to education. However, Nigeria is far away from attaining this benchmark specified by UNESCO, thereby impeding human development strength of the country which is supposed to activate growth and sustainable development. Thus, it is of great concerned to see countries like Kenya, Ghana, Cameroon and Equatorial Guinea overtake Nigeria in terms of educational standard, living Nigeria hopeless in integrating to the Conventional Education Strategies for Africa 2016-2025 agenda and the African Union's Agenda 2063 which sets out a pan-African vision of transformative sustainable development with the aim to transform education system for commensurate wider vision

Therefore, the study provides a critical analysis of the relationship between education policy agenda relating to sustainable development in Nigeria's in tandem with the overall vision of African led Education for Sustainable Development (ESD) and a priority for implementing ESD in a way that is consistent with the Pan-African vision of an African Renaissance and the UNDP sustainable development goals for developing countries. Education at all levels and in all its forms constitutes a vital tool for addressing virtually all global problems. It is not only an end in itself, but also a key instrument for bringing about changes in knowledge, values, behaviours and life styles required to achieve sustainability and stability within and among countries (Bajaj & Chiv, 2009).

Education has been referred to as the greatest force that can bring about changes. Aminu (2006) observed that the greatest investment a nation can make for the development of its economic, sociological and human resources is that of education. While sustainable development is the development that meets the needs of the present without compromising the ability of the future generations to meet their own needs (Bruntland Commission, 1987) hence, education and sustainable development are intertwined such that good quality

education drives innovation, which in turn drives economic growth and sustainable development.

Nigeria is continually plagued with the upheaval advancement in the educational sector which is not unconnected to the sharp decline in government funding in the sector and the low esteem placed on education in Nigeria. However, these has adverse effects of dilapidation of education facilities at all levels, teachers' salaries not paid and in its more pronounced forms are the various strikes actions engaged in by the universities teaching and non-teaching staff due to the worsening living and poor working conditions in the university system. Furthermore, these upheaval and unpleasant conditions resulting from government poor funding of the educational sector would no doubt produce and harvest increase rate of crime most especially cybercrime, promiscuity and declining literacy rates in the country. These outcomes therefore reveal low or poor investment in the education sector not only having effects on the quality of education in terms of infrastructure but also on general human capital development at large in Nigeria. However, the problems raised above do not seem to be a very strong concern for successive governments in Nigeria. It becomes imperative to ask that; Does education has significant relationship with sustainable development in Nigerian?, which remains a critical questions for researchers and policy makers. However, this informed the following research hypotheses for this study:

Ho: Education does not have significant relationship with sustainable development in Nigeria.

HA: Education has significant relationship with sustainable development in Nigeria.

### **Educational System in Nigeria**

British administration passed the first Education Ordinance in 1882, undoubtedly, the Ordinance was a landmark in the history of education in Nigeria, from then on, the Government came increasingly to play an active role in the provision and regulation of education at all levels. The Ordinance provided for a general Board of education consisting of the Governor, the Members of the executive Council and not more than four other nominated members. The general board was given power to establish local boards which were to advise it on the opening of new Government schools and also on whether conditions under which grants were made to schools were being fulfilled. More importantly, the application of the 1923 Phelps-Stokes Fund of the United State of America report, a survey on institutions in East and West African respectively, exposed among other things the impacts of the existing schools on the economy. The commission recommended that, education should be adapted to African conditions; emphasis should be on Agricultural education, that the village artisans should be given technical training, more money should be spent on education and that more regulation should be carried on education.

Furthermore, another aspect of the Government's educational efforts was the educational policy of Sir Hugh Clifford Nigerian High Commissioner of 1919-1926. This was informed due to the dissatisfaction with the deplorable state of education in the Southern Nigeria, particularly with the very low standard of work in schools. Clifford decided to revolutionize the educational system through the joint efforts of his Director of Education and Advisory Committee. They presented a Memorandum based on the

deplorable state of education in Nigeria. They observed that the Government did not exercise enough supervision and regulatory act over the bulk of educational activities in Nigeria. Categories of schools were analysed. In the first category were schools established by the Government and maintained and controlled by Director of Education under the supervision of Lieutenant. The second category consisted of schools established and maintained by mission bodies subject to periodical supervision and regulation

The constitution of Nigeria gives all citizens the right to education. But the delivery of education in Nigeria has suffered from years of neglect, compounded by inadequate attention to policy frameworks within the sector. These man-made problems include poor funding; shortage of quality staff; dearth of infrastructure; inadequate classrooms and offices for teaching and research; shortage of books and journals; indiscipline; inconsistent and ill-conceived policies; corruption at high and low places; cultism; irregular payments of salaries; examination malpractices; embezzlement of fund; low staff-student ratios; poor record keeping; fraud and self-deception with regard to accreditation; infringements of institutional autonomy and freedom and disharmony among unions in appointment of headmasters; or headmistresses, principals, provosts, rectors and vice chancellors; failure to send staff regularly on short courses to improve and enhances their competences; and the fact that government often reneges on the mutual agreements between it and the unions of educational institution. Similarly, UNICEF (2001) identified these challenges as: The near absence of a strong philosophical and socio-cultural foundation for education; Societal disaffection with the educational systems; inadequate access at all levels; the extremely depressed state of infrastructure and facilities; lack of relevance, appropriateness and responsiveness in the curriculum; Endemic strike by students and teachers; persistence of all the educational disparity between different zones of the country; persistence of gender gap in enrolment, participation and achievement; low female enrolment in basic education and body drop-out in certain areas of the country; wide gap between the intention and achievements with the National Policy on Education, which have all posted threat to the education sector with a multiplier effect on the economy.

## **Literature Review**

Human capital development is generally recognized as a support for realizing wide-ranging development. Therefore, investment in education has been empirically connected to healthier economic development outcomes. Education enables poor men and women to participate in and benefit from economic growth (Ravallion, 2004).

Ibukun and Aremo (2017) examined the long run and short run parameter among inclusive growth variables utilizing the Nigeria's annual data from 1981 to 2014, and employed both the autoregressive distributed lag model (ARDL) and Error Correction Method (ECM). They found a negative relationship between Government consumption education expenditure, and inclusive growth both in the short run and long run. Azra, (2016) in their study of measurement and determinates of inclusive growth integrated growth, inequality, accessibility and governance into one single measure. They found that macroeconomic stability and social financial deepening are important determinants to enhance inclusiveness, and reduce poverty and inequality. Ekwueme and Ezenwa-Nebife (2016) examined education for sustainable development through academic freedom using political economy approach. They found that academic freedom leads to the expansion and

discovery of new ideas of knowledge, transmits and preserves culture developed in the learner's independent judgment of an environment free from external control and domination. They further added that the educational opportunities that Nigerian children would have enjoyed through Education for all to achieve sustainability and self-reliance is lacking due to: Gender Equality, Cultural Diversity, among others. Robert, Yuko, Nonoyama-Tarumi, Rosalyn, and Charles (2016) examined the contributions of education for sustainable development (ESD) to quality education in 18 countries. Their findings were that major themes repeated across the 18 studies, shows that ESD contributes in many ways to quality education in primary and secondary schools. Teaching and learning transforms in all contexts when the curricula include sustainability content, and ESD pedagogies promote the learning of skills, perspectives and values necessary to foster sustainable societies. The research also identified the need to integrate ESD across all subjects, to provide professional development for teachers to ensure ESD policy implementation and to adopt ESD management practices to support ESD in the curriculum in order to broaden ESD across countries. Faouzi and Othman, (2017) examined the causal relationship between education expenditure and inclusive growth in Saudi Arabia from 1981-2013 using inequality adjusted human development index for inclusive growth, ratio of human resources development expenditure to GDP for education and structural Auto Regressive model of analysis. They found out that education expenditure has a positive impact on inclusive growth. Ilechukwu, Njoku and Ugwuozor (2014) examined education and development disconnects in Nigeria with emphasis for education for Sustainable Development (ESD) as the critical path to Nigeria's sustainable development and global competitiveness. They found that education is the pivot of national transformation and development, and added that Nigeria's dysfunctional educational system continues and deepens poverty and underdevelopment. Florian, Norma, Rodrigo, Daniela and André (2019) conceptualized the impacts of higher education institutions (HEIs) on sustainable development (SD). Inductive content analysis was used to identify major themes and impact areas addressed in the literature to develop a conceptual framework describing the relationship between HEIs' activities and their impacts on SD. Their findings shown six impact areas (research, education, outreach, campus operations and campus expenses) where direct (research uptake in business and policy making, qualified workforce, cultural dialogue, GHG emissions caused by operations and positive attitudes towards SD, immigration of students) and indirect (economic growth, change of societal and business practices, social cohesion, contribution to climate change and sustainable lifestyles) impacts of HEIs on SD may occur.

### **Theoretical Framework**

This study adapted the Becker, 1975 Human capital investment theory. The theory delineated the link among government expenditure on education and human development. Increase government spending on the education sector has the propensity to increase level of human capital development and in turn increase sustainable development through innovation. Hence, poor funding of education leads to low human capital development and poor educational standard. However, that part of the Becker, (1975) theory that is of important to this study, is the notion that the higher a country's budgetary for human capital development, the more the propensity to attain sustainable development.

**Methodological Framework**

ARDL model is used to determine the relationship between education and sustainable development in Nigeria; hence, the functional form of the model is given as;

$$HDI = f(EDU, POP) \tag{1}$$

Therefore, equation 1 is transformed to logarithm to have;

$$(HDI) = f(Log(EDU), Log(POP)) \tag{2}$$

Equation 2 ARDL specification is given as follows:

$$\Delta Log(HDI) = \delta + \sum_{i=1}^k \alpha_1 \Delta Log(HDI)_{(t-i)} + \sum_{i=1}^k \alpha_2 \Delta Log(EDU)_{(t-i)} + \sum_{i=1}^k \alpha_3 \Delta Log(POP)_{(t-i)} + \beta_1 \Delta Log(EDU)_{(t-i)} + \beta_2 \Delta Log(POP)_{(t-i)} + \mu_t \tag{3}$$

Where  $\alpha_1$ - $\alpha_3$  are the short run coefficients, and  $\beta_1$ - $\beta_2$  captured long run relationships,  $\delta$  represents the constant,  $\Delta$  represent difference operator and  $\mu$  is the error term.

Testing the hypothesis of no co-integration among the variables, the F- test of the joint significance of coefficients of the lagged levels of the variables was employed. The null hypothesis of no co-integration between sustainable development and the independent variables are given as;

$$H_0 = \beta_1 = \beta_2 = \beta_3 = 0$$

The alternative hypothesis is given as;

$$H_0 \neq \beta_1 \neq \beta_2 \neq \beta_3 = 0$$

The decision on the rejection or acceptance of the null hypothesis is based on the lower and upper bounds critical values (Pesaran et al., 2001). The null hypothesis of no co-integration is rejected if the calculated F-statistics is above the upper bound critical value. Also, if the F-statistics falls below the lower bound critical value, the null hypothesis cannot be rejected. But if the F-statistics is between the lower bound and upper bound critical values, the result becomes inconclusive.

The long-run relationship if a co-integration exists is specified as;

$$[HDI]_{(t)} = \beta_1 + \beta_2 Log(EDU) + \beta_3 Log(POP) + \mu \tag{4}$$

After selecting the optimal lag length of the ARDL model using the Akaike information criteria or the Schwarz Bayesian criteria, the dynamic short run error correctional model is specified as;

$$Log(HDI) = \delta + \sum_{i=1}^k \alpha_1 \Delta Log(HDI)_{(t-i)} + \sum_{i=1}^k \alpha_2 \Delta Log(EDU)_{(t-i)} + \sum_{i=1}^k \alpha_3 \Delta Log(POP)_{(t-i)} + \lambda [ECM]_{(t-i)} + \epsilon_t \tag{5}$$

Where  $\alpha_1$ - $\alpha_3$  are the short run parameters,  $\lambda$  is the parameter which indicates the speed of adjustment and ECM is the lagged error correction term derived from estimating equation (4) Where,

HDI represent human development index

EDU represent education

POP is population, a control variable in the model

The above model is a prototype of (Dauda, 2011; Schady, 2012; Ude, & Ekesiobi, 2014; Onwioduokit, 2020).

**A priori Expectations**

**Table 1: Summary of A Priori Expectations**

Item	EDU	POP
Impact of education on sustainable development in Nigeria		

HDI	+	-/+
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Source: Author's Compilation, (2022)

## Data sources and measurements

The study covers the relationship between education and sustainable development in Nigeria from 1992 to 2021. Data were sourced from Central Bank of Nigeria Statistical Bulletin. While sustainable development were proxy by Human Development Index, since it is the most ambitious attempt to analyze the comparative status of socioeconomic development systematically and comprehensively, United Nation Development Program (UNDP, 1990), while Education is measured by secondary school gross enrolment.

## Results and discussions

### *Pre-estimation results*

#### *Descriptive statistics, normality test and correlation matrix*

The mean and median of HDI, EDU and POP in the dataset as presented in table 1 remains the performance predictions for all the variables under consideration in this study, which falls within maximum and minimum values. All the variables are negatively skewed. The values of the Jarque Bera statistic show that the series are not normally distributed since the P value is less than 0.05 for all variables. Hence the null hypothesis that the residuals of these variables are normally distributed is rejected at the 5% level of significance. Therefore, the result indicates that all the variables in the dataset are not normally distributed around the mean. The implication of this result is that, over the period covered in this study, the distribution in terms of the movement in the values of HDI, EDU and POP significantly differs. Furthermore, the tables demonstrated that all the statistical measures for the various data series standard deviation of HDI, EDU and POP for Nigeria stood at 10%, 39% and 48% basis point respectively between 1992 to 2021.

Furthermore, studies such as (Agung, 2009) argued that testing of correlation among variables of estimates would enables researcher to detect high multicollinearity among themselves. Iyoha, (2004) argued that multicollinearity in variables occurs when the result of the correlation coefficient is greater than 0.95. Consequently, the correlation results presented in Table 2 shows that the correlation coefficients among the independent variables (HDI, EDU & POP) are below 0.95, hence there is no tendency of multicollinearity among the independent variables under study.

**Table 2: Descriptive statistics**

	HDI	EDU	POP
Mean	0.475333	70.8	2.488
Median	0.47	89.5	2.55
Maximum	0.63	102	2.76
Minimum	0	0	0
Std. Dev.	0.097122	39.41766	0.481201
Skewness	-3.923436	-1.199063	-4.824091
Kurtosis	20.72453	2.545114	25.50689

Jarque-Bera	469.6656	7.447406	749.5594
Probability	0.0000	0.024144	0.0000
Sum	14.26	2124	74.64
Sum Sq. Dev.	0.273547	45058.8	6.71508
Observations	30	30	30

Source: Authors 2021

**Table 3: Long Run Model**

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
LOGHDI(-1)	0.201474	0.411739	0.489325	0.6292
LOGEDU	-0.056435	-0.020934	2.70582	0.0208
LOGEDU(-1)	0.294883	0.471664	0.625196	0.538
LOGPOP	0.13813	0.022482	6.144119	0.0000
LOGPOP(-1)	-0.097614	0.025855	-3.77549	0.001
C	0.228112	0.135542	1.682957	0.1059
R-squared	0.796782			
Adjusted R-squared	0.752604	Durbin-Watson stat		1.737789

Source: Author's Compilation, (2022)

The result of the estimated long run ARDL model in table 3 shows that Secondary school enrolment proxied by (EDU) is negatively related to sustainable development and statistically significant. It has a crowd-out effect. The negative relationship implies that the declining education system in Nigeria impedes sustainable development processes. More so, the long run ARDL estimation verified the rejection of the null hypothesis in favour of the alternative hypothesis for this study. This finding is not in line with the a priori theoretical expectation during the study period. While, population has a positive relationship on sustainable development. The effect is also statistically significant.

**Table 4: Short Run Error Correction Model**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(LOGEDU)	-0.173352	0.270281	-0.64138	0.5276
D(LOGPOP)	0.13813	0.015746	8.772529	0.0000
CointEq(-1)*	-0.798526	0.275411	-2.89939	0.0081
R-squared	0.818201			
Adjusted R-squared	0.804217	Durbin-Watson stat		1.737789

Source: Author's Compilation, (2022)

The short run error correction model in table 4 shows that school enrolment is negatively related to sustainable development. The effect is insignificant implying that School enrolment proxied by (EDU) has no short run effect on sustainable development during the study period. Nevertheless, Population has a statistically significant positive short run effect on sustainable development. Finally, the error correction parameter is negative and statistically significant. The coefficient of 0.79 shows that, 79% of the long run and short run disequilibrium is meant to be corrected in a year.

## **Conclusion**

This study sought to investigate the relationship between education and sustainable development in Nigeria. The Becker, 1975 Human capital investment was used as theoretical foundation. The study adopted ARDL model to examine both the short run and long run relationships between education and sustainable development. Findings from the estimated long run ARDL model show that education is negatively correlated to sustainable development. The effect is also statistically significant. The negative relationship implies that as education continues to decline in Nigeria, consequently, sustainable development becomes a mirage. Therefore, the null hypothesis is rejected in favour of the alternative hypothesis of a significant relationship between education and sustainable development in Nigeria.

The short run error correction model indicates that education is negatively related to sustainable development. The effect is insignificant implying that education has no short run impact on sustainable development. Similarly, population has a statistically significant positive short run effect on sustainable development. However, this is in line with the long run situation where evidence of positive relationship was established between population and sustainable development. The coefficient of the lagged of HDI shows that past sustainable development does not improves current sustainable development in Nigeria.

## **Recommendations**

Given the established relationship between education and sustainable development, the following recommendations are proffered for consideration by the government of Nigeria:

Quality control and result oriented policies should be considered for all levels of education in Nigeria. This will certainly guarantee cost recovery from schooling overseas.

Government functionaries at all levels (Federal, States and Local) should have their children schooled in Nigeria. This will prioritize education and enhances quality control.

Educational funding in Nigeria should be adequate.

Government at all levels should ensure conducive learning environment. Thus, the dilapidated infrastructural facilities in schools must be improved.

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## **POLITICAL PARTY, PARTICIPATION AND DEMOCRATIC GOVERNANCE IN NIGERIA**

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**Abstract:** *The study examined the political party participation and democratic governance in Nigeria using the Osun state 2018 gubernatorial election as a case study. It also delves into how political parties mobilized people to participate in democracy, examine their roles in the 2018 Osun state gubernatorial election, and assess the challenges facing political parties in engendering participation and democratic governance. The study utilized primary and secondary sources of data. Primary data were collected using questionnaire and oral interviews. Purposive random sampling method was employed in the selection of a total of twenty (20) party members each from the six political parties that participated in the election making a total of 120 respondents, and 20 each from identified groups of people (Market women, farmers, business operators, INEC staff, community development associations and government workers) making 120 respondents. In all, a total of two hundred and forty (240) questionnaires were administered in the three senatorial districts of the state. The results revealed that the political parties are the key actors in democratic governance. Following the investigation, it became apparent that political parties have several roles to play in engendering participation in politics as well as democratic governance. Though there have some militating factors hampering the achievement of these lofty functions among which are poor funding, government interference, poor political education, thuggery and hooliganism, violence and threat to lives. The study concluded that without viable political parties, participation in politics will continue to drop, and democratic governance will not be assured.*

### **Preamble**

Democratic governance is a deal between the ruler and the ruled i.e the government and the governed. It emphasizes the rule-ruler-ruled relationship within the ambit of the government and the governed. This deal is made up of two parts – the government's legitimacy, that is, adherence to rules as well as doing the will of the citizens. The second part is the arrangement that regulates this deal of legitimacy in the competitive political election. The essence of the arrangement is to ensure participation in governance and policy making. This participation is the fundamental meaning of democracy. Participation in democracy involves much more than just voting. Political participation derives from the freedom to speak out, assemble and associate; the ability to take part in the conduct of public affairs; and the opportunity to register as a candidate, to campaign, to be elected and to hold office at all levels of government. Political parties are among the most important institutions affecting political participation. In most countries, political parties determine candidates' nomination, election and which issues achieve national prominence.

Democracy and political participation are interwoven concepts such that none can exist in the absence of the other. The process of establishing a democratic system requires

the full participation of the people. This participation may be direct or indirect and must be by the citizens. Participation refers to the different ways in which the public express opinions and ideally exert influence on political, economic, management and other social decisions. For a well-informed participation to occur is necessary. It was argued that people most affected by a decision should have the most say while those less affected should have less say. Participation has its objectives from the administrative perspective, to motivate the people and public support building activities. For the citizens, it facilitates useful information exchange concerning local issues that are of concerned. It enables individuals and groups to influence agency decision in a representative manner etc.

Political participation is that activity that has the intent or effect of influencing government action. It is that aspect of democracy that deals with the political environment. Davies (1963) cited in Unanka (2004), defined political participation as “taking part in making the basic decision as to what are the common goals of one’s society and as to the best ways to move towards these goals”. Political participation expresses actions, reactions, interactions and role expectations as one finds oneself as an integral member of a society. It is a known fact that without substantial citizens’ involvement, the democratic process falls short of its goals. According to Ogunna (2003), political participation can be active, partial or passive but whichever way, it will impinge on democracy.

The above explication sounds logical, but the interpretation of what happens in the type of democracy being practiced in Nigeria as seen in the 2018 gubernatorial election in Osun State, showed that ours is a democracy without democratic principles as displayed by the political parties. What we practice in Nigeria as evident in the 2018 gubernatorial election in Osun State is a democracy where voting is the hallmark of democratic participation. The replacement of direct participation before, during and after elections with only voting in the periodic elections is the fundamental expression of the abuse of democracy. Democracy is grossly abused when the citizens are not mobilized to be part of the governance through participation in the democratic activities.

The problems addressed by this study are those associated with the activities of political parties which were considered counterproductive and inimical to democratic governance in the Fourth Republic using the 2018 gubernatorial election of Osun State. These problems are the various irregularities that were evident in the intra and inter party activities bothering on the selection of flag-bearers, canvassing for votes, acceptability and actual participation in the election. Despite the claim that we operate democracy where political parties were expected to play consolidating roles, their stance contravenes this expectation, especially during the 2018 gubernatorial election. Election in Nigeria quoting former president Olusegun Obasanjo is a "do or die affair" and this is the reflection of the democracy being practiced in Nigeria.

### **Conceptual Clarifications**

This section offered conceptual insight tailored towards understanding concepts that are germane to this study such as political party, democracy, election, democratic consolidation and governance. This will make for a better understanding of the content of this paper.

## **Political Party**

A political party is an organized group of people with similar political aims and opinions that seek to influence the public policy by getting its candidate elected to public office (Likoti, 2005). As cited in Ojo (2008), Edmund Burke defined political party as a body of men united for promoting their joint endeavours towards national interests based on some particular principles in which they all agreed. The existence of political parties according to this definition is based on the principles of promoting national interest with membership spread across the country. This lends credence to the position of the Nigerian constitution which required that political parties should reflect federal character before they can be registered (Tordoff, 1999). In a similar vein, Osumah (2009) conceives political party as a voluntary association organized by persons, bind by common interests or aim, which seeks to acquire or retain power through the election of its candidates into public office. This connotes political party as a voluntary organisation, aimed at acquiring political power in order to implement government policies. Political parties are integral part of the process for the entrenchment of democracy. Thus, political parties produce the candidates, set the parameters of issues and agenda within which elections are held and they are expected to perform these duties periodically.

To Nnoli (2003), political party is a group of people who share a common conception of how state power should be organized and used. Political parties could also been regarded as an instrument for contesting elections for the purpose of selecting candidates and parties to exercise political power (Yaqub, 2002). A political party is simply a body of organized individuals whose ultimate aim and goal is to contest for governmental power through the instrumentalities of elections. While it should not be misconstrued that the mere existence of political parties presupposes that a society is democratic, however, competitive and periodic elections have come to at least define the character of liberal democracy (Momoh, 2013).

Egbewole and Muhtar, (2010) summarized the functions of a political party as:

- Stimulating the citizenry to take a greater interest in election and activities of government, defining political issues of the day and sharpen the choice between alternative paths, presenting candidates who are committed to announce position with respect to issues, majority party provides basis upon which government can be operated, and accepting responsibility to govern upon winning election.
- A political party is much more than an organization for seeking and controlling political power. More critically, it is an organization for expressing and harmonizing interests, and that intermediates between the citizens and political society, government and state (Ikelegbe, 2013). There are numerous types of political parties such as elite-based parties, mass-based parties, ethnic-based parties, electoralist parties and movement parties (Gunther and Diamond, 2003).

When we consider popular attitudes on political parties around the world, many of them reflect strongly negative views held by the general public. Popular views on parties range from identifying parties as: power-hungry; corrupt; either excessively partisan or, on the other extreme, lacking in ideology; male-dominated; elite-dominated; lacking internal democracy; lacking meaningful connection to the grassroots; responsible for gridlock and obstructing the smooth functioning of government; and in some cases violent and dangerous (Carothers, 2006 cited in Deme, 2013).

## **Democracy**

The word democracy originated from the Greek word *dēmokratía*, meaning "rule by people" is a system of government where the citizens exercise power by balloting. The Greek word *dēmokratía*, is actually two words 'demos' and 'kratia' where 'demos' means people and 'kratia' means power (Wikipedia, 2019). In a direct democracy, the citizens as a whole form a governing body and vote directly on each issue. In the modern democracy, the citizens elect representatives from among themselves. These representatives meet to form a governing body, such as legislature. In the modern democracy the powers of the majority are exercised within the framework of a representative democracy, but the constitution limit the majority and protect the minority, usually through the enjoyment by all of certain individual rights, e.g. freedom of speech, and freedom of association

"Rule of the majority" is commonly referred to as democracy. John Locke (1780) noted that there is no practical alternative to majority political rule i.e., to taking the consent of the majority as the act of the whole and binding every individual. It would be next to impossible to obtain the consent of every individual before acting collectively. No rational people could desire and constitute a society that had to dissolve straightaway because the majority was unable to make the final decision and the society was incapable of acting as one body.

Democracy is a system of processing conflicts in which outcomes depend on what participants do, but no single force controls what occurs and its outcomes. The uncertainty of outcomes is inherent in democracy. Democracy makes all forces struggle repeatedly to realize their interests and devolves power from groups of people to sets of rules. Western democracy, as distinct from that which existed in pre-modern societies, are generally considered to have originated in city-states such as in ancient Athens and the ancient Rome, where various schemes and degrees of enfranchisement of the free male population were observed before the form disappeared in the West at the beginning of late antiquity (Diamond and Morlino, 2016).

Larry Diamond, an American Political Scientist, identifies four key elements of democracy:

- a political system for choosing and replacing the government through free and fair elections;
- the active participation of the people, as citizens, in politics and civic life;
- protection of the human rights of all citizens;
- a rule of law, in which the laws and procedures apply equally to all citizens (Landman, 2018)

In summary, democracy refers to the rule of the people which is done through representation of few. It is a form of government in which the people have the freedom to choose who their leaders will be through direct or indirect, free and fair election.

## **The Concept of Election**

An election is a formal group decision-making process by which a population chooses an individual to hold public office. Elections have been the usual mechanism by which modern representative democracy has operated since the 17th century. Elections are used to fill offices in the arms of government at national and sub-national levels. To elect

means "to choose or make a decision", and sometimes other forms of ballot such as referendum are referred to as elections, especially in the United States.

Suffrage or the question of who may vote is a central issue in elections. The electorate does not generally comprise of the entire population; for example, many countries prohibit those who are under a particular age from voting, all jurisdictions require a minimum age for voting. Suffrage is typically only for citizens of the country, though further limits may be imposed. However, in the European Union, one can vote in municipal elections if one lives in the municipality and is an EU citizen; the nationality of the country of residence is not required.

In some countries, voting is required by law; if an eligible voter does not cast a vote, he or she may be subject to punitive measures such as a fine (Wikipedia, 2019). In Western Australia, the penalty for a first time offender failing to vote is a \$20.00 fine, which increases to \$50.00 if failed to vote in subsequent election. The process and penalties differ from one country to another (Wikipedia, 2019).

## **Governance**

The concept of governance is both dynamic and resilient in nature. It defies a concise or categorical definition. Therefore, it is better explained for proper understanding. Though some definitions have been offered and this will serve as plinth for proper positioning of the concept. The World Bank defines governance as "the use of power in the management of a country's economic and social resources for development" (World Bank, 1992). This definition connotes merging state's institutional and structural arrangements, decision-making processes and implementing capacity and relationship between the government and the governed, for the purpose of socio-economic development.

Douglass (2011) perceives governance as: "means of making and managing public policy, controlling subordinates to exercise skill and commitment to achieve excellence in a given set of assignments and assurance that the constituents follow established process while instruments of governance provide means of maintaining accountability"

Maccarney, Mohammed and Rodriguez (1995), conceive governance as the relationship and interface between the societal actors. They saw governance as 'the relationship between civil society and the state, between the government rulers and the ruled, the government and the governed'. The UNDP (1997) defines it as "the exercise of political, economic and administrative authority to manage a nation's affairs". A rather comprehensive definition of governance was offered by Kufman and Mastruzzi (2006) the duo defined it as:

"the traditions and institutions by which authority in a country is exercised which include the process by which government are selected, monitored and replaced; the capacity of the government to effectively formulate and implement sound policies; and the respect of citizens and the state of the institutions that govern economic and social interactions among them".

Also in an attempt to further conceptualize governance, Kaufuman, Kraay and Masturazzi (2005) put forward six indicators of governance. These are:

- Accountability

- Political effectiveness of public service provisions
- Quality of bureaucracy
- Quality or soundness of policies pursued by government
- Rule of law, and
- Control of corruption

It can be concluded from the foregoing that governance is the process of transparency and accountability that involves the state on one hand and non-state actors on the other in the economic, social and political administration of a nation.

### **Political parties in Nigeria: the historical perspective**

The formation of political parties in Nigeria can be traced to the early 1920s when the first set of political parties was formed. Prominent among them was the Nigeria National Democratic Party (NNDP) under the leadership of Sir Herbert Macaulay, sequel to the provision in the Clifford Constitution for four elected members into then forty-six member Legislative Council. The formation of the NNDP was followed in 1934 by Lagos Youth Movement (LYM), which later renamed Nigerian Youth Movement (NYM).

The early 1950s saw the emergence of the National Council of Nigeria and the Cameroons (NCNC) led by Dr. Nnamdi Azikwe, the Action Group (AG) by Chief Obafemi Awolowo and the Northern People's Congress (NPC) with Sardauna of Sokoto, Sir Ahmadu Bello as its leader. The Northern People's Congress (NPC) and the National Council of Nigeria and the Cameroons (NCNC) in 1959 later changed to National Council of Nigeria Citizens (NCNC) eventually coalesced and formed a government in 1960 when Nigeria first got her political independence. Dr. Nnamdi Azikwe was made the ceremonial President, while Sir Alhaji Abubakar Tafawa Balewa emerged the Prime Minister symbolizing close political affinity between the Hausa and Igbo political hegemony which came to an end with the outbreak of the civil war in 1967. There were also some political parties such as Northern Element Progressive Union (NEPU) that was radical in posture, and an arch-rival of Northern people's Congress (NPC) (Nnoli, 1985).

On 15th January, 1966, civil rule was terminated through a military coup and the Junta remained in power for over thirty years with only factional and counter-coups interruptions. In the Second Republic, five political parties emerged. These are; National Party of Nigeria (NPN), the Unity Party of Nigeria (UPN), the Peoples' Redemption Party (PRP), the Great Nigeria People's Party (GNPP) and the Nigeria Peoples Party (NPP). These parties re-incarnated from those of the First Republic without a clear difference in the prevailing political ideology. Unfortunately, on 31st December, 1983 General Muhammadu Buhari on the allegation of corruption and indiscipline terminated the Second Republic (Emmanuel, 1994).

The preparations and process of 1993 general elections midwived by the Military Government of General Ibrahim Babangida was one of the longest political transition programmes in Nigeria. The political parties that emerged and contested in the elections are the National Republican Convention (NRC) and the Social Democratic Party (SDP) of which the formation was orchestrated by the military, though several political groups were formed by people but they but were neither recognised nor registered by the military government including Grassroots Democratic Movement (GDM), National Center Party of Nigeria (NCPN), United Nigeria Congress Party (UNCP), Democratic Party of Nigeria

(DPN) among others. The annulment of the presidential election result of 12th June, 1993, election adjudged to be the most transparent and fair marked the turning-point in Nigeria's political history (Abutudu, 1997). The annulment imbroglio consumed the regime of Babangida. The Interim National Government hurriedly put in place was sacked by General Abacha in a palace coup.

The death of General Sani Abacha on June 8, 1998, ushered in the transition to the Fourth Republic under General Abdulsalam Abubakar with new political parties. These parties are the People's Democratic Party (PDP), the Alliance for Democracy (AD) and the All Nigeria People's Party (ANPP). The early stage of re-democratization process saw the stifling of political parties' space, with difficult position imposed by Independent National Electoral Commission (INEC). It took the intervention of the Supreme Court in 2002 for INEC to liberalize the political party arena and allow political competition to flourish. Presently, there are more than thirty registered political parties in the country including PDP, APC, LP, APGA, among others (Omuruyi, 2006). The number has swelled up and as at 2019, not less than 42 political parties have been registered.

### **Democratic consolidation, governance and political parties**

Democratic consolidation implies the extent to which the norms of democracy are institutionalized in the fabrics, structures and processes of government. Concisely put, democratic consolidation entail institutionalization of rules and regulations that fully guaranteed political participation and the competition that it stands for. Democratic consolidation scholars have used different definitions of democratic consolidation. These definitions are based on the outcomes of politics, such as institutionalization of political institutions, social justice, and economic equality (Lee, 2007). Schmitter defines the minimalist conception of a consolidated democratic regime as the accidental arrangements, prudential norms, and contingent solutions that have emerged during the transition into relations of cooperation and competition that are reliably known, regularly practiced, and voluntarily accepted by those persons or collectives that participate in democratic governance (Schmitter, 1992). In his own contribution Linz (1978), asserts that: a consolidated democracy is one in which consider(s) that there is any alternative to the democratic process to gain power and that no political institutions or groups has a claim to veto the action of democratically elected decision makers. Democratic consolidation is about regime maintenance and about regarding the key political institutions as the only legitimate framework for political contestation and adherence to the democratic rules of the game (Ogundiya, 2009).

More explicitly, Gunther, Diamandurous, and Puhle (1995) contend that the democratization process has three phases: the fall of the authoritarian regime, consolidation, and enduring democracy. Democratic consolidation should therefore connote a consistent and sustained practice of democratic principle (Yagboyaju, 2013). The building of a consolidated democracy involves in part an affirmation and strengthening of certain institutions, such as the electoral system, revitalized or newly created parties, judicial independence and respect for human rights, which have been created or recreated during the course of the transition (Valenzuela, 1990).

Diamond (1995) was poignant in his analysis. He contends that: democratic consolidation means the quality, depth, and authenticity of democracy in its various

dimensions has been participation and representation broader, more autonomous, and inclusive; civil liberties more comprehensively and rigorously protected; accountability more systematic and several of the newly emerging democratic regimes are far from consolidated. They are merely surviving without consolidating. In particular, in the less developed regions of the world, these fragile democratic regimes have experienced significant uncertainty over the rules of the game, due to their terrible economic conditions and other social problems. Although many Third-World countries (which Nigeria belongs) have experienced transitions to procedural democracy, such as free elections with few barriers to mass participation and meaningful party competition, this democratic change definitely does not guarantee democratic stability (Lee, 2007). Democracy is said to be consolidated when it can avoid democratic breakdown. Democratic consolidation is obstructed by or destroyed causally by the effects of institutional shallowness and decay. If democracy is to become consolidated, therefore, electoral democracies must become deeper and more liberal. This will require greater executive (and military) accountability to both the law and the scrutiny of other branches of government, as well as the public, the reduction of barriers to political participation and mobilization by marginalized groups; and more effective protection for the political and civil right of all citizens

With consolidation, democracy becomes regularized and deeply internalized in social institutional and even psychological life as well as in political calculations for achieving goals (Babatope, 2012).

### Political parties and voters mobilization in the 2018 Osun state gubernatorial election

This section addresses the methods adopted by the political parties in the mobilization of people to vote and participate in democratic governance. It is important to state here that a table was generated for the respondents and they were encouraged to pick from the assertions as presented therein.

**Table 1. Methods of mobilization by political parties**

Assertions	Responses	Frequency	Percentage
The use of manifestoes	Strongly Agree	5	2.4
	Agree	10	4.9
	Uncertain	-	-
	Disagree	70	33.9
	Strongly Disagree	121	58.7
	Total	206	100.0
Promise of political appointments	Strongly Agree	80	38.8
	Agree	105	50.9
	Uncertain	10	4.9
	Disagree	11	5.0
	Strongly Disagree	-	-
	Total	206	100.0
Financial/other physical inducements	Strongly Agree	120	58.2
	Agree	86	41.7
	Uncertain		
	Disagree		
	Strongly Disagree		
	Total	206	100.0

Coercion/Threats	Strongly Agree	86	41.7
	Agree	110	53.3
	Uncertain	10	4.8
	Disagree		
	Strongly Disagree		
	Total	206	100.0

Source: Fieldwork, June 2019

Table 1 showed the methods employed in the mobilization of voters in the 2018 gubernatorial election in the Osun State. From the table 191 respondents amounting to 92.6% disagreed that with the use of manifestoes as a potent method that the political parties employed in the mobilization of people for the election. Only 15 respondents amounting 7.3% agreed with the position. It can therefore be said that the use of party manifestoes was no longer popular in the mobilization of citizens for election. This may not be unconnected with poor manifestoes of political parties and the exposure of the electorates.

In the same vein, the use of political appointments as a yardstick for the mobilization was scored high by the respondents, 80 and 105 respondents (195 respondents) agreed and strongly agreed representing 89.7% with the position. It is of a fact in the gubernatorial election of 2018 in the state that political parties identified some stalwarts and promised them political positions ranging from local government chairmen, advisers, special advisers, board members and other positions to deliver their wards and in some cases their local government areas. This indeed made the election a do or die affair to some of the people. Financial/other physical inducement as a method was considered the main thing in the 2018 gubernatorial election mobilization in the state. A total of 120 respondents strongly agreed while 86 respondents representing 58.2% and 41.7% respectively agreed with this position. It has been alleged severally that the use of money and other inducements has come to stay in the political mobilization of electorates, ditto democratic governance in Nigeria. This was freely display in the Osun state where several millions of naira was alleged to have been distributed by flag bearers of political parties in the said election. There was a demonstration by the Osogbo community against the APC party leader Asiwaju Bola Tinubu accusing him of complicity in the election. The use of coercion/threats was also considered potent method of political mobilization in the state in 2018. A total of 196 respondents agreed and strongly agreed with the assertion that political parties use coercion and threats to mobilize and or discouraged other members who may likely not vote for them. This often led to physical attacks on party faithfuls and community leaders who may have refused to pledge support for a particular party.

### **The role of political parties in the 2018 Osun State gubernatorial election**

This section examined the roles of the political parties in the 2018 gubernatorial elections of Osun state. The function of political party is basically to serve as a platform for actualizing democratic governance. The political parties are expected to perform the following functions:

- i. Unite, simplify and stabilize the political process: Political parties bring together divergent sectional interests particularly in countries with multi-ethnic groups and regional

interests, narrow the geographical gap and in most cases provide coherence to government that is federal in nature.

ii. Recruitment of political leaders. People in authority who are occupying various political offices were recruited by political parties – including the president, governors, parliamentarians, council chairmen and a number of other political appointees.

iii. Struggle for capturing power. They strive to win elections and form governments by means of forming order out of chaos.

iv. Linkage between government and citizens. Parties seek to educate and sensitize electorates through mobilization of party stalwarts in rallies, campaigns and other forms of identifying individuals with a particular political party.

v. Presentation of issues. Political parties set value goals for the society by ways of manifesto and philosophical bases.

vi. Interest aggregations. The parties do bring together issues raised during campaigns; select those that are of urgent and paramount national interest and focus attention them.

vii. Political mobilization and social welfare. In developing nations of the world where political habits and traditions are yet to grow, parties does or do the job of political modernization and at the same time work for the alleviation of the sufferings of the people during periods of disaster, etc.

**Table 2. Functions of political parties in the 2018 elections**

Assertions	Responses	Frequency	Percent
Unite, simplify and stabilize the political process in Osun state.	Strongly Agree	10	4.8
	Agree	21	10.1
	Uncertain	15	7.2
	Disagree	75	36.4
	Strongly Disagree	85	41.2
	Total	206	100.0
Recruitment of political leaders and government functionaries.	Strongly Agree	90	43.6
	Agree	66	32.0
	Uncertain	11	5.3
	Disagree	12	5.7
	Strongly Disagree	27	13.1
	Total	206	100.0
Struggle for capturing power.	Strongly Agree	150	72.8
	Agree	56	27.1
	Uncertain		
	Disagree		
	Strongly Disagree		
	Total	206	100.0
Linkage between government and citizens.	Strongly Agree	80	38.8
	Agree	81	39.1
	Uncertain	5	2.4
	Disagree	29	14
	Strongly Disagree	11	5.3
	Total	206	100.0

Interest aggregations.	Strongly Agree	25	12.1
	Agree	35	16.9
	Uncertain	10	4.8
	Disagree	70	33.9
	Strongly Disagree	66	32
	Total	206	100.0
Political mobilization and social welfare.	Strongly Agree	71	40.3
	Agree	61	29.6
	Uncertain	13	6.3
	Disagree	43	20.8
	Strongly Disagree	18	8.7
	Total	206	100.0

Source: Fieldwork, June 2019

From Table 2, it became evident how people perceived the manner with which the political parties performed their functions. On uniting, simplifying and stabilizing the political process in Osun state as manifested during the gubernatorial election of 2018 a preponderant of the respondents disagreed that the function is being performed by the political parties, 160 respondents amounting to 77.2% were in this category. The respondents added that the political parties are more of destabilizers than fostering unity in the state in the wake of the election. On recruitment of political leaders and government functionaries in the state, the table shows that the function is being performed fairly well. A total of 156 respondents representing 75.6% agreed and strongly agreed that they recruit political leaders and other government functionaries. The table further showed that, struggle to capture power was the major preoccupation of the political parties. 150 respondents representing 72.8% strongly agreed while 50 respondents representing 27.1% agreed with assertion. In fact there is no dissent opinion to this position.

Political parties serving as linkage between government and citizens was considered one of the best performed of all the functions. It was argued that political parties serve as linkage between political stalwarts, government and the citizenry. 161 respondents amounting to 78% agreed that they have been doing well in this area. Some respondents argued that they are more of linkage between their families and government alone. On interest aggregations the political parties were scored low. They were termed as bunch of reactionaries and people who does not have real initiatives. A total of 136 respondents disagreed and strongly disagreed amounting to 65.9%. On political mobilization and social welfare function the political parties were believed to be performing this with all vigour as the bulk of their resources are being devoted to this. Seventy-one (71) respondents representing 40.3% strongly agreed and 61 respondents amounting to 29.6% agreed totaling 70% concur with the assertion that the political parties are agent of mobilization and social welfare.

### **The challenges facing political parties in engendering political participation and democratic governance**

This section dips into the assessment of the challenges facing political parties' in engendering participation in democratic governance. Table 3 reveals some of the notable

challenges facing political parties as evident in the Osun State gubernatorial election of 2018.

**Table 3. Assessment of challenges facing political parties in engendering participation and democratic governance**

Assertions	Responses	Frequency	Percent
Poor funding	Strongly Agree	80	38.8
	Agree	120	58.2
	Uncertain	1	0.48
	Disagree	5	5.3
	Strongly Disagree	-	
	Total	206	100.0
Government Interference	Strongly Agree	80	38.8
	Agree	96	46.6
	Uncertain	10	6.6
	Disagree	20	13.2
	Strongly Disagree		
	Total	206	100.0
Lack of political education	Strongly Agree	150	72.8
	Agree	56	27.1
	Uncertain		
	Disagree		
	Strongly Disagree		
	Total	206	100.0
Thuggery and hooliganism	Strongly Agree	80	38.8
	Agree	81	39.1
	Uncertain	5	2.4
	Disagree	29	14
	Strongly Disagree	11	5.3
	Total	206	100.0
Violence and threat to life	Strongly Agree	75	36.4
	Agree	101	49.0
	Uncertain	10	4.8
	Disagree	10	4.8
	Strongly Disagree	10	4.8
	Total	206	100.0

Source: Fieldwork, June 2019

As seen from the Table 3 there are several challenges militating against political parties from stimulating political participation and democratic governance. The challenges were put on display for respondents to rank them accordingly. ‘Poor funding’ as a challenge was unanimously agreed to by respondents as major. A total of 80 respondents amounting to 38.8% strongly agreed that it was a major challenge, while 120 respondents amounting to 58.2% agreed to the assertion. Poor funding, this manifests in not having a viable source of financial support for political parties for the execution of their mandates continued to be a major factor. It was discovered that none of the leading political parties have a permanent

secretariat for their parties. Another challenge highlighted is the ‘government intervention’ either through policy, or muscling of party stalwarts by governmental security outfits. This made party members to always live in perpetual fear. A total of 176 respondents amounting to 85.4% agreed and strongly agreed that government meddling in the affairs of political parties poses a serious challenge.

Lack of political education was also listed as a challenge. 150 respondents amounting to 72.8% strongly agreed, while 56 respondents amounting to 27.1% agreed with the assertion. Political education is very important, but this was lacking in the political terrain of Nigeria as revealed in the 2018 Osun state gubernatorial election. Illiteracy and un-care attitude of political front liners does not encourage political education. Thuggery and hooliganism is another challenge considered potent. A total of 80 respondents (38.8%) strongly agreed, 81 respondents (39.1%) agreed, while 29 respondents (14%) disagreed, 11 respondents (5.3%) strongly disagreed with this assertion. It is evident here that thuggery and hooliganism have gone a long way in preventing the political parties from achieving their aim. More often political rallies are hijacked by touts and miscreants thereby turning peaceful political rallies into chaos. This leads to the other identified challenge of ‘violence and threat to life’. A total of 75 respondents representing 36.4% and 101 respondents representing 49.0% subscribed to the assertion of violence and threat to life as a challenge.

### **Concluding Remarks**

The study concluded that “political party participation and democratic governance in Nigeria’s Fourth Republic” is an important aspect of the democratic attempt and its continuity. It further emphasizes the roles of political parties as fundamental to democratic governance. Following the findings of the study, it became apparent that political parties have several roles to play in engendering participation, as well as, democratic governance. As found in the Osun State gubernatorial election of 2018, there have been some militating factors hampering the achievement of these lofty functions among which are poor funding, government interference, poor political education, thuggery and hooliganism, violence and threat to lives. However, the study revealed that the electorate participation in the gubernatorial election is far from encouraging as not up to 50% of the registered electorates actually exercise their franchise. In the same vein, the body responsible for the conduct election in Nigeria the Independent National Electoral Commission (INEC) still has a long way to go in the conduct of free, fair and credible elections in the future. The umpire must carry out their function without fear or favour and it should not be independent only in name but also in operations. The finding of the study has made us to understand how political parties in democracy can engender participation and democratic governance. It is suffice to say that without viable political parties, participation in democratic governance will continue to drop, and its assurance will become a mirage. Even though formation of political parties is considered harbinger of viable democratic government, but from the findings of this study, we can assert that democratic governance goes beyond formation of political parties alone. The active role playing by political parties, citizens’ active involvement is a must.

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## CULTISM AND PEACEFUL/SAFE CAMPUSES IN NIGERIAN TERTIARY INSTITUTIONS

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**Abstract:** *Tertiary institutions are meant to educate, train and equip students mentally and morally to be responsible future leaders with the capacity to contribute significantly to societal growth and development; in peaceful and safe environment necessary for effective learning and research. However, many campuses of tertiary institutions in Nigeria are direct opposite of peaceful and safe ambiance largely due to violent and criminal activities of cult groups, wielding dangerous weapons and indulging in alcohol & hard drugs. Cultism certainly obviates the desired peaceful and safe campus for effective learning and research. This study therefore dwells on the interplay between cultism and peaceful/safe campus environment that is sinequanon for learning and research. The objectives and hypotheses of the study revolve on the spate of extortion/phone hijack, cultists' physical assault/maiming and cult murders on campuses as they impinge on safe learning on campuses. The population of the study is 119, comprising staff; Student Union Government Executives and campus security personnel of Delta State Polytechnic, Ogwashi-Uku. Frequency tables and percentages were used for data analysis while hypotheses of the study were tested with Chi Square ( $X^2$ ) at 0.05 significance level. It was found that desired serenity and safety of campuses are vitiated by cult activities ranging from extortion, intimidation, maiming to murder; among other vices; thereby inhibiting safe campus. It was recommended that well-armed and mobile anti-cult unit be established while orientation programme on nature and dangers of cultism be organized within the first week of resumption on campuses; among others.*

**Keywords:** *Cult, Cultism, Campus, Safe Campus, Tertiary Institution, Arms Proliferation, Hard Drugs.*

### Introduction

Tertiary institutions exist for the purpose of learning. Their environment are called campuses. A campus ideally facilitates or should guarantee seamless learning process characterized by peace, safety and serenity. This fact accounts for why many tertiary institutions are cited in outskirts of cities/towns – to ensure serene atmosphere conducive for learning and research as academics is mental activity that requires concentration of the mind. This desired serenity of campuses has been vitiated by series of incidences which includes cultism, alcohol/hard drugs addiction and arms proliferation on campuses. These anomalies have negatively affected the needed peace and safety essential for effective learning and research on campuses in many instances. Cultism has been a serious menace

in many tertiary institutions in Nigeria. This obvious threat to the ecology of tertiary institutions can be described as an act of belonging to a secret cult in an educational institution (Stopleam.com, 2022). According to Onyekwere (2006), campus cults have become the most potent cause of insecurity in institutions of higher learning. Students have been severally extorted, assaulted, injured, maimed and even murdered on account of cult related attacks.

A striking corollary of cultism is consumption of alcohol, hard drugs and arms proliferation. Most times these subterranean groups wreak havoc with these arms under the influence of alcohol and hard drugs; thus making campuses volatile and unsafe for effective academic intercourse. This study therefore posits that cultism exacerbated by alcohol/hard drugs consumption and arms proliferation on campuses obviate peaceful and safe campus environment that is sinequanon to learning and research.

### **Statement of the problem**

Ideally, tertiary institutions are established to harness the talent of the students to address the critical socio-economic and technological challenges and create a dynamic and strong society. This is attained through the three core activities of tertiary institutions, which are to educate, research and to engage (Wonkhe.com, 2019). Consequently, candidates/students are admitted into tertiary institutions to be refined, groomed and equipped mentally and morally to be better citizens and positively contribute to societal growth and development. Students are expected to graduate worthy in character and in learning: better citizens with the capacity to transform their immediately environment and the society at large. However, the blight of cultism and related antecedents have rather turned some students on campus a direct opposite of expectations as a good number of them degenerated into destabilizing and terror gangsters that prevent the attainment of the noble purpose of tertiary institutions. An academic environment characterized by extortion, hijack of valuable personal effects intimidation, harassment, physical assault, maiming and even murder (which are trajectories of cultism) resulting in disruption of academic activities is obviously antithetical to effective learning and research. It is therefore a source of concern to establish the correlation between cultism cum alcohol/hard drugs & arms proliferation and the safety of campuses for effective learning and research, which is the challenge before this study.

### **Objectives of the study**

This study seeks to ascertain the relationship between cultism and its attendant alcohol/hard drugs/arms proliferation on campus and safe/peaceful learning environments on campuses, with particular reference to Delta State Polytechnic, Ogwashi-Uku. The specific objectives include:

1. To ascertain the relationship between extortion/phone hijack on campuses and safe/peaceful learning on campuses.
2. To establish the correlation between cultists' physical assault/maiming on campuses and safe/peaceful learning on campuses.
3. To examine the relationship between cult campus murders and safe/peaceful learning on campuses.

## **Research questions**

The following research questions have been formulated for the purpose of this study.

1. Does extortion/phone hijack on campuses affect safe/peaceful learning on campuses?
2. Is there relationship between cultists' physical assault/maiming on campuses and safe/peaceful learning on campuses?
3. Does cult campus murders affect safe/peaceful learning on campuses?

## **Research hypotheses**

The hypotheses that guide this study are stated thus:

H01: Extortion/phone hijack on campuses do not affect safe/peaceful learning on campuses.

H02: There is no relationship between cultists' physical assault/maiming on campuses and safe/peaceful learning on campuses.

H03: Cult campus murders do not affect safe/peaceful learning on campuses.

## **Review of related literature**

This section is on conceptual clarifications and exploration of related literature and studies in the subject matter available to the researcher.

### *Conceptual Clarifications*

**Cult:** Etymologically, the word 'cult' is derived from the Latin word 'cultus' which denotatively means to worship. Oyeniyi (2021) sees cult as a social group with its religious, spiritual, philosophical and belief identity; having common interest in particular personality, object or goal and whose meetings are carried out clandestinely at odd hours and isolated locations; usually in the bush and darkness. A cult therefore is a bonded social group whose membership and modus operandi are secretive and actions and activities characterized by collectivism.

**Cultism:** Cultism as a term originated from the word 'occukre', a Latin word that literarily means something hidden, concealed, mysterious (Mediyanose, 2016). Erughe (2015) holds that cultism is the devotion and dedication to activities and practices of a cult. In the view of Oyeniyi (2021) it is an anti-social or deviant group of people who have unusual religious beliefs and whose activities contravenes the norms or social rules of an institution that is meant to provide education for such individual. Cultism therefore is ritual practice by confraternity whose activities and membership are concealed from non-members who are regarded as 'jews'.

**Campus:** Etymologically, a campus is an institution of higher learning and its ecology. It includes the geographical area occupied by a tertiary institution as well as the structures and facilities therein; which are deliberately designed to enhance learning and research.

**Safe Campus:** The idea of Safe Campus is attributed to University of Washington's violence-prevention and response Program designed to support students, staff, faculty and

community members in preventing violence; and providing guidance and safety plans tailored to campus social partners (www.washington.edu, 2022). Safe Campus therefore is the environmental setting of tertiary institution that facilitates effective learning and research devoid of harassments, extortion, physical assault, hijack of valuable personal effects, threats, attacks, maiming, murder or any form of organized violence. It is the ambience of tertiary institution where students, irrespective of background, have feeling of safety and are enabled to focus and excel on their academic activities.

### **Empirical review**

It is a tacit fact that cultism, especially in campuses of Nigerian tertiary institutions are colossally and systemically destructive. Hence there has been campaign on curbing the menace as well as its destructive dimensions. Effort is made here to highlight studies salient to this work. Oyeniyi (2021) carried out a study entitled “Cultism in Nigeria: Causes, Effects and Solutions. The author traced the history of cultism in Nigeria to the “Magnificent Seven” who formed the Pyrates Confraternity in 1953 led by Wole Soyinka. The writer held that peer pressure, threats from lecturers/students, oppression by institutions’ authorities, desire for fame and managements’ poor judgement of the menace as the causes of this vice. He further highlighted the effects of cultism as loss of lives and properties among other dangers as well as effective school security and severe punishment for cultists among solutions to cultism.

Onwuemeodo and Nwosu (2015) conducted a study on “Cultism in Nigerian Tertiary Institutions and its Effects on National Development” where the theories, characteristics and history of cultism in Nigerian tertiary institutions were addressed. The authors highlighted why students engage in cultism which include to gain respect and recognition; among other reasons. On effects of cultism in National Development of Nigeria, they posited that cult activities have taken many lives and properties especially the youth as well as affected the Nigerian educational system by disrupting academic calendar through clashes that results in shutting down of campuses. The writers concluded with measures to control cultism on campuses which include that schools’ security agents should be well equipped with modern security gadgets such as metal crime detectors and massive campaign against the menace by government and religious sectors.

Mediayanose (2016) wrote on “Cultism and Education in Nigerian Tertiary Institutions: Policy Implications”, which covered origin of cultism in Nigeria, its impact on learning and causes. The authors posited that cult related violence have affected learning in Nigerian tertiary institutions considering rampart closing down of campuses, destruction of lives and properties as well as making campuses to be under siege with many students held hostage psychologically. These they opined have resulted in general fall in the standard of education in Nigeria.

A major shortcoming of the studies above is their lack of empiricism, which this study intends to address.

### **Theoretical framework**

The theoretical framework adopted in this study is the Innovative Defiance theory propounded by Robert K. Merton in 1938. The tenet of the theory is the creative use of

illegitimate means to advance an important legitimate end; revolves around breaking rules to achieve normative objectives - e.g. stealing to become rich (Britannica.com). It dwells on acceptance of society's goals but deviating from established means of attainment by veering into socially unapproved or unacceptable means to obtain normative goals (Wikipedia.org). To Merton, those who innovate pursue goals they cannot reach through legitimate means by instead using criminal or deviant means (Openstax.org).

In relation to this study, this theory is apt. A tacit fact is that students that engage in cult activities on campus primarily have the goal of obtaining relevant credentials from the tertiary institutions but chose to tow the wrong path of violence, suppression, intimidation and torture among other vices rather than engaging themselves in rigorous and rewarding academic exercise to attain good academic excellence. Their belief is that the end justifies the means.

## **Methodology**

Survey research design was adopted in this study. Primary and secondary sources of data were used to generate data. The population is 119; comprising of lecturers, senior staff security personnel and principal officers of Student Union Government, of Delta State Polytechnic, Ogwashi-Uku, which were all studied due to its manageability. A structured questionnaire (objectives, research questions and hypotheses of the study centred) and entitled Impact of Cultism on Safe Campus Essential for Effective Learning and Research Questionnaire (ICSCELRQ) was designed and used by the researcher as instrument for data collection of the study. Professionals in Mathematics and Statistics, Measurement and Evaluation and Educational Management and Test ascertained the validity of the instrument through face and content validity procedure, while the reliability was established using Cronbach Alpha and the reliability coefficient of 0.79 was derived. The distribution and collection of the instrument was directly handled by the researcher. A total of 107 questionnaires out of 119 were retrieved. The research questions of the study were analyzed and presented in tables with percentage frequencies. The hypotheses of the study were tested using Chi Square (X<sup>2</sup>) statistical tool at 0.05 significance level. The decision was made on the basis of the hypotheses. If Chi square (X<sup>2</sup>) calculated value is less than Chi square (X<sup>2</sup>) table value, accept the null hypothesis. However, if the Chi Square (X<sup>2</sup>) calculated value is greater than the table value, reject the null hypothesis (H<sub>0</sub>) and accept the alternate hypothesis (H<sub>1</sub>).

Chi Square (X<sup>2</sup>) formula is stated thus:

$$X^2 = \sum (fo-fe)^2$$

where: X<sup>2</sup> = Chi Square  
fo = Observed frequency  
fe = Expected frequency  
∑ = Summation

## **Measures**

The menace of campus cultism obviating safe campus for learning and research in Nigerian Tertiary Institutions was operationalized with three groups of sub-constructs:

extortion/hijack of valuable personal effects; cultists’ physical assault/maiming; and cult campus murders which were further operationalized with three variables each. The responses were measured along a modified Likert four-point scale of Strongly Agreed (S.A.), Agreed (A.), Disagreed (D.) and Strongly Disagreed (S.D.).

**Table 1: Responses of Respondents on Impact of Cultism (extortion/hijack of valuable personal effects) on Safe Campus Essential for Effective Learning and Research**

S/N	ITEM	S.A.	A.	D.	S.D.	TOTAL
1	Cultists’ extortion or money confiscation on campus and safe campus	37 (35%)	47 (44%)	16 (15%)	7 (6%)	107 (100%)
2	Cultists’ hijack/confiscation of phone on campus and safe campus	42 (39%)	38 (36%)	17 (16%)	10 (9%)	107 (100%)
3	Cultists’ hijack/confiscation of laptops on campus and safe campus	46 (43%)	41 (38%)	13 (12%)	7 (7%)	107 (100%)
	Mean	42 (39%)	42 (39%)	15 (14%)	8 (8%)	107 (100%)

Source: Field Survey, 2022.

Table 1 above reflects the responses of the respondents as contained in the questionnaires administered for the purpose of the study, which directly relates to the First Hypothesis of the study; Cultism (extortion/hijack of valuable personal effects) on Campus and Safe Campus. The mean analysis indicates that 78% (S.A. – 39% & A. – 39%) which constitutes majority of the respondents stated that extortion/ hijack of valuable personal effects activities of cultists on campus impinges on safe campus for effective learning and research, while 28% (D. -14% & S.D.. – 8%) held contrary view.

**Table 2: Responses of Respondents on Impact of Cultism (physical assault/maiming) on Safe Campus Essential for Effective Learning and Research**

S/N	ITEM	S.A.	A.	D.	S.D.	TOTAL
1	Cultists’ torture on campus and safe campus	39 (36%)	45 (42%)	15 (14%)	8 (8%)	107 (100%)
2	Cultists’ rape/molestation on campus and safe campus	40 (37%)	40 (37%)	18 (17%)	9 (9%)	107 (100%)
3	Cultists’ maiming on campus and safe campus	57 (54%)	39 (35%)	9 (9%)	2 (2%)	107 (100%)
	Mean	46 (42%)	41 (38%)	14 (13%)	6 (7%)	107 (100%)

Source: Field Survey, 2022.

Table 2 above shows the responses of the respondents as contained in the questionnaires, which directly relates to the Second Hypothesis of the study; Cultism (physical assault/maiming) on Campus and Safe Campus). The mean analysis indicates that 80% (S.A. – 42% & A. – 38%) which constitutes majority of the respondents stated that physical assault/maiming and such related violent activities of cultists on campus inhibit peaceful and safe campus for effective learning and research, while 20% (D. - 13% & S.D. – 7%) held contrary opinion.

**Table 3: Responses of Respondents on Impact of Cultism (murder) on Safe Campus Essential for Effective Learning and Research**

S/N	ITEM	S.A.	A.	D.	S.D.	TOTAL
1	Killing resulting from cult rivalry on campus and safe campus	50 (47%)	48 (45%)	6 (6%)	3 (2%)	107 (100%)
2	Cultists' murder of innocent students on campus and safe campus	51 (48%)	40 (37%)	11 (10%)	5 (5%)	107 (100%)
3	Cultists' murder of staff (lecturers, security staff, etc.) on campus and safe campus	42 (39%)	45 (43%)	11 (10%)	9 (8%)	107 (100%)
Mean		48 (45%)	44 (41%)	9 (9%)	6 (5%)	107 (100%)

Source: Field Survey, 2022.

Table 3 presented above indicate the responses of the respondents as contained in the questionnaires, which directly relates to the Third Hypothesis of the study; Cultism (murder) on Campus and Safe Campus). The mean analysis shows that 86% (S.A. – 45% & A. – 41%) which constitutes majority of the respondents stated that spilling of blood by cultists on campus obviate peaceful and safe campus for effective learning and research, while 14% (D. - 9% & S.D.. – 5%) disagreed.

### Test of Hypotheses

The hypotheses formulated for this study are hereby tested accordingly:

#### *Hypothesis 1*

*H01: Extortion/hijack of valuable personal effects on campuses do not affect safe/peaceful learning on campuses.*

*H11: Extortion/hijack of valuable personal effects on campuses affect safe/peaceful learning on campuses.*

**Table 4: Chi Square Calculations: Cultism (Extortion/hijack of valuable personal effects) on Campus and Safe Campus**

Responses	Obs. freq. (fo)	Exp. freq. (fe)	(fo-fe)	(fo-fe) <sup>2</sup>	(fo-fe) <sup>2</sup> /fe
S.A./A.	84	53.5	30.5	930.25	34.8
D./S.D.	23	53.5	-30.5	930.25	34.8
Total	107	107		1,860	69.6

Source: Survey Data, 2022.

$$fe = \frac{\sum fo}{N} = \frac{107}{2} = 53.5$$

$$X^2 \text{ Calculated Value: } = 69.6$$

$$N = 2 - 1 = 1$$

$$\text{Significance level} = 0.05$$

$$X^2 \text{ Critical/Table Value} = 3.841$$

Since the Calculated Value (69.6) is greater than the Critical/Table Value (3.841), we reject Ho and accept H1: Extortion/ hijack of valuable personal effects on campuses affect safe/peaceful learning on campuses.

#### *Hypothesis 2*

*H02: There is no relationship between cultists' physical assault/maiming on campuses and safe/peaceful learning on campuses.*

*H12: There is relationship between cultists' physical assault/maiming on campuses and safe/peaceful learning on campuses.*

**Table 5: Chi Square Calculations: Cultists' physical assault/maiming on Campus and Safe Campus**

Responses	Obs. freq. (fo)	Exp. freq. (fe)	(fo-fe)	(fo-fe) <sup>2</sup>	(fo-fe) <sup>2</sup> /fe
S.A./A.	87	53.5	33.5	1,122.25	20.97
D./S.D.	20	53.5	-33.5	1,024	20.97
Total	107	107		2,048	41.95

Source: Survey Data, 2022.

$$fe = \frac{\sum fo}{N} = \frac{107}{2} = 53.5$$

$$X^2 \text{ Calculated Value: } = 41.95$$

$$N = 2 - 1 = 1$$

$$\text{Significance level} = 0.05$$

$$X^2 \text{ Critical/Table Value} = 3.841$$

Since the Calculated Value (41.95) is greater than the Critical/Table Value (3.841), we reject  $H_0$  and accept  $H_1$ : There is relationship between cultists' physical assault/maiming on campuses and safe/peaceful learning on campuses.

### *Hypothesis 3*

*H03: Cult campus murders do not affect safe/peaceful learning on campuses.*

*H13: Cult campus murders affect safe/peaceful learning on campuses.*

**Table 6: Chi Square Calculations: Cult campus murders and Safe Campus**

Responses	Obs. freq. (fo)	Exp. freq. (fe)	(fo-fe)	(fo-fe) <sup>2</sup>	(fo-fe) <sup>2</sup> /fe
S.A./A.	92	53.5	38.5	1,482.25	27.84
D./S.D.	15	53.5	-38.5	1,482.25	27.84
Total	107	107		2,964.5	55.68

Source: Survey Data, 2022.

$$fe = \frac{\sum fo}{N} = \frac{107}{2} = 53.5$$

$$X^2 \text{ Calculated Value: } = 55.68$$

$$N = 2 - 1 = 1$$

$$\text{Significance level} = 0.05$$

$$X^2 \text{ Critical/Table Value} = 3.841$$

Since the Calculated Value (55.68) is greater than the Critical/Table Value (3.841), we reject  $H_0$  and accept  $H_1$ : Cult campus murders affect safe/peaceful learning on campuses.

## **Discussion of findings**

This study revealed that extortion, hijack of valuable personal effects (phone, lap tops, wrist watches, etc.) by cultists on campus negatively affect safe campus for learning

and research (Tables 1 & 4). Obviously these cult groups lay siege on campuses extorting/confiscating money and other valuables from their victims either to settle scores with the victim or at random to create fear and insecurity on campus in reaction to schools managements' or SUG positions on issues or policies not acceptable to them. Apart from extortion of rivals and innocent students, these groups extort student body associations including SUG and their executives, which they call 'settlement'. It was also found that cultists' physical assault/maiming on campuses obviate safe/peaceful learning on campuses (Tables 2 & 5). Cult groups are known for beating up their prey or victims. Members of rival cults, non-member students and even lecturers have variously been physically assaulted with high degree of injury inflicted on them; some losing their lib. Erughe (2015) observed that these cultists have severally attacked lecturers publicly and disgracefully for not acceding to their inordinate request for award of unmerited grades.

Further, this study revealed that cult campus activities are recipes for murders that send shivers to the spines of stakeholders (students, staff and immediate community) thus preventing safe/peaceful learning on campuses. Many people have met their untimely death resulting from violent cult clashes and shootings. Medaiyanose (2016) asserts that the activities of cult groups have also led to the killing of innocent students and staff in various tertiary institutions. Olukoya (1994) in Medaiyanose (2016) captured the scenario when he noted that campus cult activities have been escalating and unchecked and cultists have become heartless and callous that students and teachers no longer feel safe to pursue learning under an ideal happy and healthy environment.

It is trite to state that cultism has infested tertiary institutions' campuses in Nigeria and has significantly inhibited the serenity desired in campuses for effective learning and research deriving from the violent activities of cultists.

## **Conclusion**

Cultism in Nigerian campuses has become endemic and characterized by violent clashes, attacks, terror, assault, maiming, shootings, blood-letting and death. This scenario smacks of a system under siege devoid of freedom, peace, tranquility and security which are the hallmarks of any learning environment which ideally should be serene, peaceful and safe to enable effective learning and research. This study revealed that campus cultism; considering its antecedences of extortions, assault/maiming and murders, is an anathema in the ecology of any institution of higher learning. Consequently, it is concluded that cultism in Nigerian tertiary institutions is a blight threatening to erode the very essence of tertiary education which basically are teaching/learning and research through which right attitudes and values are inculcated into the students cum society.

## **Recommendations**

The following recommendations are deemed necessary.

- Management of tertiary institutions should rejig their security system through engagement of able-bodied men and women that are provided with sophisticated weapons that surpasses those of the cultists. This will deter cultists from operating freely and with reign of terror on campuses.

- Anti-Cult Unit with the onus of intelligence gathering and fortified with modern security gadgets, arms and mobility should be considered as a measure to curb the menace.
- Campus Taskforce Committee comprising of credible staff, students and security units should be constituted with visible presence in all nooks and crannies of the campus to report and forestall cult attacks.
- Students should be banned from driving/riding automobiles into the campuses and all students should be searched at the gate to prevent importation of alcohol, hard drugs and dangerous weapons/arms into the campus as they are the instruments of destruction used by cultists.
- Dean of Student Affairs of tertiary institutions should be carefully appointment by Management to ensure that only those without cult membership or affiliations emerges. Where reverse is the case there would be conflict of interest and show of supremacy among rival cult groups.
- Dean of Student Affairs should maintain a clandestine intelligence gathering team (made up of carefully selected students, staff and members of host community) with the neutrality and capacity to obtain necessary information on cult activities that might cause violence on campus and nip them in the bud.
- Management should equally purge itself of cultism because where a management staff is a member of a cult group, such group claims to be in control and suppress others, thereby generating violent clashes.
- Proper screening of students vying for positions in Student Union Government elections by the DSS and Police is central to controlling the spate of cult violence on campus. Where the SUG President is a member of a cult, this will embolden his/her cult group with the impression that they are in control thereby generating cult rivalry and violence.
- Orientation of new students where the nature and dangers of cultism is elaborately discussed) should be done within the first week of resumption. This will reduce the deepening of cultism on campus as many of the ‘freshers’ would be adequately guided because some of them joins cults based on ignorance.
- On the whole, it is imperative to state that campus cultism cannot be stamped out totally but managed to stem the spate of attacks and violence especially were institutions lack vibrant and equipped security unit. Also is the fact that it is an extension of what operates in the larger society (Abdu-Raheem, 2020). Institutions should develop a viable means of managing cultism through strategic decisions and actions.

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# CAUSALITY ANALYSIS OF INTERNALLY GENERATED REVENUE, CAPITAL EXPENDITURE AND FISCAL STRESS IN THE NIGERIAN LOCAL GOVERNMENT

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**Abstract:** *Fiscal stress is the difference between internally generated revenue and the total expenditure. Whether internally generated revenue, and capital expenditure of government explain the phenomenon of fiscal stress still remains a puzzle particularly in the Nigerian public sector. This study investigates the causal link between internally generated revenue, capital expenditure and fiscal stress in the Nigerian local government between 1993 and 2020. The Toda and Yamamoto Granger non-causality test was applied to the annual time series obtained from Central Bank of Nigeria's statistical bulletin and the results indicate that capital expenditure has significant effect on fiscal stress in the Nigerian local government, with a unidirectional causality running from capital expenditure to fiscal stress. However, there is no causal relationship between internally generated revenue and fiscal stress in the Nigerian local government in the study period. It is therefore concluded that capital expenditure is a determinant of fiscal stress in the Nigerian local government. There is therefore the need for the Nigerian local governments to properly harness its capital expenditure and resources towards boosting their revenue-generating capacity. In managing fiscal stress, particular attention should be paid to the capital expenditure incurred by the local government in Nigeria.*

**Keywords:** *Internally generated revenue, capital expenditure, fiscal stress, local government, fiscal federalism, Toda-Yamamoto.*

## Introduction

The 1999 Constitution of the Federal Republic of Nigeria establishes the local government as the third tier of government in Nigeria and also provides for a democratically elected local government system. Nigeria as a Federation of 36 States and Federal Capital Territory (FCT) is sub-divided into six geopolitical zones, and has a total of 774 local government councils. The 1976 Nigerian local government reform defines

local government as government at the local level exercised by the representative council created by law to perform certain functions within defined areas to meet the needs of rural dwellers (Salako & Ajibade, 2019). Local government has been characterized as a unit of government which operates at the grassroots level and within a defined geographical location; it is relatively autonomous; its functions are constitutionally defined; and its council is composed of elected representatives (Obisanya & Hassan, 2022). Local government can therefore be described as the government at the grassroots level and considered to be closest to the people in a political system. It was purposely created to facilitate the development at the grassroots. However, in their bid to achieve this lofty aim, local governments are embattled with certain challenges which ultimately undermine their capacity to improve the wellbeing of the people at the grassroots and localities. For instance, there is a problem of over-reliance on monthly statutorily allocations from federal and state governments (Oseni, 2013); persistent problem of fiscal deficit (Babarinde, 2022); poor financial control, scarcity of resources, dearth of political leadership, corruption, lack of autonomy and transparency (Obisanya & Hassan, 2022). Furthermore, Daba (2021) argues that the ever growing role of local governments in service delivery to the local community has put serious pressure on the unit of government to finance its operations and tasks using available scarce means. This suggests that a key limiting factor in the Nigerian local government is lack of financial muscle to generate enough local revenue needed for their operations. The falling internally generated revenue (IGR) reduces the ability of the local government to execute the required expenditures, particularly, capital expenditure, needed for the growth and development of the local communities. Okeke et al (2017) also observe that rising cost of governance and dwindling oil-revenue have propelled the three tiers of government (Federal, State and Local Governments) in Nigeria to develop strategies to improve their revenue base. This is because, the bulk of most State's revenue comes from allocations from the federation account and value added tax (Oseni, 2013; Okeke et al. 2017). Consequently, a financial condition, called fiscal stress, usually results when the government cannot generate enough local revenue for its operations. This situation of financial stress or handicap called fiscal stress, occurs when state revenues are unable to meet state expenditures, both at central and local levels (Nurhayati, 2020).

With the recent call for realistic autonomy of local government in Nigeria, where local governments are required to organize their government, provide goods and public services for their citizens, understanding the factors that could predict fiscal stress is key, particularly, fiscal variables of government expenditure and internally generated revenue. Studies have shown that local revenue and capital expenditure have the potential to influence fiscal stress in the public sector (Nurhayati, 2020). The author explains that when the internally generated revenue increase, the local government will be able to increase the contribution of the internally generated revenue to its expenditures and as such when the government experiences fiscal stress, it must reduce asset expenditures in proportion of its income growth. Can this fiscal phenomenon be true in the Nigerian public sector, particularly at the local government level?

Understanding a problem and as well as its causal factors usually goes a long way in helping to resolve it. Thus, empirical investigation of determinants of the fiscal stress situation at the local government, most especially as it bothers on internally generated revenue, and capital expenditure; is key in solving the fiscal challenge so as to improve the

capacity of the government to accomplish its mission of grassroots growth and development. Therefore, this study aims to determine causal relationship between internally generated revenue, capital expenditure, and fiscal stress in Nigerian local governments between 1993 and 2020.

Following after this introduction are conceptual, theoretical and empirical review of related literature in section two. The methodology of the study is described in section three and the results of data analysis as well as discussion of findings is the subject matter of section four. Finally, the paper is concluded in section five.

## **Literature review**

### *Conceptual Review*

#### *Fiscal Stress*

Fiscal stress refers to a wide gap between needs and financial resources to meet them, such that there is a growing imbalance between revenues and expenditures over a period of time (Premchand, 1993). Fiscal stress simply refers to internally generated revenue minus total expenses (Nurhayati, 2020). Furthermore, fiscal stress is a budgetary pressure occasioned by limited local revenue which exerts significant influence on the provision of public goods and delivery of public services (Arnett, 2012). Fiscal stress which is synonymous with fiscal crisis, fiscal pressure, fiscal difficulties, poor fiscal health, poor financial conditions (Lhutfi et al., 2020), also refers to a gap between projected revenues and expenditures, which can either be short term, in the case of transitory economic shocks, or long term, in the case of structural budget imbalance (Delisle, 2010). In other words, fiscal stress is a fiscal condition of local finances in which the government cannot provide public services and meet its own operating needs to the extent that it previously did (Arnet, 2012; Maher & Gorina, 2016; Gorina et al., 2018). Fiscal stress is also conceptualized as a gap between planned expenditures and patterns of revenue, with the latter falling to cover the former (Neiman & Krimm, 2009). Fiscal stress can therefore be described as the excess of government needs over the means of satisfying the needs using internally generated revenue. Measured as the difference between internally generated revenue and total expenditure, fiscal stress in the Nigerian local government between 1993 and 2020 according to Central Bank of Nigeria [CBN], (2020), had a respective mean and total value of -797.5443 and -22.331.26 while it ranges between minimum and maximum values of -1777.620 and -17.76000 respectively in the same period. Fiscal stress does not just arise, it is occasioned by certain factors, among which are stagnant state aid, state mandates, personnel costs, aging infrastructure, aging population, economic development challenges, sales tax volatility, tax-exempt properties, poverty, population growth (Aldag et al., 2017). DiNapoli (2013) asserts that local government fiscal stress generally arises basically due to poor economic conditions or poor fiscal management. Fiscal stress is said to be negatively influenced by internally generated revenue and positively by capital expenditures (Nurhayati, 2020).

#### *Internally Generated Revenue*

Internal sources of local government finances, also called internally generated revenue, refers to the revenue that the local government generates within the area of its

jurisdiction from sources like rates from local shops and markets, fines, bicycle licence, canoe and wheelbarrow fees, motor garage fees, marriage registration, taxes (Udoudo & Ekpenyong; 2013). Internally generated revenue (IGR) can also be described as revenue generated internally apart from subventions, allocation, and grants from governments (Okeke et al., 2017). Therefore, IGR refers to local revenue and income derived from sources internal to the unit of government. The 1999 Constitution of Nigeria provides for the following types of internally generated revenue of local government councils: rates, radio and television licenses; revenue from establishment and maintenance of cemeteries, burial grounds and homes for the destitute or infirm; revenue from licensing of bicycles, trucks, canoes, wheel barrows and carts; revenue from establishment, maintenance and regulation of slaughter houses, slaughter slabs, markets, motor parks and public conveniences; revenue from other public facilities like parks, gardens, open spaces and others; revenue from registration of all births, deaths and marriages; tenements rates; revenue from control and regulation of out-door advertising and hoarding, movement and keeping of pets, shops and kiosks, restaurants, bakeries and other places for sale of food to the public, laundries, and revenue from licensing, regulation and control of the sale of liquor. Statistics (CBN, 2020) indicates that the total internally generated revenue of local government in Nigeria between 1993 and 2020 stood at N544.50billion while the mean value was N19.44643. Further statistics reveals that a minimum value of N1.040000billion was recorded in respect of IGR while the maximum value of IGR of Nigerian local government in the study period was N38.21000billion.

### *Capital Expenditure*

Capital expenditure is an expenditure of a government whose benefits exceed one fiscal year exemplified as expenditure on land, machine tools, buildings, roads, irrigation and networks (Nurhayati (2020). Capital expenditure can also be conceptualized as an expenditure carried out in the acquisition of assets and investments which are of long duration, and whose benefits and values extend beyond a fiscal year like construction of bridges, houses, roads (Babarinde, 2022). In other words, government capital expenditure is the expenditure incurred by government on long-lasting projects (such as building of new hospitals, roads, electricity) for the purpose of improvement of wellbeing of the citizens (Ayinde et al., 2015). Statistics from CBN (2020) reveals N5,102.09billion as the total capital expenditure expended by the Nigerian local government for the period, 1993 to 2020 while the average capital expenditure in the same period was N182.2182billion. Furthermore, N4.080000billion and N562.5700billion are the minimum and maximum values of Nigerian local government capital expenditure in the study period (1993-2020).

### *Theoretical Review*

#### *Theory of Fiscal Federalism*

Fiscal federalism is a multi-level government concept which entails the division of governmental functions and financial relations among the levels of government in a country. Institute of Chartered Accountants of Nigeria (2021) also describes fiscal federalism as the system of revenue generation and redistribution in a federal system of government and the financial and attendant functions and responsibilities of component units within a federation. Going by the constitutional name, Federal Republic of Nigeria,

Nigeria is a federation of 36 states and the Federal Capital Territory and consequently the principle of federalism in place in Nigeria has implications on the country's fiscal operations whereby the governmental functions of financing, investment, expenditure and other fiscal operations are shared among the three tiers of Federal, State and Local governments in the country. According to Okunola et al. (2020), fiscal federalism as by-product of federalism, relates to how the nature of financial relations in a federal system impact the distribution of the nation's resources. The principle of fiscal federalism relates to division of responsibilities, including finances, among federal, state, and local governments in order for improvement of economic efficiency and attainment of public policy objectives (Driessen & Hughes, 2020).

Originally proposed by Musgrave (1959) and further developed by Oates (1972), the theory of fiscal federalism is concerned with the division of public-sector functions and finances in a logical way among multiple layers of government. The theory rests on the assumption of a federal system of management of government functions and economic and financial relations and as such the roles are shared among the levels of government. Accordingly, the economic stabilization and income redistribution functions should be the sole prerogative of the central/federal government while resource allocation function should be carried out by the state and local government (Musgrave, 1959).

#### *Empirical Review*

Skidmore and Scorsone (2011) examined the causes and responses to fiscal stress for cities in Michigan. Study reveals reduction in property values was a key determinant of fiscal stress in the cities. In another study, Gorina and Maher (2016) explored the determinant factors of local fiscal distress. From their analysis, the authors established the ability of fiscal reserves, revenue composition, and real estate pricing in determining local fiscal distress. Moreover, Gorina et al (2018)'s study reports that fiscal reserves, debt, and revenue composition as determinants of local fiscal distress. From the factor analysis of determinants of fiscal stress in the state budget in Indonesia and construction of optimum fiscal index in the country by Daniela and Muryani (2019), the authors establish among other, that, state expenditure, debt factors, education spending, general allocation funds, profit sharing funds, special autonomy funds, health spending, debt interest payments, state obligation, and number of population, as determinants of fiscal stress in the country.

Furthermore, Nurhayati (2020) investigated the effect of local revenue and capital expenditure on fiscal stress in the Kunci Bersama Area. The study concludes that local revenue has a negative effect on fiscal stress, while capital expenditure has positive and significant effect on fiscal stress in the area. Lhutfi et al (2020) examined the effect of local government revenue growth and capital expenditure growth on fiscal stress in West Java Province in Indonesia. The study found that growth in both original local government revenue and capital expenditures simultaneously have positive effect on fiscal stress but partial effect of the growth of local government revenue on fiscal stress was negative unlike the growth of capital expenditures which partially has an insignificant effect on fiscal stress in the Province. The effect of growth in local revenue, growth in capital expenditures and economic growth on fiscal stress in district governments in South Sumatra was studied by Sanjaya et al. (2021). From their analysis, the authors reveal that growth in capital expenditures has a significant effect on fiscal stress, but growth of local revenue and economic growth do not affect fiscal stress in the country.

In Nigerian context, few studies have also examined fiscal stress. A case in point is Nwoba (2015) which investigated the impact of fiscal crisis on the local government administration in South Eastern Nigeria. From the survey, the study establishes that internal generated revenue of local government in South Eastern Nigeria is not viable and the non-specification of local government revenue jurisdiction encourages corruption in the system. In another study, Usang et al (2016) also examined the development's implications of the financial condition of local governments in Nigeria. The study shows that the financial condition of local governments in Nigeria is poor, indicating financial distress, which prevents community development. Furthermore, Okeke et al (2017) examined ways of enhancing internally generated revenue in states in Nigeria. From the review, the study establishes that internally generated revenue constitutes a small proportion of the state finance and the system of revenue generation in place is embattled with serious problems. The study also reveals that the revenue base of the states to be uneven and narrow. In summary, empirical study on determinants of fiscal stress in local government is scarce, if not non-existent, in a developing country like Nigeria. Most past studies in Nigeria on the subject matter of fiscal stress are descriptive and review of literature. Thus study seeks to replicate Nurhayati (2020)'s study of the effect of local revenue and capital expenditure on fiscal stress using Nigerian local government time series data.

## **Methodology**

This study adopts the model of Nurhayati (2020)'s study on the effect of local revenue and capital expenditure on fiscal stress in the Kunci Bersama Area. The study is replicated in Nigeria using the local government data for the period, 1993 to 2020 based on ex-post facto research design. The Toda-Yamamoto (T-Y) (1995) methodology is applied to the data in order to establish the nexus between fiscal stress and other factors like capital expenditure and internally generate revenue in Nigeria. Toda-Yamamoto Granger non-causality test reveals the existing link between two possible causal combinations of variables in an empirical model (Toda & Yamamoto, 1995; Etudaiye-Muhtar, & Agboola, 2019). In addition to the preliminary test of descriptive statistics; this study employs the T-Y methodology using the following procedures: unit root testing to ascertain the order of integration of the variables; determination of the maximum order of integration for the set of variables of study; such that the highest order of integration among the variables is selected as the maximum (and denoted as  $d_{max}$ ). For instance, if variable X is stationary in level, it is said to be integrated of order 0, and if variable Y is integrated of order 2 and variable Z is integrated of order 1, then  $d_{max}=2$ ; estimation of Vector autoregression (VAR) model at levels not minding the order of integration order of the series; determination of the optimum lag length of the variables based on the conventional information criteria like Akaike Information Criterion (AIC), Schwarz Information Criterion (SC), Final Prediction Error (FPE) and Hannan-Quinn (HQ) Information Criterion and the optimum lag length is denoted as  $k$ ; re-estimation of another VAR model based on new lag order formation of  $[ [k+d]_{max} ]$ ; conducting of the non-Granger causality test using standard Walt test; and finally, performance of model diagnostic tests. Of significant importance among these diagnostic test according to Adejoh et al. (2020) is the residual serial correlation test. This study measured fiscal stress as the difference between internally generated revenue and the total expenditure. Annual time

series data on internally generated revenue and capital expenditure were obtained from Central Bank of Nigeria (2020)'s statistical bulletin and they are expressed in billion Naira.

The T-Y model for the study are as specified in equations (1), (2), and (3):

$$\begin{aligned}
 FS_t = & \alpha_0 + \sum_{i=l}^k \alpha_{1i} FS_{i-l} + \sum_{j=i+l}^{k=dmax} \alpha_{2j} FS_{i-j} + \sum_{i=l}^k \beta_{1i} CAPEX_{i-1} \\
 & + \sum_{j=i+l}^{k+d \max} \beta_{2j} CAPEX_{i-j} + \sum_{i=l}^k \Psi_{1i} IGR_{i-1} + \sum_{j=i+l}^{k+d \max} \Psi_{2j} IGR_{i-j} \\
 & + \varepsilon_{li}
 \end{aligned} \tag{1}$$

$$\begin{aligned}
 CAPEX_t = & \alpha_0 + \sum_{i=l}^k \alpha_{1i} FS_{i-l} + \sum_{j=i+l}^{k=dmax} \alpha_{2j} FS_{i-j} + \sum_{i=l}^k \beta_{1i} CAPEX_{i-1} \\
 & + \sum_{j=i+l}^{k+d \max} \beta_{2j} CAPEX_{i-j} + \sum_{i=l}^k \Psi_{1i} IGR_{i-1} + \sum_{j=i+l}^{k+d \max} \Psi_{2j} IGR_{i-j} \\
 & + \varepsilon_{li}
 \end{aligned} \tag{2}$$

$$\begin{aligned}
 IGR_t = & \alpha_0 + \sum_{i=l}^k \alpha_{1i} FS_{i-l} + \sum_{j=i+l}^{k=dmax} \alpha_{2j} FS_{i-j} + \sum_{i=l}^k \beta_{1i} CAPEX_{i-1} \\
 & + \sum_{j=i+l}^{k+d \max} \beta_{2j} CAPEX_{i-j} + \sum_{i=l}^k \Psi_{1i} IGR_{i-1} + \sum_{j=i+l}^{k+d \max} \Psi_{2j} IGR_{i-j} \\
 & + \varepsilon_{li}
 \end{aligned} \tag{3}$$

where FS is fiscal stress; IGR represents internally generated revenue; CAPEX corresponds to capital expenditure; K denoted the optimal lag length, dmax is the maximum order of integration;  $\alpha$ 's,  $\beta$ 's,  $\Psi$ 's are the coefficients of the parameters, while  $\varepsilon$  represents the error term.

## Results and discussion

### Presentation of Data

Table 1 contains the annual time series data on fiscal stress, capital expenditure and internally generated revenue of local government in Nigeria for the period, 1993 to 2020.

**Table 1. Annual time series data on fiscal stress (FS), capital expenditure (CAPEX) and internally generated revenue (IGR) of local government in Nigeria (1993-2020).**

Years	FS (IGR-Total Expenditure) (N Billion)	CAPEX(N Billion)	IGR (N Billion)
1993	-18.44	5.51	1.04
1994	-17.76	4.08	1.21

1995	-20.33	6.13	2.11
1996	-20.45	6.05	2.21
1997	-28.54	8.62	2.73
1998	-43.16	18.54	3.33
1999	-55.76	18.83	4.68
2000	-146.71	59.96	7.15
2001	-165.35	48.66	6.02
2002	-159.40	45.12	10.42
2003	-341.54	150.08	20.18
2004	-438.64	165.40	22.41
2005	-563.94	213.46	24.04
2006	-642.61	267.66	23.23
2007	-806.10	143.80	21.30
2008	-1,358.85	562.57	23.11
2009	-1,041.55	363.00	26.06
2010	-1,330.47	533.00	26.20
2011	-1,600.32	352.15	31.60
2012	-1,618.19	299.39	26.62
2013	-1,777.62	392.95	29.29
2014	-1,577.34	181.23	36.49
2015	-1,222.29	95.90	24.03
2016	-1,048.45	90.80	36.39
2017	-1,300.38	144.07	38.21
2018	-1,692.47	319.77	32.50
2019	-1,689.93	316.69	32.60
2020	-1,604.65	288.69	29.34

Source: Central Bank of Nigeria (2020)'s Statistical Bulletin

### Descriptive Statistics

The summary statistics of fiscal stress (FS), capital expenditure (CAPEX) and internally-generated revenue (IGR) of local governments in Nigeria between 1993 and 2020 are presented in Table 2. The average capital expenditure (N182.2182billion) exceeds that of the internally-generated revenue (N19.44643billion) of the local government in Nigeria in the study period. Both variables, however, do not have their mean widely dispersed from their standard deviation. The maximum IGR and capital expenditure stands at N38.21billion and N562.57billion respectively as against their respective minimum values of N1.04billion and N4.08billion. The Jargue-Bera statistics also reveals that the three variables (FS, CAPEX and IGR) are normally distributed. The mean of fiscal stress with a mean of N-797.5443billion, ranges between a minimum of N-1777.620billion and

a maximum of N-17.7600billion. The variable (FS) is said not to be relatively stable over the stable period considering its mean value which is less than the standard deviation.

**Table 2. Descriptive statistics**

	Mean	Minimum	Maximum	Std. Dev.	Jarque-Bera	Probability
FS	-797.5443	-1777.620	-17.76000	668.5977	3.135068	0.208559
CAPEX	182.2182	4.080000	562.5700	163.7848	2.546828	0.279874
IGR	19.44643	1.040000	38.21000	12.58767	2.545752	0.280025

Source: Authors, 2022

### Unit Root Test

Considering the Toda-Yamamoto technique, the unit root is only necessarily carried out in order to ascertain the maximum order of integration of the variables of study for inclusion in the model estimation. Hence, the results of the Augmented Dickey-Fuller (ADF) unit root test conducted on each of the variables are presented in Table 3. The ADF test at level indicates that the hypothesis of unit root cannot be rejected at level but after first difference; fiscal stress, capital expenditure and internally-generated revenue became stationary in first difference at one per cent significance level. This is because at first difference, the probability value of the ADF test is less than one per cent significance level, which culminates in the rejection the null hypothesis of unit root in each of the three variables of study.

**Table 3. Augmented Dickey-Fuller unit root test statistics**

Variables	ADF at Level	Remarks	ADF at First Diff	Remarks	I(d)
FS	-0.720137[ 0.8251]	Not Stationary	-4.775407[0.008]	Stationary	I(1)
CAPEX	-2.159544[0.2246]	Not Stationary	-8.248369[0.0000]	Stationary	I(1)
IGR	-1.278874[0.6236]	Not Stationary	-7.221181[0.0000]	Stationary	I(1)

Source: Authors, 2022

### Optimal Lag Selection

Another preliminary test required in the Toda-Yamamoto procedure is the optimal lag selection test, in which case the VAR lag order selection criteria test was performed on the variables. Table 4 indicates that the sequential modified likelihood ratio (LR) and Schwarz (SC) information criteria suggest lag length one while the trio, final prediction error (FPE), Akaike information criterion (AIC), and Hannan-Quinn information criterion (HQ) select two as the optimum lag length. This study aligns with the latter and therefore carried out the T-Y causality test based on lag length two.

**Table 4. VAR lag order selection criteria**

Lag	LogL	LR	FPE	AIC	SC	HQ
0	-443.4642	NA	1.65e+11	34.34340	34.48857	34.38520
1	-392.7270	85.86307*	6.71e+09	31.13284	31.71350*	31.30005
2	-381.4042	16.54864	5.80e+09*	30.95417*	31.97032	31.24678*

Source: Authors, 2022

Note: \* indicates lag order selected by the criterion, being the minimum value.

### Toda-Yamamoto Causality Test

The kernel of this study is to investigate the link between internally-generated revenue, capital expenditure and fiscal stress at the Nigerian local government using Toda-Yamamoto Granger non-causality test. In line with the T-Y procedure, since all the variables are integrated of the same order one, the maximum order of integration still remains one (1), that is  $d_{max}=1$ . Revelation from VAR lag order selection test (Table 4) indicates the optimum lag (k) to be 2. Based on the Akaike Information Criterion (AIC) and in conjunction with the unit root test result, then  $[ [k+d]_{max}=3 ]$ . Thus, a VAR model with a lag interval of 1 and 3 was estimated and thereafter the Toda-Yamamoto Granger non-causality test was carried based on the VAR Granger causality/block exogeneity Wald tests approach.

The results of the test as shown in Table 5 indicate that capital expenditure (CAPEX) has a statistically significant effect on fiscal stress in the Nigerian local government. The p-value for the modified Wald statistic of the measure of capital expenditure is statistically significant at a 10% level of significance suggesting a rejection of the null hypothesis of no causal relationship between capital expenditure and fiscal stress. The causality direction is observed to be unidirectional running from capital expenditure (CAPEX) to fiscal stress (FS). This finding is consistent with the position of Nurhayati (2020) concludes that capital expenditure has positive effect on fiscal stress in Kunci Bersama Area. Furthermore, this study shows that there is no causality between IGR and fiscal stress in the Nigerian local government.

**Table 5. Toda-Yamamoto granger non-causality test**

Dependent Variables			
	FS	CAPEX	IGR
FS	-	0.420886 [ 0.8102]	3.291056 [0.1929]
CAPEX	5.463641 [ 0.0651]***	-	2.895507 [ 0.2351]
IGR	2.251957 [ 0.3243]	2.041243 [ 0.3604]	-

Source: Authors, 2022

Notes: The modified Wald statistic (Chi-sq) are reported in { } and the p-values for the modified Wald statistic are reported in [ ].

*Diagnostic Tests*

The result of the VAR residual serial correlation LM test which is the most relevant post-estimation test for multivariate models (Adejoh et al, 2020), is presented on Table 6.

**Table 6. VAR residual serial correlation LM tests**

Null hypothesis: No serial correlation at lag h						
Lag	LRE* stat	Df	Prob.	Rao F-stat	Df	Prob.
1	10.50930	9	0.3108	1.221636	(9, 34.2)	0.3143
2	12.02088	9	0.2121	1.427046	(9, 34.2)	0.2153
Null hypothesis: No serial correlation at lags 1 to h						
Lag	LRE* stat	Df	Prob.	Rao F-stat	Df	Prob.
1	10.50930	9	0.3108	1.221636	(9, 34.2)	0.3143
2	18.22720	18	0.4408	1.026161	(18, 31.6)	0.4603
*Edgeworth expansion corrected likelihood ratio statistic.						

Source: Authors, 2022

## **Conclusion**

The kernel of this study is to investigate causal link between internally-generated revenue, capital expenditure and fiscal stress in the Nigerian local government for the period, 1993-2020. From the application of Toda-Yamamoto Granger non-causality test, this study reveals that capital expenditure has statistically significant effect on fiscal stress in the Nigerian local government. The causality direction is observed to be unidirectional from capital expenditure to fiscal stress. However, there was no causal link between internally generated revenue and fiscal stress in the Nigerian local government in the study period. It is therefore concluded that capital expenditure is a determinant of fiscal stress in the Nigerian local government.

There is the need for Nigerian government to properly harness its capital expenditure and resources towards boosting the revenue-generating capacity at the local level, such that the internally generated revenue is increased by the proceeds of the capital expenditure. The Nigerian local governments should seek new revenue sources such as additional taxes, fees and levies as well as local investments which are capable of boosting their internally generated revenue. In managing fiscal stress, particular attention should be paid to the capital expenditure incurred by the local government in Nigeria. It is also suggested that further studies should investigate the determinants of fiscal stress at the federal and state levels and incorporate other explanatory variables in their models. This current study is time series in approach, a set of countries and regions should be examined using panel data approach. The Nigerian local government should mitigate fiscal stress by executing developmental project that are capable of transforming the local communities as well boosting the revenue generating capacity of the local government.

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## THE IMPACT OF NEW PUBLIC MANAGEMENT APPROACH TOWARD DIGITAL GOVERNMENT IN INDONESIA

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**Abstract:** *This research is a qualitative method research that uses literature review to seek the impact of New Public Management (NPM) approach toward the implementation of digital government in Indonesia. Digital government is looking for more open, collaborative, and innovative government and it goes along with NPM ideal purpose to provide effective services to citizens, and also emphasizes efficient government. However, previous research stated NPM approach did not suitable for developing countries. This research tried to look if NPM approach is a challenge for the implementation of digital government in Indonesia. As the result, NPM approach became a big challenge for the implementation of digital government in Indonesia because it resulting sectoral ego and not integrated e-services application. Indonesia government needs to look another approach to develop digital government in Indonesia towards a better way.*

**Keywords:** *Digital government, New Public Management, Indonesia*

### **Introduction**

Globalization and modernization make people rely a lot on technology in this era. The usage of internet is keep growing, so the urgency to improve digital platforms quality become important as well. Today era is also known as Industrial Revolution 4.0 (4IR), when everything is shifting toward modern smart technology, machine-to-machine communication, and internet of things (IoT) because 4IR emphasizes advances in communication and connectivity. In the beginning of 4IR, the concept for 4IR is technological change as a driver transformation for industries and society. Also, the purpose of 4IR is to improve efficiency by increasing automation, improving communication, and self-monitoring (Moore, 2020; Philbeck & Davis, 2018; Schwab, 2016). 4IR does not only have effect on private businesses, but it is also transforming social norms, international relations, and government. In government world, the use of information and communication technologies (ICT), particularly internet, is not a new thing. The United States of America has used ICT in their government since 1993, and it known as electronic government (e-government). Furthermore, the United States of America declared an e-government act in 2002. Estonia, a former Soviet Republic, instituted a system of e-governance in 1997 and now 99% e-services are available to Estonia public. Even, Estonia ranked top three in E-government Development Index and E-participation Index. South Korea also established single national e-government act in 2001 and become the first rank in Asia for E-government Development Index and E-participation Index (United Nations, 2020; Chung & Kim, 2019).

The next level of e-government is known as digital government, which focuses on digital technologies for more open, collaborative, and innovative government. According

to Organisation for Economic Co-operation and Development (OECD, 2019), the purpose of digital government is the government can create public value through ICT, so every government in the world, including governments in developing countries and least developed countries, could build more resilient and responsive government, especially in emergency. Indonesia, as a member country of OECD, is also trying to build a high-quality digital government. Indonesia began the implementation of e-government by initiated a collaboration with Telecommunication Company (PT Telkom) in 2000 and in 2003, Presidential Instruction (Inpres) Number 3 of 2003 was issued to strengthened the implementation of digital government within government framework.

Digital government had become one of five priority sectors in 2014–2019, and in 2018, the President issued Presidential Regulation (Perpres) Number 95 of 2018 concerning Electronic-Based Government Systems which became the legal umbrella for implementing digital government in Indonesia. Indonesia have been trying to implement digital government for around two decades to have more efficient and effective public service as a part of bureaucracy reform, also to simplify the bureaucracy and open easier access for investment. This purpose also went along with New Public Management (NPM) approach that has been implemented in Indonesia since 1999 by the issuance of Presidential Instruction (Inpres) Number 7 of 1999 concerning Performance Accountability of Government Agencies. NPM is an approach that sought to change the rigid, slow, and inefficient bureaucracy by importing private business concepts, techniques, and values, so government could provide effective services to citizens, and also emphasizes efficiency (Waheduzzaman, 2019).

In 2019, Indonesia rank was getting better for Digital Government Index (DGI), belonged to High E-Government Development Index (EGDI) countries, and joined in Very High E-Participation Index (EPI) group countries in 2020 (United Nations, 2020; OECD, 2019). Indonesia's experience in building digital infrastructure also has become one of the discussions in 2022 G-20 Indonesia Presidency Digital Economy Working Group Forum (Aisyah, 2022). However, despite Indonesia government's effort for almost two decades, and the improvement that have been made so far, Indonesia is still lagging behind the other countries, even in South East Asia. We need to look if NPM approach is a challenge for Indonesia in implementing digital government. If it is, then we need to seek the possible solution to improve digital government in Indonesia.

## **Research Methods**

This research uses a qualitative research method. Qualitative research method is usually used for small number of observations or study of unique events, and more focus on interpretation and understanding (Gabrielian et al., 2008). By that, qualitative research method is trying to look more for theories, concepts, and models. Also, we can find some information, have insight into how to approach or solve a problem, and learn to prompt a new program or strategy (O'Sullivan et al., 2017). This research employed a literature review with the main sources of the previous researches that relevant with this research. Literature review is a systematic approach of previous studies related to a research question, either in wide or narrow scope (Bearfield & Eller, 2008). There were some previous researches and studies about NPM and digital government that can be used to help answer the questions in this research. Also, this research used secondary data.

## **Results and Discussion**

Generally, NPM was known as an approach of reform in public sector management in 1980s. NPM was surfaced to improve public sector or government by importing private business concepts, techniques, and values. The characteristics of NPM are emphasizing on performance, goals, and measurement of outputs; small size organizations; substitution of contracts for hierarchical relations; market-based mechanisms; and treating user services as consumers. NPM approach seeks government as a small size institute that can maintain high quality public services (Yeboah-Assiamah et al., 2016; Fishenden & Thompson, 2012).

According to Dunleavy et al. (2006), NPM has three main components, which are incentivization, competition, and disaggregation. Incentivization emphasizes in performance-based pay systems and mandate contracts. Incentivization also has correlation with meritocracy, as a way of distributing income, power, wealth, opportunity, honor, and social recognition based on what they deserve (Sandel, 2021). The second component is competition, which is implying competition within internal markets in public sector and contracting out to the private sector. The third one is disaggregation, which refers to a separation of provision and production (Lapuate & de Walle, 2020).

The characteristics and main components of NPM that usually emphasizing efficiency, and even innovative solutions, might be work well in private business. However, besides having an efficient and innovative government, government and public sectors also need to think public values, such as fairness, justice, representation, and participation, are important values to be achieved (Rajiani & Jumbri, 2011). Another factor to consider is national culture, which means NPM could be very suitable for government reform in developed countries, but in developing countries, NPM could lead to more corrupt government because there is a flaw to meet the accountability principle (von Maravic & Reichard, 2003; Feldman & Khademan, 2001; Jorgensen 1999). Even, according to Barth (2006), NPM might lead to unjust outcomes that happened because of decentralization.

In case of Indonesia, Indonesia has been implementing NPM approach since 1999. NPM approach in Indonesia is also supported by the implementation of Performance-Based Budgeting, that known as Results-Oriented Government, which become one of best practices that developed in principles of NPM according to Osborne & Gaebler (1992). According to Geraghty and Klosek (2016), PBB is a system that allocate funds based on programmatic results that contribute to organizational goals and focusing on measurable goals during a budgeting process or cycle. So, if there is a successful program during budgeting cycle, PBB allows to maximize the budget allocations, but if there is a less successful program, PBB will reduce the budget allocations. By that, PBB is linked to expectations of results (Marsus & Mas'udin, 2020).

Indonesia has been implementing PBB system since the issuance of Law Number 17 of 2003 about State Finance. Based on Law Number 17 of 2003, President as the head of government holds the power to manage state's finance, then delegate the power to Minister of Finance as fiscal's manager or as Chief Financial Officer (CFO). Minister of Finance, usually represented by Directorate General of Budget (DJA), then delegate the power to every minister, head of agencies, and governors to allocate the budget for one budgeting period because the ministers, head of agencies, and governors now can act as

Chief Operational Officer (COO). So, the relationship between CFO and COO can be seen as Directorate General of Budget (DJA) acts as budget allocators and ministries/agencies act as proposers and recipients of budget allocators. CFO and COO have responsibility for the effectivity and efficiency of programs' goals, the safety of the managed resources, obedience to the regulation, and accountability and openness of the data and information (Ristriawan & Sugiharti, 2017).

One of conceptual based of PBB is the budget allocation for programs or activities is based on the work unit functions that are attached to the organizational structure or we could say as "money follow function". So, this is when unjust outcomes as weakness of NPM approach can be seen. The implementation of NPM in Indonesia gives power for every echelon two (unit work, usually called as directorate or division) to set and handle their own output and budget allocations. If we talk about the relation between NPM approach and digital government, we could think digital government as a good implementation of NPM approach for efficient and innovative government. However, the implementation of NPM approach in Indonesia has not gone well for the development of digital government in Indonesia. Since NPM seeks innovative government, that supported by the ideal of digital government, and put competition for incentive, every unit work tries to make their own e-services application and allocates ICT budget. Because of this, as of 2022, Indonesia has around 24,000 e-services applications (Uly, 2022). It is such a wasting for national budget and it is not applying the principle of efficiency as the ideal of NPM approach.

NPM approach towards the implementation of digital government in Indonesia only resulting in sectoral ego. Sectoral ego makes government institutions, either ministries or local governments, compete to create platforms, only to show who is the best in implementing digital government. This is shown by the data, although Indonesia government has 24,000 platforms for digital government, the quantity is not matched with technical and substantive quality. Also, the database is not integrated at all. Beside this problem, digital government in Indonesia is still built from the logic of one-way communication because each government institution only thought about innovation and incentive, not showing attention for public needs and interests (Wahyuni et al., 2020; Suwarno & Sejati, 2017).

Indonesia government needs to remember that digital government must be used to serve public needs and interests, not for competition. So, Indonesia government needs to change NPM approach into a new approach that sought to apply more holistic strategy, which is know as Whole-of-Government Approach (WGA). WGA is a "joined-up" government that performed by diverse ministries, public administrations, and public agencies to provide solution and achieve unity towards a shared goal. WGA could be used in any levels of government, even for enhancing local level integration and involving public-private partnership. WGA could be seen as the best approach to increase integration, coordination, and capacity (Christensen & Laegreid, 2007). So, WGA might be the possible solution for the implementation of digital government in Indonesia since Indonesia needs an integrated digital government system because the maturity stage of successful digital government needs full integrated platform and database (As'ad et al., 2017). The example of WGA in digital government is establish one-stop portal service because it is a basic integrated digital government concept that developed in many countries, such as Denmark, South Korea, Finlandia, Estonia, Singapore, and Japan (Rohman, 2020).

Also, the government needs to start having two-way communication to build digital government in Indonesia because public participation is believed to be core in digital government. When developing digital government, Indonesia government needs to start having public involvement in the design, so the platform is not only built from the government's perspective only. The government can try bottom-up approach because it works from the citizens, businesses, and stakeholders, also allows for more interaction, experimentation, and bargaining for what is needed at the bottom (Imperial, 2021). Public participation and citizens engagement are also connected with New Public Service (NPS) approach. NPS approach considers democratic values and citizenship in terms of building communities and this approach is believed to make government work even more effectively (Denhardt & Denhardt, 2015). In NPS approach, government and public servants have role to help citizens to meet their interests. So, from NPS point of view, it is important for government and public servants to create and emphasize public values and dedicate the public good for citizens. NPS has four elements, which are collaborative relationship with citizens, encouraging shared responsibilities, disseminating information to elevate public discourse and to share understanding of public issues, and seeking opportunities to involve citizens in government activities (Robinson, 2015).

## **Conclusion**

From this paper, we can conclude that Indonesia government has tried to build digital government for around two decades, as a consequence of the implementation of NPM approach. However, NPM approach only became a big challenge for the implementation of digital government in Indonesia because it resulting sectoral ego and not integrated e-services application. If Indonesia wants to improve its digital government toward better way, Indonesia government needs to make some changes on the system and the approaches. Indonesia government can stop use NPM approach, then try to adopt WGA and NPS approach. Also, Indonesia government needs to start making integrated one stop portal service and use two-way communication and bottom-up approach to engage public participation in building digital government.

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## **A CRITICAL ANALYSIS ON REGIONAL POLICING AND CRIME PREVENTION IN NIGERIA**

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**Abstract:** *This study assessed the impact of regional policing on crime prevention with emphasis on Amotekun in Oke Ogun and Ibarapa communities of Oyo State, Nigeria. The main objective of the study was to assess the impact of crime on socio-economic development of residents of Oyo State and the efforts of Amotekun on the prevention of crimes. Descriptive survey was adopted for the purpose of research methodology. A total of 139 respondents were drawn out of the population 1,602,979 using Taro Yarmane's statistical formula and simple random sampling. Copies of questionnaire were distributed to them to generate information relevant to the research questions raised. The methods of data analysis consisted of cumulative frequency tables, figure, simple percentage, mean average and hypotheses were tested using Chi-Square and correlation statistical tools (Statistical Package for Social Sciences version 23). The study discovered that criminal activities have significantly affected the socio-economic development of Oyo State in ways such as decline in investments, limited movements of people, social order disruption, chaos and confusion and it hinders community collaboration and trust. Challenges of regional policing as revealed by the findings include the following; community mistrust, frosty relationship between government security agencies and community members, godfatherism interference, inadequate infrastructure and poor funding and dearth of modern weapons. The study recommended that the State government should intensify efforts by providing more funds for Amotekun which would be judiciously utilized to purchase modern security gadgets in order to reduce armed robbery, kidnapping and banditry within Oyo State. Also achievements of Amotekun should be publicized to the public so as to put more fear in the hearts of criminals or intended criminals to stay off crime. Town hall meetings consisting of members of Amotekun, government officials and other security agencies should be organized regularly as to educate the people about the importance of regional policing and its impact on crime prevention.*

**Keywords:** *Policing, Regional Policing, Crime, Crime Prevention, Insecurity, Security agencies, Amotekun*

## **Introduction**

One of the key functions of any government is to ensure lives and properties are protected and this basic function is not restricted to any form of government. Over the decades, scholars, citizens as well as politicians have paid cursory attention to the security issues because of its peculiar importance to socio and economic development to the nation. The State set up security apparatus such the Police, Armed Forces and other paramilitary outfits to promote peaceful co-existence among the people and to protect the country against external aggression. Over the few decades, Nigeria has experienced unprecedented crises, ranging from politics, religious and ethnicity differences. Every geo-political zones of the country has felt devastating effects of conflicts. These conflicts situations have can be traced to Nigeria's independence whereby primordial sentiments have eclipsed the lofty gains of true nationalism. The Biafran war and the pogrom that occurred between 1967 and

1970 in the Eastern region of Nigeria is one event that still lingers in the minds of many people, especially from the Igbos (Olushola and Adeleke, 2020).

The North Eastern part of Nigeria has not been left out in terms of criminal activities. The issue of terrorism attacks carried out by the Boko Haram group has rendered many people homeless; thousand of people have lost their lives while businesses have been shut down. States such as Benue, Plateau in the North Central have also had their fare share of the incessant disputes between herders and farmers which have resulted to unprecedented number of deaths, injuries, lost of properties and other crimes peculiar to communal and religious clashes. North West of the country is not also left out, as Zamfara State has been infested with armed bandits while Kaduna State has become a hub for religious and community clashes; where the Muslims are the majority in Northern Kaduna and in Southern Kaduna, a preponderant Christian population and the battle for supremacy has been ongoing for some years unabated (Olushola and Adeleke, 2020).

Militancy and other agitations from well armed youths in the crude oil endowed South-South region is also very rampant. Ritual killing, kidnapping, communal clashes banditry is rampant the South-West and across the whole country. In the face of deplorable security conditions in the country, the performance of Nigeria Police Force (NPF) across the country has been abysmal. The rate at crimes are committed across the country is quite alarming. The NPF has been poorly funded; ill-equipped; understaffed and undue political interference have been fundamental challenges confronting the Nigeria Police Force and other security agencies in the country. The security challenges hitherto mentioned above have made state governments in Nigeria to formulate security initiatives to consolidate the efforts of conventional federal government security agencies. In January 2020, in Ibadan, the governors in the South West part of Nigeria collaboratively established the security outfit code-named 'Operation Amotekun' which it is translated in Yoruba language to mean Leopard. The birth of Amotekun gave rise to the establishment of other security initiatives. On the 5th of February 2020, the Northern governors teamed up to came up with Shega-Ka-Fasa which in Hausa is translated as "I dare you" and it has a Lion as its symbol (Enyiocha and Idowu, 2020; Isenyo, 2020; Hassan, 2020). In the same vein, the Ohanaeze Ndigbo (the apex socio-cultural organisation of the Igbo land) suggested 'Operation Ogbunigwe' as a security initiative (Punch, 2020).

### **Statement of the Problem**

The South West communities have been experiencing several degrees of criminal activities. The high rate of crime in the region has caused members of the communities to generate negative feeling concerning the efforts of security agencies. They have lost properties worth a fortune and there have been wanton killings, kidnapping, armed robbery and other crimes perpetuated by armed bandits within communities in the South West and other parts of Nigeria. The creation of Amotekun by the South-West governors have been greeted by many as a lofty idea in dealing with the prevailing security challenges in the region. Despite its creation, the security outfit has received condemnation from the federal government arguing that the security outfit operates negates the laws of Nigeria. Also, some of the South West residents have expressed their feelings about the operations of the security outfits. According to a report by Premium times (2021), kidnapping and killings are still rampant in the region despite the security outfit operations. Residents of Oke-Ogun

and Ibarapa axis of Oyo State have been hit hard by the herders onslaught and this led to the intervention of a self-acclaimed activist known as Sunday Igboho. Several challenges have impeded the performance of Amotekun and these include; inadequate funding to purchase weapons and security infrastructure; poor intelligent security architecture to perform optimally; poor synergy with members of the Nigeria Police Force and other security agencies (Adejumo, 2021). For reasons aforementioned, it is necessary to investigate this study entitled: “A critical analysis of regional policing and crime prevention in Nigeria: Amotekun in Perspective.

There are fundamental questions which this study which be hinged upon and they are as follows:

- i. How do criminal activities significantly affect socio-economic development?
- ii. In what ways Amotekun operations have been able to curb crimes?
- iii. What are the challenges of regional policing in the study area?
- iv. What is the perception of residents concerning the operations of Amotekun in regards to fighting crimes?

### **Objectives**

The major objective of this research is to evaluate the impact of regional policing on crime prevention in Nigeria: a study of Amotekun while the specific objectives of the study are to:

- i. Find out how criminal activities significantly affect socio-economic development in Oke-Ogun and Ibarapa communities.
- ii. Examine the ways Amotekun operations have been able to curb crimes in Ogun and Ibarapa communities.
- iii. Discover the challenges of regional policing in Ogun and Ibarapa communities.
- iv. Find out the perception of residents concerning the operations of Amotekun in regards to fighting crimes in Ogun and Ibarapa communities.

### **Statement of Hypotheses**

The study is guided by the following hypotheses:

Ho: There is no significant relationship between Amotekun efforts and crime prevention within Oyo State.

H1: There is a significant relationship between Amotekun efforts and crime prevention within Oyo State.

### **Theoretical Framework**

This study was hinged on the Social Contract Theory which was propounded by three great scholars – Thomas Hobbes (1588 – 1679) and John Locke (1632 – 1704) and Jean-Jacques Rousseau (1712 – 1778). The Social Contract Theory is a popular theory that is widely used to explain the origin of the state (Ogunnoki, 2018). For this study, the contributions of Thomas Hobbes would suffice. The English Civil War (1642-1651) and the occurring events in English during the mid-17th century shaped the perception of Thomas Hobbes. This led to his publication called the “Leviathan” and it was coin from

the Holy Bible to mean sea monster – see Job 41:1-34; Psalm 74:14; Isaiah 27:1. In his fictional book, Hobbes made attempts to justify absolute sovereign that has the capacity to maintain law and order in a state. He was of the belief that the state of nature is a product of his explanation of the human nature and he went further to state that all men are equal both in mind and body.

In the view of Hobbes, man is naturally selfish and he submitted that his actions in a state of nature are not borne out of his intellect or rational reasoning but passion, desires and appetites (Appadorai, 1968; Gauba, 2003). Life in the state of nature was full of consistent struggle, unending conflict and a condition referred to as ‘Warre’, where men were against themselves and the life of man was “solitary, poor, nasty, brutish and short” as there was no common legitimate authority over them. The state of nature lacked morality and development through industry was at the lowest ebb because of psychological fear of violence, death. Hobbes postulated that there are three things that give rise to ‘Warre’ and these include: i) competition ii) difference, and iii) love of glory. Thus, men that sought self-preservation opted to exit the state of nature and established a society and state by deciding a social contract among them. The social contract is an agreement that allows the people to surrender their natural rights and powers this agreement cannot be revoked by the people involved or their generations.

Hobbesian view of the Social Contract Theory has been faulted for the lacuna in the chain of his argument. According to Thomas Hobbes, human action in a state of nature was determined by appetites, desires and passions (Gauba, 2003). How come the savages abruptly became rational beings, capable of reaching peacefully a consensus for their mutual interest of security? is a question left unanswered by Hobbes. Lastly, Hobbesian state of nature, which brutes lived in, cannot be proven with historical evidence. Hence, a number of critics are in agreement that the horrendous state of nature Hobbes wrote about only existed within the walls of his imagination which he penned down in black and white in support of having an inalienable absolute sovereign.

Despite his theoretical shortcomings, Hobbes arguments have been relevant till date in explaining domestic and international security. For instance, the post-colonial state of Nigeria can be examined through some postulations of Hobbes theory. Nigeria as a Federation consists of three-level of government and the 1999 Constitution (as amended) clearly states the government has been legally authorized to protect the lives and properties of the people. Regrettably, the insecurity challenges in Nigeria today can be likened to “state of nature’ and the security agencies such as the Nigerian Police Force, being a part of the executive arm of government has not been very effective in tackling insecurities across the country. Hobbes submissions were dated century ago but it is relevant to our present insecurity situation in the country. This has called for a proper overall of the current security policies and the need for regional policing especially in the South West. The creation of security initiative like Amotekun is a right call to address the insecurity challenges especially within the South Westx region of the country.

### **Conceptual Analysis**

It is imperative to define the following core concepts of this paper in order to have for the interested reader to have a clearer understanding:

### *Security*

The concept of security has plethora of scholarly definitions. However there are key variables which could be linked to the definition of security. These variables include; presence of peace, safety, joyfulness and development of society through the protection of human lives and properties as well as enhancing the dignity of humans as against threat to life or injury. The development of human society and preservation of lives and properties are linked to security. The end of Cold War gave rise to myriad of scholarly perspectives concerning security studies. The dimension of security as a concept includes the following psychology, finance, access to information, public safety, defence as well as military issues. Everybody in the society desires security and there are usually two widely acceptable definition of the concept of security. The explanation of Buzan (1991), puts it as an ambiguous and multidimensional concept which has gained several misconstrued explanations.

Security concerns itself with the procedure that is related to gratifying any kind of threat to the values, morals the members of the society hold in high esteem. This is collaborated by the definition of Buzan (1991), when he observes that security deals with the states having freedom from threats and their capacity to sustain sovereign identity and having functional integrity to fight against hostile changes which are inimical to human survival (Bodunde et al, 2014). From this definition, there is a general consensus that security is when the members of the society are being safe from fear, harm, oppression, anxiety, danger, poverty, injury and possibly deaths. Security has to do with the preservation of the society's important values and a protection to the threat of those values. In the same vein, William (2008), posits that security's main purpose is to eradicate threats detrimental to the values widely cherished by the people, especially those threats harmful to the survival of an object particularly referenced. The freedom from the danger of threats to a nation's survival and its ability to develop by protecting its core values can be summed up as security. Ogaba (2010), submits that internal security can be described as a form of freedom or the absence of those features which could undermine cohesion internally, and the corporate existence of a nations and its capacity to sustain its core institutions for the facilitation of socio-political, economic goals and important values and to satisfy the yearnings of the people.

One can infer that irrespective of the school of thoughts; be it classical, traditionalist or non-traditionalist or state-centric, security is majorly concerned with protection of both living and non-living things from loss or destruction. Nwolise (2008), posits that there are generally two major schools of thoughts (Traditional and Non-Traditional) that explain the concept of security. The traditional school of thought is tilted towards the Cold War concept of security. This school of thought explains that security is concerned with safety from danger and freedom of external aggression or attack. The traditional school of thought gives emphasis to the state as the referent object (Abolurin, 2010). Scholars under this school posit that security is equated with peace and conflict prevention through military means (that is, policies to deter attackers or offensive defence). Walt (1991) definition of security is line with this school of thought when he defined security as a study of threat, use and control of military coercion. The traditional school of thoughts pays much emphasis on the use of military might or coercion and defence policies employed by the state to engage in a war or avoid war. This school of thought is heavily connected to the

military and this why Buxan (1991) observes that security is in an underdeveloped state and needed urgent rehabilitation. Nwolise (2008), opines that the period of Cold War propagated the doctrine that the most effective tool for dealing with threats or attacks is the use of military force.

### *Crime*

The concept of crime has many definitions based on its usage. Merriam Webster Dictionary (2015) defines crime as an act or the commission of an act that is forbidden or gross violation of law. The types of crime which is common in Nigeria are; kidnapping, murder, pick pocketing, robbery and rape to mention a few. Crime is usually associated with the need to punish offenders. However, it could also include action or inaction which results to an individual, group of persons or property violating the criminal law. Generally speaking, the concept of crime involves moral values or codes and its violation which results to punishment (Sammons, 2001).

Put differently, crime is usually perceived as a random nature and committed by people with no connection to the victim. Morrison (2009), submits that media plays a greater part in shaping perception of the public concerning crime, ignorant to the differences between this observations and the reality of crime. There are four frameworks to determine the definition of crimes. The first of these is that crime can be seen from the social construction paradigm but this school of thought makes it difficult to define crime because crime is best explained by culture affiliations or simply put it is culture bound. Media has played the role of making the definition of crime difficult because of how crime is defined in a society is largely dependent on how the media presents it to the general public (Morrison, 2009). Media in this regard refers to both print and electronic media. Governments have formulated measures to curb criminal activities which are enshrined into criminal policy. Some scholars have argued that criminal policy plays the role of defining crime and creating crime rather than to prevent its escalation and this has made it difficult to have a general acceptable definition of crimes (Morrison, 2019).

Another parameter of defining crime is through the lenses of religious doctrine or authority as the case may be. Crime within this premise is concerned with conflict between what ought to be considered as a crime in the society and religion and between religions themselves. In the modern times however, crime can be seen as actions that negates the laws of God given to mankind. This definition is considered as clear but it has some shortcomings because it is argued by many that there are divergent views and interpretations of what actually constitutes the law of God. By this, it is a bit difficult to define crime across religions as different societies are bound on their peculiar belief system and moral values. Furthermore, there could be variations between religious laws and laws of the state. For instance, behaviours such as honour killings and domestic abuses can be sanctioned within a particular religion but would not tally with the tenets of state laws especially in the more developed western societies. The state judgment on crimes is not based on the religious affiliation of the offenders and this further illustrates the difficulty in defining crime within the purview of several perspectives.

Crime is also defined within the boundaries of law of a nation-state. That is, an act can be seen as criminal in line with the laws of the state in which it was committed. This also has created difficulty in defining crimes across nation-states. This is invariable means that crimes must be properly examined under the ambit of the law in which it was

committed instead of generalizing its meaning across nation-states. It is pertinent to examine the tenets of the laws of the state where the crimes were committed to really understand if such acts are truly criminal. Morrison (1991), posits that this difficulty of general acceptance of the definition of crime can be eradicated by removing the term 'crime' and to use 'deviance' instead. Morrison posits that deviance is a concept widely recognized around the world and it consists of specific conditions particular to every society. He submitted by adopting the usage of deviance, it would help to eliminate the challenge associated with individual and societal defining the constituents of the composition of crime.

The rate at which crimes are committed on a daily basis in Nigeria is alarming. No region of the country is left behind as regard criminal activities. Nigeria is divided into regions and the South West region is one such regions. The South West region is consisted of six states – Ekiti, Ogun, Ondo, Osun, Lagos and Oyo State. These six states are contiguous geographically and they share similar belief systems, culture and language. This region has experienced pockets of conflicts in recent times. The level of insecurity within these six states has escalated from bad to worst. This is due to the incessant and unabated kidnapping, armed robbery on several major highways of these states. Ritualists, bandits and terrorists have been having a field day by carrying out their nefarious operations on communities within the South West region. The Ondo-Ore, Akure-Owo-Oba, Akoko-Akungba, Ilesha-Osogbo, Abeokuta-Lagos, Ipele-Ido, Ani, Ile-Ibadan. Ilaro-Owode-Idi-Iroko and Ijebu Igbo-Oru-Awa roads and others too numerous to mention have virtually become hot spots and unsafe for commuters to ply due to high criminal activities that occur on a regular intervals (Amaize et al, 2019).

The forms of crimes include the following:

1. Crimes against moral values

Every society has its own moral codes controlling human behaviours and a breach of these codes is considered as crime. In various communities there are families relations and marital relations which are guided by the moral values and culture. An act against these moral values and cultural beliefs is condemned and sometimes punished. For example, in some part of Nigeria, exposure of some certain private body parts in the public is moral crimes. Other examples include seducing a married man/lady, lying are considered as moral crimes.

2. Crimes against public peace and order

The safety of the people living in a community is very essential to their growth and development. The community is a group of living in particular geographical area sharing similar characteristics or who share common values. The peace and order of the community is needed to attract investors and sustain good governance.

3. Kidnapping

Kidnapping has been a rampant criminal act in recent times especially in Nigeria. The act involves the dehumanize torturing of human beings. This form of crime is rampant in Nigeria for the past few years. The story of 'Evans' the Billionnaire Kidnapper is still fresh in our minds. The modus operandi of these kidnappers has posed serious challenge to the security agency. Most times huge ransoms are been asked from victims and if they fail to pay, the consequence can lead to death of the victims.

4) Murdering

The intentional killing of somebody is a crime of murder. Murder case usually attracts severe punishment depending on the gravity of the case. It may result to long years of imprisonment or death sentence from the court of law when the individual is found guilty of murder crime.

5) Theft by house breaking

Breaking of house is common in African societies especially in Nigeria. Often times this type of crime is carried out when the owner or the occupants of the house are not around or deep asleep.

*Crime Prevention*

Adeboye (2013), observes that crime prevention refers to the distraction of instruments that give rise to criminal activities. Put differently, crime prevention can also be seen as the design of attitudes and behaviours or actions geared towards both decreasing the negative effects of crimes and enhancing the sense of protection and security with the main aim of the betterment of the quality of life and reduction of crimes or total eradication within the society. Adeboye (2013) posits that criminologists have categorized three perception of crime prevention which are as follows:

(a) Primary Prevention: In this approach, societies make efforts to modify circumstances which has to do with ecology and provides measures for the reductions of crimes tendencies. This stage gives attention to the Police and the three core issues are; increasing the determination, increasing the danger of committing crime and reduction of the likely offender.

(b) Secondary prevention: This stage deals majorly with efforts to modify the attitudes and behaviours of people especially those with high tendency to commit crimes. The aim is to change their perception before they would indulge in criminal activities. Under this stage, the mass media, public enlightenment and civil societies play major role.

(c) Tertiary Prevention: This is the last stage dealing with the actual offender as the main focus. The purpose of this stage is to prevent future occurrence of crimes and it is also aimed at alleviating or total eradication of crimes within the society. Correctional centres and probation homes are key agents involved at this state.

*Meaning of Regional Policing as regards to Nigeria Insecurity Challenges*

In Nigeria political space, the year 2020 would be remembered as a year whereby several attempts were made by state governments to float security initiatives along ethnic lines in order to provide security and tame the nefarious criminal activities within their states. Nigeria presently operates Federalism which is separation of powers between the Federal government and component states. Security agencies such as the Military and other paramilitary agencies are under the exclusive list which is under the jurisdiction of the federal government. The states and local governments do not legislate under the exclusive list. There have been clarion call for regional police due to the high rate of criminal activities perpetuated in local communities. The arguments is that the federal police or military would not understand the terrain of the affected criminal localities therefore, a regional police would be more instrumental to curbing crimes because the local people have a better understand of their areas.

On the other hand, some concerned Nigerians and scholars have argued that the creation of state police would further escalate criminal activities within the states because state governors would use them to carry out nefarious activities such as political witch-hunting of their political opponents, election rigging and other social vices. Regional policing has been a burning issue in Nigeria politics and some state governments have made several efforts to establish some sorts of security initiatives to provide support to the government security agencies in order to prevent crimes.

Amotekun is a complement that gives our people the confidence that they are being looked after by the people they elected into office. We do not want this to create fear in the mind of any one. We are not creating a regional police force. We are not oblivious of the steps we need to follow in forming a State police. We are law abiding citizens of Nigeria. We know that will require a constitutional amendment and we are not there yet. The state government of Oyo State on the 4th of August, 2020, made provision of the sum of 59.7 million naira as take-off grant for the Operation Amotekun (Adeniran, 2020). In the space of seven days later, the Ondo State government launched the pioneering officers of the Amotekun Corps who were trained in Akure which is state capital.

### *Amotekun*

Amotekun is a security initiative of the Yorubaland in Nigeria and it is a yourba word which is translated in English – meaning “One that looks like a leopard”. Leopard means ‘ekun’ in Yoruba. Put in the right meaning, the word ‘Amotekun’ means a cheetah, but it is generally referred to as leopard. The Operation Amotekun was established on the 9th of January 2020 by the resolution of the six South West governors in Nigeria consisting of six states – Ekiti, Ogun, Ondo, Osun, Oyo and Lagos States (Olawale, 2020). The creation of Operation Amotekun was because of the rising killings, kidnapping, banditry activities within the six states in the South West region which have rendered many injured, lives lost and properties destroyed. In the show of support, the six governors of the South West region made contributions towards the operations of Amotekun by providing 600 motorcycles in total, 20 vehicles each, except Oyo State government which provided 33 vehicles for kick-off (Ojelu, 2020).

The members of the security outfit consisted of local hunters, the members of Oodua Peoples’ Congress (OPC), Nigeria Security and Civil Defence Corps (NSCDC) and the local vigilante groups within the states. The security outfit major role is to assist the police, other security agencies such as the Military as well as the traditional rulers in combating and preventing banditry, terrorism, kidnapping, armed robbery and providing better mechanism in settling farmers and herders conflicts within the South West region of the country. For kick-off, Osun, Lagos and Ekiti states employed a total of 1,320 operatives for their activities and they were equipped with dane guns and tasked to comb 52 deadly spots within the six South West states. The operatives of the security outfit will assist police, other security agencies and traditional rulers in combating terrorism, banditry, armed robbery, kidnapping and also help in settling herdsman and farmers contentions in the region. For the startup, Lagos, Osun and Ekiti states, recruited 1,320 operatives for the operation, while they will carry dane guns like local hunters, operating in about 52 deadly black spots all over the southwest region.

With a prancing and angry Leopard as its logo, the lauded Amotekun Corps will have zero tolerance to criminal activities in the region (Egbas, 2020). This will only be

achievable after the said Corps is formally established based on a legal framework. In Part III of Chapter VI, Section 214 (1) of the 1999 Constitution (as amended) states that “There shall be a police force for Nigeria, which shall be known as the Nigeria Police Force, and subject to the provisions of this section no other police force shall be established for the Federation or any part thereof.” Going by this section of the constitution alone, the setting up of the Amotekun Corps is technically unconstitutional. However, as stated in Chapter II, Section 14 (2) (b) of the said constitution, “the security and welfare of the people shall be the primary purpose of government”. The word “government” here, as interpreted in Section 318 (1) under Part IV of Chapter VIII, “includes the Government of the Federation, or of any state, or of a local government council or any person who exercises power of authority on its behalf;” (WIPO, 2020.). Hence, the onus is on the governors of South West states to take appropriate measures in safeguarding the lives and property within their jurisdiction.

On the 14th of February, 2020, Ekiti State House of Assembly passed the bill setting up the Amotekun Corps in the state (Vanguard, 2020). On the 3rd of March, 2020, Ondo State House of Assembly passed the State Security Network Agency and Amotekun Corps Bill. Similar bills establishing Amotekun were passed same day by the Lagos, Oyo, Ogun and Osun State House of Assembly (Adeyemi et al., 2020). In the political arena of the Nigerian State, the first quarter of 2020 will be remembered as a period several regional security initiatives were floated along ethnic lines. At the launch, Ekiti State governor, Dr Kayode Fayemi, dispelled rumours making the rounds that the new security network is a regional police. Left to him, Amotekun is nothing but a confidence building strategy” and most importantly, about community policing that will not only complement the work of mainstream security agencies in the country which he commended, though according to him are “overstretched”, but will reduce the burden on them (Feyisipo, 2020; PM News, 2020). In his words: “Amotekun is not a duplication neither is it a replacement for the Nigeria Police Force. Amotekun is a complement that gives our people the confidence that they are being looked after by the people they elected into office. We do not want this to create fear in the mind of any one. We are not creating a regional police force. We are not oblivious of the steps we need to follow in forming a State police. We are law abiding citizens of Nigeria. We know that will require a constitutional amendment and we are not there yet” (PM News, 2020).

On the 4th of August, 2020, the government of the Oyo State governor, Seyi Makinde, approved the sum of 59.7 million naira as grant for the take-off of ‘Operation Amotekun’ in the state (Adeniran, 2020). Seven days after, Ondo State governor, Oluwarotimi Akeredolu, inaugurated the pioneering officers of the Amotekun Corps who just completed their training in Akure, the state capital. The Operation Amotekun has made some strides in combating criminal activities within the South West region. It is reported that after its inauguration, a month later, the Corps arrested three key members of a kidnapping gang which were Fulani herdsmen according to reports from eye witnesses. (Gbadamosi, 2020). After that victory, Chief Olu Falae farmland at Ilado was raided by suspected herdsman destroying farm produce as well as inflicting several forms of injuries on the workers. Despite the Amotekun’ presence, the attack was carried out unabated (Otabor, 2020).

### **Empirical Literature Review**

Several scholarly works have been carried concerning regional policing and its impact on crime prevention. Odewale and Lamidi (2020) carried a research entitled: “Regionalization of Non-State Security Agencies in Southwest Nigeria: Prospects and Challenges of Amotekun” This study examined the ways and theoretical applications of the operation of Amotekun in the South West region of Nigeria. Their study was to provide relevant information concerning the prospects and security challenges of Amotekun. They adopted a survey design whereby sources of data were mainly generated through journals and textbooks. The study revealed that criminal activities have increased within the South West region but however the rise of crimes can be curtailed and reduced to lowest ebb if the security initiative is well managed. The challenges discovered based on the study include; unnecessary suspicion among the ethnic groups in Nigeria, conflict between security agencies and the use of Amotekun to settle personal conflicts among others. The study recommends the need for a better legal framework from each state in the region in terms of establishment, operations, finance and adequate cooperation among all the government apparatus so as to adequately protect lives and properties. The study concludes that Amotekun should be adequately nurtured.

Monsuru and Rafiu (2016) carried a research entitled: Alternative approach to policing in Nigeria with key emphasis on the need for redefining community policing. The scholars examined the general meaning of community policing and the modalities of its operations with concentration on efficiency and implementation of the concept. The study adopted a exploratory research design where relevant literatures were reviewed and solutions offered to curtail the negative effects of crimes and enhance community policing. Olushola and Adeleke (2020) examined the impact of regional security initiative and the security challenges in Nigeria with focus on Amotekun. The study adopted documentary approach. The study discovered that there are social problems such as kidnapping, killings, theft bedeviling the South West region. The study concludes that there have been laudable efforts form Amotekun to curb insecurity and it gives hope to the people. The review showed that several studies have been done on regional policing but however, few have studies have captured Oke Ogun and Ibarapa communities despite the pockets of criminal activities that have occurred within these communities. Also, the studies reviewed, showed that adequate attention were not given to quantitative research design. Therefore this study seeks o fill these gaps.

## **Methodology**

The research design for this study is Survey research method. Survey involves a detailed and critical examination of a topic or situation with a view to finding out what is and how it is. Survey design is a research method that describes the characteristics of the population or phenomenon that is being studied (Adi, 2019). The dealing with human beings makes the survey research design suitable. The researcher paid attention to ethical consideration when carrying out this study because variables were not manipulated as manipulation could result to physical or mental harm. The researcher chose the survey design because of time constraints. The survey design consists of the systematic collection and presentation of data to give a better understanding of a particular event or object. The merit of this type of research design is that it can be applied to a large or small population. The method also aids the researcher to elicit information from respondents that are difficult

to reach. This design is also based on the thematic approach concerning the core areas of impact of regional policing on crime prevention in Nigeria: a study of Amotekun in Oyo State.

#### *Area of Study*

The study area for this study consists of two Ibarapa and Oke-Ogun in Oyo State. These areas have the operations of Amotekun and have experienced some sorts of attacks from bandits.

**Ibarapa** The people of Ibarapa are largely domicile in the South Western area, located in Oyo State, Nigeria. The nomenclature of 'Ibarapa' is derived from the local melon plant, Egusi Ibara. The Ibarapa area is located within the latitudes of 70.151N and 70.551N and longitudes 30E and 30.301E. Ibarapa is approximately located around 100km north of the coast of Lagos and about 95km west of Oyo state capital and neighboring capital of Ibadan (Kola, 2006). The land of Ibarapa is traditionally made up of 7 principal towns known as Ibarapa Meje (Ibara Seven), and villages and farmsteads. These towns consisted of Eruwa, Igangan, Tapa, Aiyete, Ibarapa Central and other key towns.

The three local governments carved out from the Ibarapa people were created by the federal government of Nigeria authorities in 1996 when Ibarapa East was carved out from the old Ibarapa Local Government while Ibarapa Central and North were carved out of the former Ifeloju Local Government area. The seven principal towns can be subdivided further, based on the villages that are organized around each of them. In totality, about 120 different villages litter the landscape (Kola, 2006).

**Oke-Ogun** Oyo State is a large state located in the South Western region of Nigeria and Oke-Ogun is one of her town highly blessed with natural resources but as a result of mismanagement the town and state at large has remained underdeveloped. There are reports that the town is richly blessed with solid minerals and has no equal when compared to other towns in Nigeria (Jide, 2017). Marble, dolomite and others are in Igbetti, Olorunsogo Local Government and in Oriire. Tourmaline is in Komu, Itesiwaju, Tantalite in Sepeteri, Quartz in Itesiwaju, Columbite, talc and several other minerals in all parts of the region. Indeed, the economic development of Oyo State can be taken for granted on account of the mineral deposits in Oke Ogun. On tourism, that same region is blessed with almost too much. There is the Ado Awaye suspended lake, Igbo Oba in Kisi, Ebedi Hill in Iseyin, Asabari Hill in Saki, Akomare Hill in Igangan and many other natural tourist attractions waiting to be developed. The Ikere Gorge Dam, which has the capacity to boost the agro-industrial development of the whole of Nigeria as well as supply power to the people has been abandoned for years. And the human capital in the area is comparable to what obtains in any part of Nigeria (Jide, 2017).

**Population of the Study** Population of the study simply means the aggregate of persons from whom data to the study were collected. The population of this study consists of the residents of Oke-Ogun and Ibarapa in Oyo State. The population is placed at 1,602,979 (NPC, 2006).

**Sampling Technique/Sample Size** The study adopts multistage sampling technique. Multistage is a sampling method that divides the population into groups at various stages for better data collection, management and interpretation. This sampling method was adopted because it gives the researcher flexibility to choose the sample carefully. Also, finding the right survey sample becomes very convenient. A sample is that small part

selected from the whole or population. It is a subset of the population. Sampling arises to reduce the time and money that would be spent if the population were studied and still generate data that are accurate representation for the entire population. Sample size of 152 is chosen out of the entire population under study through the use Taro Yamane (1967) sample calculation formula:

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

Where:

N= the total population  
n= sample size  
1= constant  
e= margin of error (level of doubt)

Therefore:

n=?  
N= 1,602,979  
1= constant  
e= 8% (level of error from the population)  
n= 152.

#### *Method of Data Collection*

The method of data collection consists of both primary data and secondary data. Primary data were collected through the use of questionnaire and through observation. The questionnaire was made up of two parts; the bio data of respondents and research questions section related to the objectives of the study. Questions were prepared and administered directly to residents (members of Amotekun inclusive) of Oke-Ogun and Iapara areas of Oyo State. The research chooses to use questionnaire as one of the methods for primary data collection because of the following advantages:

- (i) To help the research collect concise answers concerning the study under investigation.
- (ii) To get to persons who have tight schedules
- (iii) To give room for cross checking of answers by the respondents
- (iv) It permits more considered answers.

The secondary source of data deals with information gathered from published and unpublished texts which include text books, articles, official reports and statistics, newspaper and journals.

#### *Methods of Data Analysis*

The data generated through the questionnaire were arranged in cumulative frequency tables and the mean average was employed by the researcher to either reject or accept research questions. The study employed Chi-square inferential statistics to either reject or accept the study hypotheses. The decision taken by the researcher is that when the mean of the respondents' responses is 2.50 and above the item(s) were adjudged agreed.

On the other hand, when it is 2.49 and below the item(s) were adjudged as disagreed. If the overall mean is greater than 2.49 the question items were accepted. The table below describes the mean range of Likert Scale as used in the study:

**Table 1: Mean Score Interpretation**

Description	Mean Range	Scale	Decision
Strongly Agree	3.5 – 4.00	4	Accept
Agree	2.5 – 3.49	3	Accept
Disagree	1.49 – 2.49	2	Reject
Strongly Disagree	1.00 – 1.49	1	Reject

**Data Presentation and Analysis**

The section deals with data presentation and interpretation of results. Data generated from distributed questionnaire were arranged into cumulative frequency tables and mean average was applied using Statistical Package for Social Sciences (SPSS). Hypotheses were tested and results of findings were also discussed.

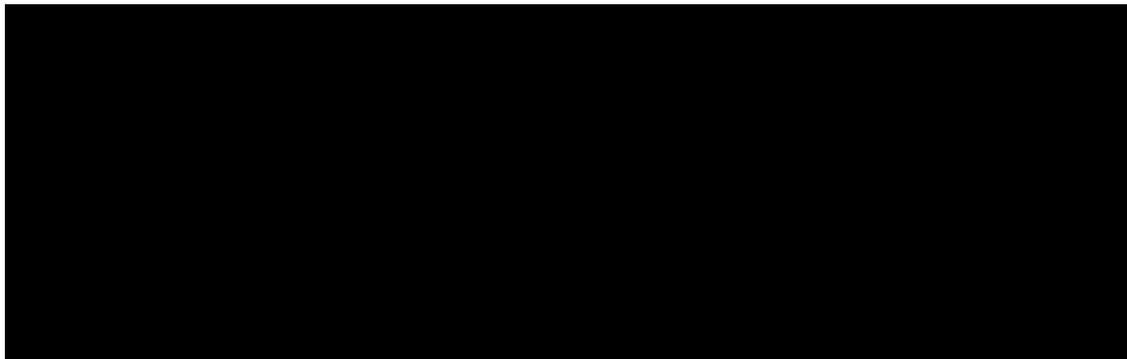
**Demographic Analysis of Respondents**

**Table 2 Gender of Respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	64	46.0	46.0	46.0
Female	75	54.0	54.0	100.0
Total	139	100.0	100.0	

Source: Field Survey (2022).

**Figure 1 Bar chart showing respondents’ gender**



Source: Field Survey (2022)

Table 2 and figure 1 showed the distribution of respondents based on gender. From the analysis, 64 respondents (46.0%) were male while 75 respondents (54.0%) were female respondents. This indicated that majority of the respondents for this study was female.

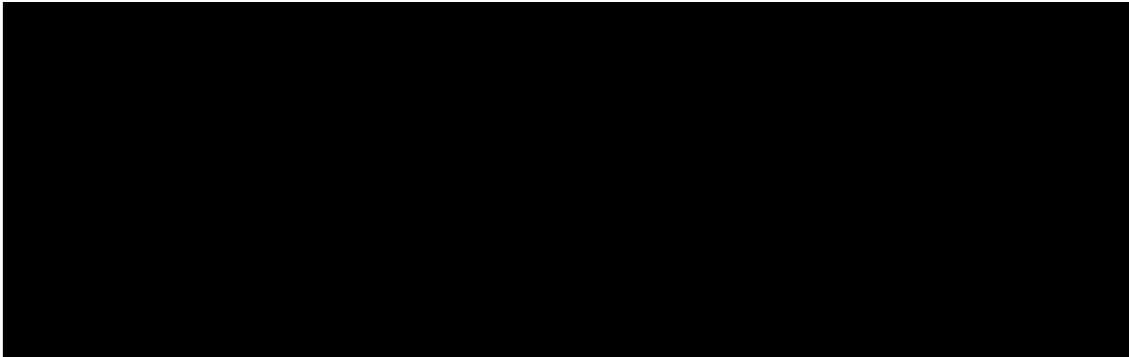
**Table 3 Educational Qualification of Respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
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Valid	18-27 years	22	15.8	15.8	15.8
	28-37 years	44	31.7	31.7	47.5
	38 - 47 years	41	29.5	29.5	77.0
	48-57 years	15	10.8	10.8	87.8
	58 years and above	17	12.2	12.2	100.0
	Total	139	100.0	100.0	

Source: Field Survey (2022).

**Figure 2: Bar Chart Showing Respondents' Educational Qualification**



Source: Field Survey (2022).

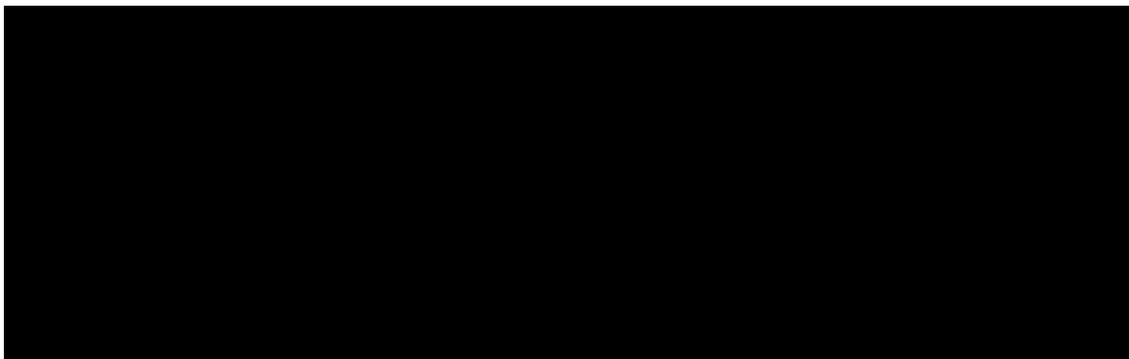
Table 3 and figure 2 displayed the educational qualification of respondents. From the analysis, 22 respondent (15.8%) fell between 18-27 years, 44 respondents (31.7%) fell between 28-37 years, 41 respondents (29.5%) fell between 38-47 years, 15 respondents (10.8%) fell between 48-57 years while 17 respondents (12.2%) fell between 58 years and above. This implies that majority of the respondents fell between 28-37 years old.

**Table 4 Marital Status of Respondents**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Single	97	69.8	69.8	69.8
	Married	42	30.2	30.2	100.0
	Total	139	100.0	100.0	

Source: Field Survey (2022).

**Figure 3: Bar Chart Showing Marital Status of Respondents**



Source: Field Survey (2022).

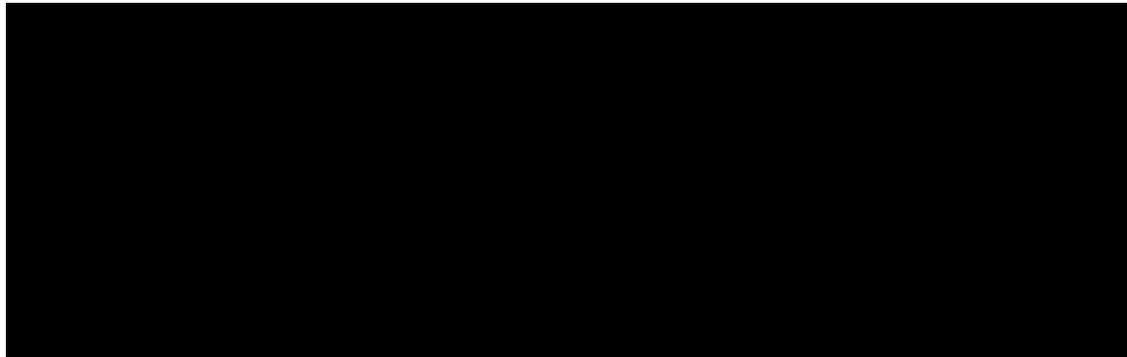
Table 4 and figure 3 displayed the marital status of respondents. 97 respondents (69.8%) were single while 42 respondents (30.2%) were married. This means that majority of the respondents were single.

**Table 5 Educational Qualification of Respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Pry Sch	4	2.9	2.9	2.9
SSCE	16	11.5	11.5	14.4
Diploma/HND	52	37.4	37.4	51.8
First Degree	44	31.7	31.7	83.5
Masters/PhD	23	16.5	16.5	100.0
Total	139	100.0	100.0	

Source: Field Survey (2022).

**Figure 4 Bar Chart Showing Educational Qualification of Respondents**



Source: Field Survey (2022).

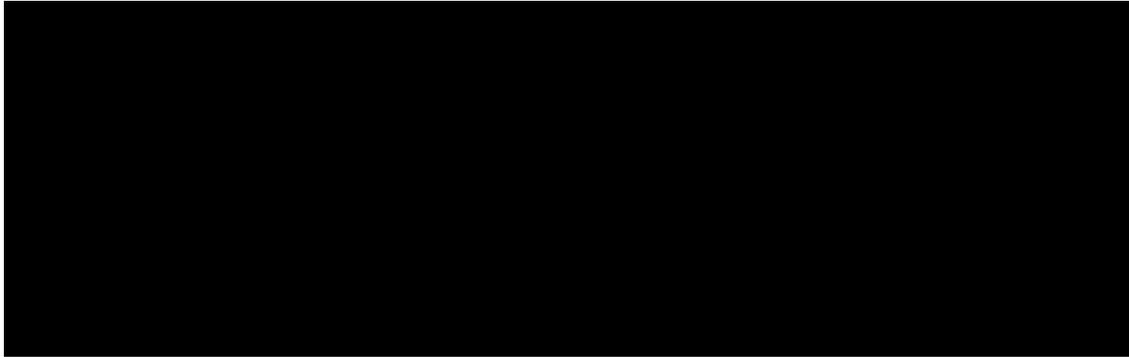
Table 5 and figure 4 displayed the responses on educational qualification of respondents. From the analysis, 4 respondents (2.9%) were holders of primary school certificates, 16 respondents (11.5%) were SSCE holders, 52 respondents (37.4%) were Diploma/HND holders, 44 respondents (31.7%) were First Degree holders while 23 respondents (16.5%) were Masters/PhD holders. This means that majority of the respondents were holders of Diploma/HND.

**Table 6 Spoken Languages of Respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yoruba Only	32	23.0	23.0	23.0
English Only	26	18.7	18.7	41.7
English and Yoruba	71	51.1	51.1	92.8
Others	10	7.2	7.2	100.0
Total	139	100.0	100.0	

Source: Field Survey (2022).

**Figure 5: Bar Chart Showing Spoken Languages of Respondents**



Source: Field Survey (2022).

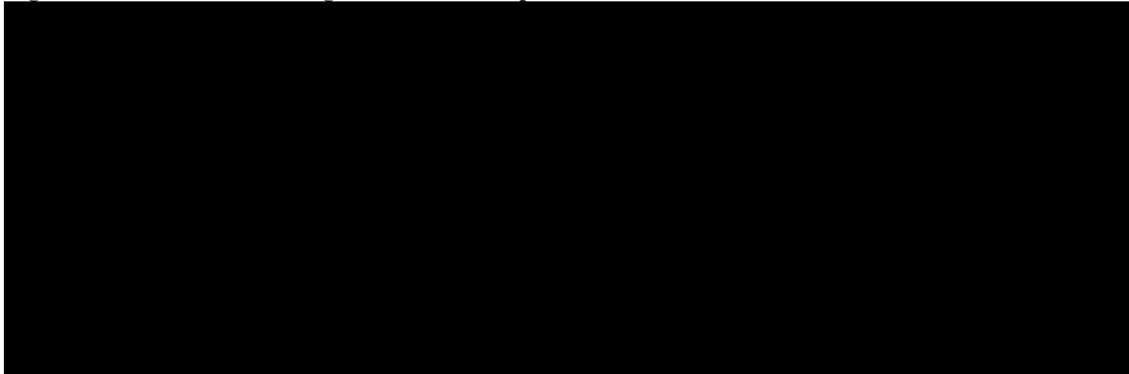
Table 6 and figure 5 showed the distribution of respondents based on their spoken languages. From the analysis, 32 respondents (23.0%) could speak only Yoruba, 26 respondents (18.7%) could speak English only, 71 respondents (51.1%) could speak both English and Yoruba while 10 respondents (7.2%) were residents who speak languages aside English and Yoruba. This means that majority of the respondents could speak English and Yoruba fluently.

**Table 7 Location of Respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Oke-Ogun	83	59.7	59.7	59.7
Ibarapa	56	40.3	40.3	100.0
Total	139	100.0	100.0	

Source: Field Survey (2022).

**Figure 6: Bar Chart Showing Location of Respondents**



Source: Field Survey (2022).

Table 7 and figure 6 displayed the respondents' location analysis. 83 respondents (59.7%) were residents of Oke-Ogun while 56 respondents (40.3%) were residents of Ibarapa. This shows that majority of the respondents were residents of Oke-Ogun region in Oyo State.

**Data Presentation and Analysis**

**Table 8: Responses on how criminal activities significantly affect socio-economic development in Oyo State**

**Descriptive Statistics**

	N	Mean	Std. Deviation	Decision
Decline in the rate of investments	139	3.0	.95	Agreed
Limit in the local people round of social and economic activities	139	3.2	.84	Agreed
Disrupts social order	139	3.3	.90	Agreed
Creates chaos and confusion	139	3.4	.87	Agreed
Hinders community collaboration and trust	139	3.1	.93	Agreed
Valid N (listwise)	139			

Source: Field Survey (2022).

Table 8 displayed responses on the effect of criminal activities on the socio-economic development of Oyo State. From the analysis, Majority of the respondents agreed that criminal activities causes decline in the rate of investments as shown in the mean score of 3.0 (Agreed) and SD of .95. The mean score of 3.2 (Agreed) and SD of .84 indicated that criminal activities causes limitation in the social and economic activities of the local people. Another impact of criminal activities on socioeconomic development in Oyo State is that crime disrupts social order. This is shown by the mean score of 3.3 (Agreed) and SD of .90. Other effects include it creates chaos and confusion and hinders community collaboration and trust which are represented by the mean scores of 3.4 (Agreed), 3.1 (Agreed) and SD of .87 and .93 respectively.

**Table 9 The impact of Amotekun on curbing crimes within Oyo State**

**Descriptive Statistics**

	N	Mean	Std. Deviation	Decision
Kidnapping, armed robbery and killings have reduced drastically	139	1.7	1.0	Disagreed
Bandits are scared to carry out their nefarious activities	139	2.9	.96	Disagreed
Residents are willing to corporate with security agencies to share information	139	3.0	1.0	Agreed
Weapons proliferation has been eradicated within communities in Oyo State	139	1.6	.86	Disagreed
Valid N (listwise)	139			

Source: Field Survey (2022).

Table 9 displayed responses concerning the impact of Amotekun on curbing crimes within Oyo State. From the result, kidnapping, armed robbery and killings have not reduced

drastically according to the mean score of 1.7 (Disagreed) and SD of 1.0. The results also showed that respondents disagreed that bandits are scared to carry out nefarious activities as shown by the mean score of 2.9 (Disagreed) and SD of .96. The mean score of 3.0 (Agreed) and SD of 1.0 indicated that residents are willing to co-operate with security agencies to share vital information. Weapons proliferation within the state has not been totally eradicated as shown by the mean score of 1.6 (Agreed) and SD of .86.

**Table 10 Challenges of regional policing in the study area  
Descriptive Statistics**

	N	Mean	Std. Deviation	Decision
Community mistrust on regional policing	139	3.1	.94	Agreed
Antagonistic relationship between the government security agencies and community members	139	3.4	.85	Agreed
Godfatherism leading to shielding or protecting criminals within the communities	139	3.4	.84	Agreed
Inadequate infrastructure for regional policing	139	3.1	.91	Agreed
Poor funding and dearth of modern weapons	139	3.2	.85	Agreed
Valid N (listwise)	139			

Source: Field Survey (2022).

Table 10 showed the result from responses on challenges of regional policing in the study area. The mean score of 3.1 (Agreed) and SD of .94 indicated that community mistrust is one of the challenges impeding regional policing in Oyo State. The mean score of 3.4 (Agreed) and SD of .85 indicated that antagonistic relationship between the government security agencies and community members serves a challenge to regional policing as revealed by the mean score of 3.4 (Agreed) and SD of .85. Shielding or protection of criminals by so-called godfathers also impedes regional policing in Oyo State as this revealed by the mean score of 3.4 (Agreed) and SD of .84. Inadequate infrastructure for regional policing serves as a challenge as revealed by the mean score of 3.1 (Agreed) and SD of .91. Poor funding and dearth of modern weapon also impedes regional policing in Oyo State. This is revealed by the mean score of 3.2 (Agreed) and SD of .85.

**Table 11: Residents' perception concerning operations of Amotekun in fighting crimes in Oyo State  
Descriptive Statistics**

	N	Mean	Std. Deviation	Decision
Residents rate the performance of Amotekun highly	139	2.7	1.0	Disagreed
Residents are willing to partner with Amotekun to fight crime	139	3.2	.86	Agreed
Residents perceive the operations of Amotekun to be biased and selective	139	1.8	.90	Disagreed

Amotekun are always proactive and prompt in tackling criminal activities	139	1.8	1.0	Disagreed
Valid N (listwise)	139			

Source: Field Survey (2022).

Table 11 displayed responses on residents’ perception concerning the operations of Amotekun in fighting crimes within Oyo State. The mean score of 2.7 (Disagreed) and SD of 1.0 indicated that some of the residents do not rate the performance of Amotekun highly. Results showed that residents are willing to partner with Amotekun to fight crime as revealed in the mean score of 3.2 (Agreed) and SD of .86. The mean score of 1.8 (Disagreed) and SD of .90 indicated that residents do not perceive the operations of Amotekun to be biased and selective. The mean score of 1.8 (Disagreed) and SD of 1.0 indicated that Amotekun are not always prompt and proactive in tackling criminal activities.

**Test of Hypotheses**

Re-Statement of Hypothesis

Ho: There is no significant relationship between Amotekun efforts and crime prevention within Oyo State.

H1: There is a significant relationship between Amotekun efforts and crime prevention within Oyo State.

**Table 12: Chi-Square Tests**

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	160a	9	.000
Likelihood Ratio	149	9	.000
Linear-by-Linear Association	1.6	1	.199
N of Valid Cases	139		

Source: Computed Data (SPSS 23).

Table 12 shows the test of independence between the column and row variables using Pearson chi-square and from the table the significance value (Asymp. Sig) is low (0.000) and statistically significant. The value indicated the existence of a relationship between the two variables.

**Table 13: Symmetric Measures**

	Value	Asymptotic Standardized Errora	Approximate Tb	Approximate Significance
Interval by Interval Pearson's R	.109	.132	1.288	.200c
Ordinal by Ordinal Spearman Correlation	-.346	.117	-4.317	.000c
N of Valid Cases	139			

Source: Computed Data (SPSS 23).

## **Decision Rule**

Reject the null hypothesis if the calculated value is greater than the tabulated value and accept otherwise. At 5% level, the critical value corresponding to the sample size is 139. At 5% level of significance and degree of freedom of 9,  $\chi^2 = 149$ . Therefore, since the calculated value (160a) is greater than the likelihood ratio value (149), we reject the null hypothesis and conclude that there is a significant relationship between Amotekun efforts and crime prevention in Oyo State. Also, the result showed that there is a positive correlation between Amotekun's efforts and crime prevention in Oyo State ( $r = 0.109$ ;  $P = 0.000$ ). By positive relationship, we mean an increase in a variable will lead to increase in the other variable.

## **Discussion of Findings**

This study assesses the impact of Amotekun on regional policing in Oyo State specifically. The results showed that majority of the respondents were female and respondents within the age bracket of 28-37 years which explained the fact that youths were more active in crime and regional policing such as Amotekun and other vigilante outlets within Oke-Ogun and Ibarapa areas of Oyo State. Married respondents were more than the single respondents and majority of the respondents had Diploma/HND qualifications which revealed that people of these areas were educated and have knowledge of the social vices in their communities. Majority of the residents could speak English, Yoruba and other indigenous languages fluently which implied that there is a good means of communication among the people in their communities. The study focuses on key areas in Oyo State where there have been pockets of conflicts, killings, kidnapping, banditry and the areas selected were Oke-Ogun and Ibarapa.

The findings showed that criminal activities significantly impede socioeconomic development of Oyo State. The findings of this study showed that crime affect the socioeconomic development of Oyo State in terms of decline in investment, limited activities of the people, disruption of social order, chaos and confusion as well as it hinders community collaboration and trust. This finding corroborate with the research findings of Asongo and Terseer (2021) which revealed that crimes have negative consequences on the youth themselves, family and society at large. These have affected the stability of the country and caused underdevelopment.

There have been pockets of criminal activities within communities in Oyo State, especially Oke-Ogun and Ibarapa. The creation of Amotekun was seen as a step in the right direction to nipping crimes to the board. The findings of the study revealed that Amotekun has made efforts. However, there have been lapses. The findings showed that kidnapping, armed robbery and killings have not reduced drastically. Also weapons proliferation has not been eradicated within the communities. Despite these, residents have not relented in disseminating vital information bordering on security to security agencies. The clamour for regional policing has been a topical issue in Nigeria in recent times due to the high rates of criminal activities. From the findings, regional policing within Oke-Ogun and Ibarapa areas have been marred by several challenges. There have the issue of community mistrust, frosty relationship between government security agencies and community members, influence of godfathers to shield criminals, inadequate infrastructure and poor funding and

dearth of modern weapons. These challenges have been identified by residents to be some of the key issues affecting regional policing. To corroborate these findings, Kelling and Moore (1988) discovered that challenge facing regional policing includes satisfying the security priorities of members of the community as victims, suspected offenders, residents, visitors, indigenes, settlers and business owners. Furthermore, Moore and Recker (2016) observe that informal means of social control prevents property crime more than violent crimes in a society.

Residents of Oke-Ogun and Ibarapa have perception concerning the operations of Amotekun in regards to their efficiency in fighting crimes. Residents do not rate the performance of Amotekun very high as revealed by the findings of the study. This may be due to pockets of criminal activities in Oke-Ogun and Ibarapa despite the operations of Amotekun in these areas. Also some residents have the perception that the operations of Amotekun is positive as some of them believe that their operations is not elements of bias and selective and Amotekun have not been proactive and prompt always when tackling criminal activities within the communities in Oke-Ogun and Ibarapa.

## **Conclusion**

Regional policing and crime prevention has been a topical issue in Nigeria due to numerous kidnapping, killings, terrorism, banditry, armed robbery activities. The study concludes that there is significant relationship between criminal activities and socio-economic development in Oyo State. There is no significant relationship between impact of Amotekun and its operations to curb crimes within Oyo State. Also, there is there is significant relationship between challenges affecting Amotekun and regional policing in Oyo State. Finally, there is significant relationship between residents' perception and performance of Amotekun in fighting crimes in Oyo State.

## **Recommendations**

Based on the findings of this study, the following recommendations are made by the researcher:

1. The Oyo state government has much work to do prevent crimes within the state. The security sector should be given utmost attention so as to reduce the negative impact of criminal activities on the socio-economic development of the state. By nipping crimes to the board, the state would enjoy local and foreign direct investments.
2. The State government should intensify efforts by proving more funds for Amotekun which would be judiciously utilized to purchase modern security gadgets in order to reduce armed robbery, kidnapping and banditry within Oyo State by
3. Achievements of Amotekun should be publicized to the public so as to put more fear in the hearts of criminals or intended criminals to stay off crime.
4. Town hall meetings consisting of members of Amotekun, government officials and other security agencies should be organized regularly as to educate the people about the importance of regional policing and its impact on crime prevention.
5. The government should set up measures to dissuade godfathers attitude of shielding criminals within the communities. Criminals should be identified and dealt with decisively under the ambit of the relevant laws.

6. The relationship between the state government and security agencies should be strengthened so as to enhance regional policing within the communities.
7. The state government should make adequate budgetary provision for acquisition of modern security gadgets for Amotekun and other security agencies so as to boost their performance in crime prevention.
8. The leaders of Amotekun should be proactive and prompt in responding to crimes within the communities in Oyo State. They should show more bravery and intelligence and carry their members along.

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## APPENDIX

### SECTION A: Personal Information of Respondents

Please tick or fill in the space provided below as appropriate

1. Gender: Male { } Female { }
2. Age Bracket: 18 – 27 years { } 28 – 37 years { } 38 – 47 years { } 48 – 57 years { } 58 years and above { }
3. Marital Status: Single { } Married { }
4. Education Qualification: Primary School Certificate { } Secondary School Certificate { } Diploma/HND { } First Degree { } Masters/PhD { }
5. Language Spoken: Yoruba Only { } English Only { } English and Yoruba { } Others { }

6. Location: Oke-Ogun { } Ibadara { }

**SECTION B: Research Questions**

Research Question 1: How do criminal activities significantly affect socio-economic development in Oyo State?

S/N	Statements	SA	A	D	SD
1	Decline in the rate of investments				
2	Limit in the local people round of activities				
3	Disrupts social order				
4	Creates chaos and confusion				
5	Hinders community collaboration and trust				

Research Question 2: What is the impact of Amotekun on curbing crimes within Oyo State?

S/N	Statements	SA	A	D	SD
1	Kidnapping, armed robbery and killings have reduced drastically				
2	Bandits are scared to carry out their nefarious activities				
3	Residents are willing to cooperate with security agencies to share information				
4	Weapons proliferation has been eradicated within communities in Oyo State				

Research Question 3: What are the challenges of regional policing in the study area?

S/N	Statements	SA	A	D	SD
1	Community mistrust on regional policing				
2	Antagonistic relationship between the government security agencies and community members				
3	Godfatherism leading to shielding or protecting criminals within the communities				
4	Inadequate infrastructure for regional policing				

Research Question 4: What is the residents' perception concerning the operations of Amotekun to fighting crimes within Oyo State?

S/N	Statements	SA	A	D	SD
1	Residents rate the performance of Amotekun highly				
2	Residents are willing to partner with Amotekun to fight crime				
3	Residents perceive the operations of Amotekun to be biased and selective				
4	Amotekun are always proactive and prompt in tackling criminal activities				

Key:

SA-Strongly Agree A-Agree D-Disagree SD-Strongly Disagree.



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## CIVIL SERVICE REFORMS: A CASE STUDY OF THE GAMBIAN CIVIL SERVICE

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**Abstract:** *The paper examines the Civil Service Reform (CSR) agenda in The Gambia from 2008 – 2015. The study identifies the motives for the civil service reforms in the country during the study period. The paper reviewed theoretical concepts to provide context and clear understanding of terms and concepts used in the paper. CSRs have been undertaken across the world for various reasons. The civil service is an important machinery for the delivery of services to the citizenry and development of the society. Initial attempts on civil service reforms focused more on affordability in terms of the wage bill. This has been a key pillar of the Structural Adjustment Programmes of the 1980s. The focus has evolved to include performance management, capacity building, and improving service delivery. The paper employed desk review and documentary analysis as research method in analysing CSRs in The Gambia. The study reviewed CSR strategy 2008 – 2011 and the CSR programme 2012 – 2015 with a view to establishing the objectives of the reforms and the extent to which these objectives were achieved. As part of its efforts to reform the Gambian civil service and to control the wage bill, the government conducted a nationwide staff and/or payroll verification exercise to eliminate ghost workers and enhance the integrity of the payroll. However, this paper established that some of the key objectives of the civil service reform agenda have not been achieved. The objectives of improved pay and pension, control of the wage bill, the establishment of a performance management system and culture, and capacity building of key institutions have not been achieved.*

**Keywords:** *civil service, reform, programme, strategy, service delivery, public sector*

### Introduction

Public administration as an area of study and practice has evolved over time. It has transcended its politics - administration dichotomy. Public administration has evolved over time with increasing focus on service delivery. The civil service is considered as the “steel frame” (Wilder, 2009:19) for the delivery of services, development of countries and the

“backbone of the state that underpins governance” (Repucci, 2014:207). The role of the civil service has received increased attention (Anazodo, Okoye, & Chukwuemeka, 2012). This is due to the fact that the civil service is a crucial institution for the provision and production of public services, achieving development objectives and good governance (Oluwo, 2010; Sekwat, 2002). The New Public Management (NPM) has focused on the importance of efficient and effective service delivery in the public sector. NPM has led to the rethinking of the role of government and how it could be reoriented with a view to improving performance, accountability, and service delivery (Lamidi, Agboola & Taleat, 2016).

Many developing countries inherited civil services from the colonial administrations which were perceived not to be responsive to the challenges of meeting the expectations of the citizens of the newly independent countries (Lamidi et al., 2016; Oluwo, 2010). The desire to meet the huge development needs of the newly independent nations led to an increase in the size of the civil service. Lienert and Modi (1997) indicated that in the decades prior to 1980, many African countries registered increase in the annual growth rate of the civil service in excess of 5 per cent. This fuelled expansion in the wage bill, especially when measured as a proportion of tax revenue. This coupled with the economic crises of the 1970s and 1980s exacerbated the economic problems of the countries which further undermined the delivery of public services. Other challenges that bedevilled the civil service include lack of transparency, initiative, and corruption (Lamidi et al., 2016; Prijono, 2015; Anazodo, Okoye, & Chukwuemeka, 2012). These challenges necessitated the need for the reform of the civil service.

In many developing countries including The Gambia, reforms of the public sector, which importantly includes the civil service aim to enhance efficiency and service delivery. Civil service reforms have a long history globally and in Africa. The New Public Management (NPM) has been a major driving force behind civil service reform. Broadly, civil service reforms either quantitatively focused on macroeconomic stabilisation or qualitatively focused on remuneration, promotion and performance (Lienert & Modi, 1997). The “first-generation reforms” (Lienert & Modi, 1997:4) became the main focus of the International Monetary Fund (IMF) structural adjustment programmes and lending aimed at macroeconomic stabilisation. The drive to enhance good governance and efficient and effective service delivery which was also boosted by the adoption of the Millennium Development Goals (MDGs) led to a shift in focus on more quality centred reforms.

There are several reasons why governments embark on civil service reforms. Civil service reforms are not an end in themselves. The justification lies “either directly in terms of service delivery, or indirectly through their impact on macroeconomic stability or improved economic and social policy formulation and implementation” (World Bank & IMF, 2002:3). Some of the key motivating factors include the desire to enhance accountability, review of salaries and wages (Anazodo et al., 2012), and pay for performance, decentralisation of personnel authority (Brewer, 2016). Lienert (1997) identified three key objectives of Civil Service Reform (CSR) in Sub Saharan Africa as the downsizing of the civil service, restructuring of remuneration, and improving management and accountability.

The Gambia has embarked on civil service reforms since the Structural Adjustment Programmes of the 1980s. It has formulated the Civil Service Reform Programme (CSRP 2012-2015) which was preceded by the CSRP 2008-2011. To address gaps and build on

gains, the Government of The Gambia formulated the Civil Service Reform Programme 2018 – 2027. This is in recognition of the importance of a civil service which has the required capacity and performs to meet national development objectives. While there has been earlier attempts at CSR in The Gambia, this study focuses on civil service reform in The Gambia from 2008 to 2015. The reason for choosing this period for the study is informed by the dearth of relevant official documentation for previous civil service reform programmes in the country.

Despite these efforts at CSR from 2008 in The Gambia, there has been little or no known comprehensive study that assessed the reforms. A study by Nkala and Sonko (2021) focused mainly on civil service pay reforms from 2008 – 2015. Tarro (2021) assessed of the goals of Civil Service Reforms in The Gambia and their implementation. The objectives of this study was to contribute to the body of knowledge around civil service reform in The Gambia. Specifically, this paper sought to:

- i. examine civil service reform in The Gambia from 2008 to 2015;
- ii. identify the motives for civil service reforms in the country; and
- iii. analyse the achievements of civil service reforms during the study period.

To address these, the paper aimed to answer the following questions:

- i. What were the objectives of the civil service reform agenda in The Gambia from 2008 - 2015?
- ii. To what extent has the objectives of the civil service reform been achieved?

## **Literature Review**

This section of the paper reviews relevant literature around concepts and empirical studies of civil service reforms with a special focus on Africa. The paper then reviews civil service reform in The Gambia, discusses the evolution of the objectives of CSR and the extent to which these objectives have been achieved before concluding.

## **Conceptual and Theoretical Review**

In this section, we present a review of relevant literature of previous research and scholarly works in civil service reform. We also review the concept of public sector, civil service, administrative reforms, and civil service reforms with special focus on Africa. Civil services are very important engines of development in every country. In developing countries, their roles go beyond policy making to include policy implementation (Ayee, 2001). Effective implementation of policies and programmes are required to improve the lives and the livelihoods of the population (Priyono, 2015) and the main tool available to governments to achieve development goals and objectives (Fatile & Adejuwo, 2010).

### *Public Sector*

The public sector is an amalgam of institutions that depend on the power of the state. This means the public sector consists of institutions that derive their existence, authority, and power from the state. Lamidi et al., (2016) identified three broad groups namely ministries, departments, agencies, and local government units; state enterprises, boards, corporations, and parastatals; and professional bodies who can enforce certain decisions based on powers conferred by the state.

### *Civil Service*

It is difficult to define and delineate the civil service. The civil service is generally recognised as part of the public sector. It is the core, permanent administrative arm of government that consists of ministries, departments, and agencies (Rao, 2013). According to Anazodo et al. (2012:16), the “civil service ... comprises workers in the various ministries or departments apart from those who hold political appointments”.

The civil service can thus be described as a sub set of the public sector consisting of ministries, departments and agencies who are at the forefront of developing and implementing policies and programmes (Rao, 2013).

### *Administrative Reforms*

Administrative reform is the purposeful attempt to change the thrust and orientation of public administration (Ayee, 2008). Dror (1976:127) sees reforms as “directed change of main features of an administrative system ... [through] goal orientation ... and the comprehensiveness of change”. Administrative reforms must include efforts to effect changes in public administrative systems with a view to improving its components for enhanced management and administration.

Olowu (1992) states that reforms are aimed at transforming developing country bureaucracies to enable them to accommodate new development demands. Farazmand (1999: 806) defines reforms within developing country context as “attempts to modernize and change society by using the administrative system as an instrument for social and economic transformation”. Williams and Yecaló-Teclé (2019:4) defined “reform or reform episode as a strategic and intentional structural or managerial change to the internal administration of civil service organizations”.

### *Civil Service Reforms (CSR)*

CSRs are reforms that are geared towards enhancing the effectiveness of service delivery and promotion of development and good governance. CSRs are not an end in themselves. Their justification lies in their impact on service delivery or macroeconomic stability (World Bank & IMF, 2002). They attempt to achieve this by addressing challenges that impede the functioning of the civil service. These problems include poor remuneration, lack of clearly defined institutional roles and responsibilities among others. Anazodo (2009) defined civil service reform as deliberate changes to the management of human resources with the ultimate objective of maximising administrative values.

Schiavo-Campo and Sundaram (2001) advanced six main importance of the civil service. These are governance, delivery of public goods and services, economic policy improvements, management of public expenditure and revenue, fiscal sustainability, and institutional development. According to McCourt (2013), the thrusts of civil service reforms are determined by the key challenges faced by the civil service. These include enhancing the performance of government in terms of service delivery, making government affordable, and making government more responsive to the citizenry.

## **Theoretical Review**

Various theories have been used to explain political and administrative systems and the need for reform. Every reform is geared towards achieving set or defined objectives.

Lamidi et al, (2016) used the open system theory by Katz and Kahn to analyse public sector reform in Africa.

A system could be understood as a collection of interdependent components. The system receive inputs from the environment which is converted into outputs in the environment. An organisation can thus be seen as an open system that interacts with its environment. The civil service can thus be seen as a system with subsystems which depend on inputs such as “personnel, other resources and information from outside it” (Lamidi et al., 2016:8). Thus reforms are geared towards improving the civil service for efficient and effective service delivery.

Agency theory has also been seen as a theoretical driver of public sector reform in Africa (Ayee, 2008). It is concerned with the relationship between principals and agents and the contracts that arise. The principal agent relationship is crucial to the understanding of administrative theory. “Principals (either politicians on behalf of the citizens or departments on behalf of the politicians) employ agents (either individuals or organizations) who have “professional” knowledge to fulfil public services” (Kutlu, 2011:86). Agency theory sees organisations as implicit and explicit contracts. Agents exercise authority on behalf of their principals. Ayee (2008) posits that policy making and implementation in the public sector is also prone to the agency problem.

Agency theory aims to control the agent’s behaviour towards meeting organisational objectives as envisaged by the principal. Civil service reform is a tool that provides options to “limit agent opportunism” (Kutlu, 2011:88) through key civil service reform objectives such as capacity building, performance-related pay, personnel management among others.

## **Empirical Review**

In trying to establish why public sector reforms fail in Sub Saharan Africa, Crooke (2010) explored three reform periods. The first generation reforms were donor driven civil or public service reforms which began with the Structural Adjustment Programmes (SAPs) of the 1980s spurred by neo-liberal policies aimed at reducing the role of the state and fixing macroeconomic imbalances. The second generation reforms went a step further in the 1990s to complement downsizing with restructuring the civil service, “performance management and budget/financial management and marketization of service delivery” (Crook, 2010:482). The third generation reforms emerged after the publication of the World Development Report of 1997 which focused on a responsive state placed emphasis on the improvement of service delivery to the citizenry. In reviewing the results of the public service reforms across the African continent, Crook (2010) contested the attainment of the key objectives of downsizing, pay reforms, and performance and service delivery. He has argued that the reforms “efforts have failed to change the situation – if anything, it has got worse (Crook, 2010:499).

Ayee (2001) reviews the Civil Service Reform Programme (CSRP) 1987 – 1993 in Ghana, its rationale, and analyse the progress registered, given the obstacles and constraints. His analysis was based on five key components of the reform programme that is (i) control of the size of the civil service; (ii) pay and grading; (iii) organization and management reform; (iv) the management of retrenchment; and (v) training.

Adopting documentary review and interviews Williams and Yecaló-Teclé (2019) researched performance-oriented civil service reform in Ghana and Zambia since 1990.

While they were unable to establish successful linkages between individual performance and rewards and sanctions, they showed how such reforms could achieve results through “measurement and dialogue” (Williams & Yecaló-Teclé, 2019:1).

Nwanolue and Iwuoha (2012) using documentary analysis of relevant records explored the contribution of the Nigerian civil service to the promotion of sustainable development. They traced the evolution of the Nigerian civil service reform since independence including the establishment of several commissions such as the “Morgan Commission of 1963, the Adebo Commission of 1971 and the Udoji Commission of 1972 – 74” (Nwanolue & Iwuoha, 2012:12). Despite these and further efforts at reforming the Nigerian civil service, there has not been significant improvement and efficiency with limited impact on promoting sustainable development.

Tracing the challenges of the Nigerian civil service to its colonial legacy, Anazodo, Okoye, and Chukwuemeka (2012) explored civil service reforms from independence and how they impacted efficiency and effectiveness in service delivery. While advancing corruption as being a key factor for civil service reform, scholars like Nwanolue and Iwuoha (2012) also traced the various commissions set up to reform the Nigerian civil service. They concluded that there is limited improvement in the “quality of service provided to the citizenry” (Anazodo, Okoye, & Chukwuemeka, 2012).

Tarro (2021) assessed of the goals of Civil Service Reforms in The Gambia and their implementation. Drawing respondents from four ministries, departments and agencies identified the objectives of the CSR. These objectives include “reinforcement of meritocracy, due process and professionalism, enhancement of administrative culture, improvement of efficiency and quality service delivery, [and] institutionalization of a system that engenders separation between politics and administration” (Tarro, 2021: 13). Despite these objectives, the study indicated that challenges around capacity in the form of human and material resources remain, Nkala and Sonko (2021) in a study of civil service pay reforms 2008 to 2015 in the Gambia found that civil service has not improved and if anything poor pay is one of the root causes of poor performance.

Using open systems and agency theories as framework of analysis this study adopted documentary review and analysis of relevant records. The study reviewed government documents on civil service reforms from 2008 to 2015 to garner an insight into the objectives and achievements of the civil service reform agenda in The Gambia. It also looked at assessments and other secondary materials to analyse and assess the attainment of the objectives or progress registered.

### **Civil Service Reforms in The Gambia**

The civil service has been considered as an important vehicle for the attainment of The Gambia’s development objectives as enshrined in the national development strategies such as the Vision 2020, the Poverty Reductions Strategy Papers, Programme for Accelerated Growth and Employment (PAGE 2012 - 2015), and National Development Plan (NDP 2018 – 2021), as well as conduit for public service delivery (Personnel Management Office of the President, PMO-OP, 2017). In recognition of this, the government has embarked on civil service reform agenda over time. One notable attempt at reforming the public service including the civil service was during the Structural Adjustment Programme. Since then, government has elaborated the Civil Service Reform

Strategy 2008 – 2011, the Civil Service Reform Programme 2012 – 2015. Following the change of government in 2017, the Barrow administration formulated the Civil Service Reform Programme 2018 – 2027 Strategy.

The Civil Service Reform Strategy 2008 – 2011 was borne out of the recognition that the capacity of the civil service has deteriorated overtime. The erosion of capacity was blamed on “over expansion, patronage hiring, corruption, informality and an exodus of professional and technical personnel” (PMO-OP, 2008:2). Earlier attempts at civil service reform during the Structural Adjustment Programme focused mainly on controlling the size of the civil service and the wage bill. An overarching goal of the Civil Service Reform Strategy 2008 – 2011 has been to “create a civil service based on merit which will be leaner and better remunerated” (PMO-OP, 2008:1). The Civil Service Reform Strategy was informed by an analysis which culminated in a World Bank report (2002) titled “The Gambia: Improving civil service performance”.

The major thrust of the Civil Service Reform Strategy 2008 – 2011 was to address challenges related to capacity within the civil service, incentives, and the wage bill, and personnel management. To surmount these challenges, the strategic priorities revolve around competitive pay for recruitment and retention of talent, control of the wage bill, training that is driven by structural change, policy change such as merit and competency-based promotion. The reform also aims at building reform capability of the Personnel Management Office and key institutions, and managing behaviour and performance management in the Gambian civil service. These strategic priorities have driven five programmes. These programme areas are personnel management policies, processes and capabilities, pay reform, pension reform, performance management, and policy management processes.

The Civil Service Reform Programme (CSRP) 2012 – 2015 was formulated with the overarching goal of having “a competent, professional and results oriented civil service at all times that delivers quality services to the people in a cost effective and efficient manner” (PMO-OP, 2011:8). This overarching goal has led to four focus areas such as capacity building of Ministries, Departments and Agencies (MDAs) to execute their mandates, improve remuneration and pension levels to attract and retain staff, inculcation and nurturing a performance culture, and the provision of tools and systems for improving delivery of services.

The reform programme is very clear in terms of expected results. Each focus area is disaggregated into components and expected outputs. In order to achieve the objective of strengthening the capacity of MDAs to execute their mandates, it is envisaged that institutional mandates, development goals, policies, structures, and staffing will be aligned. Pay and pension reforms are planned to be developed and implemented to help improve remuneration to attract and retain talent. A performance management culture is envisaged through the development and implementation of a civil service performance management policy. Development of basic e-governance capacities and citizens score card frameworks are planned to be implemented to improve public service delivery and accountability for service provision.

## **Discussion**

In this section we discuss and review the objectives of the civil service reform agenda in The Gambia from 2008 to 2015, and the extent to which the objectives of the civil service reform have been achieved. Civil service reforms in The Gambia date back to the Structural Adjustment Programmes of the 1980s which aimed to curtail the size of the civil service with a view to controlling the wage bill and enhancing fiscal sustainability. Since 2008, the Government of The Gambia has embarked on series of civil service reform programmes. These are the Civil Service Reform Strategy 2008 – 2011, Civil Service Reform Programme (CSRP) 2012 – 2015, and the Civil Service Reform Programme (CSRP) 2018 – 2027. In the previous section, we highlighted the objectives of the civil service reform agenda in The Gambia. The objectives of the various civil service reform programmes/strategies have gone beyond a simple focus on size and controlling the wage bill to include issues relating to capacity, improving public service delivery, and performance management.

There has not been a fundamental shift in objectives from Civil Service Reform Strategy 2008 -2011 to the Civil Service Reform Programme 2012 – 2015. The two programmes aimed at achieving improved remuneration for recruitment and retention of talent in the civil service, capacity building in the civil service, and performance management. From the similarity of the objectives one can infer that civil service reform is not a one-time exercise but a reform agenda which spans over time with recurring themes. This is not unique to The Gambia. Sekwat (2002) and Anazodo, Okoye and Chukwuemeka's (2012) review of the Nigerian civil service reforms indicate recurring themes across different reform programmes.

As part of the efforts to reform the civil service, the government under President Barrow conducted a nationwide staff or payroll verification exercise. The exercise covered the entire civil service and the security forces. It aimed to eliminate ghost workers and enhance the integrity of the payroll (GoTG, 2018). This has in a way contributed to the objective of controlling the wage bill, albeit in a limited way. In many parts of the world, civil service reforms have not achieved intended objectives. One of the objectives of the civil service reform agenda is control of the wage bill or optimal organisation and staffing. This is to be achieved through control over staffing to manage the hiring pressures. There has not been much progress in achieving this objective despite the conduct of staff or payroll verification exercise. An analysis of progress on this front by the CSRP 2018 – 2027 indicate growth in civil service numbers and the wage bill straining fiscal capacity. The analysis indicate a 69 per cent increase in civil service numbers between 2013 and May 2017 despite the “poor and disabling macroeconomic and fiscal environment in the period of the CSRP 2012-2015” (PMO-OP, 2017:19).

A major objective of the civil service reform programmes and strategies is to achieve improved remuneration that is competitive to attract and retain staff. However, despite the efforts, review of performance indicate low pay and pensions (GoTG, 2018). A survey conducted to inform the CSRP 2018 – 2027 revealed low pay and remuneration as the foremost issue. Inflation has led to low real salaries and eroded the annual increments built into the salary grading system. The salary and grading structure has been found to be defective by a study of Civil Service Pay and Grading Structure that was conducted in 2014. Given the low salaries, pensions which are determined by basic salary level is even

more problematic. The review by the CSRP 2018 – 2027 has shown that in some instances, pensions are inadequate to meet the cost of a bag of rice. Nkala and Sonko (2021) found that the civil service in The Gambia has not improved and poor pay is one of the root causes of poor performance. It is thus apparent that the objective of improving pay and remuneration and making them competitive is yet to be achieved. The health strategic plan highlights poor remuneration and the problem of retention of health professional as major challenges (Ministry of Health, 2014).

Another priority area of the civil service reform agenda is the issue of performance management with a view to improving service delivery. The National Development Plan acknowledges the lack of a performance management system which has led to low productivity (GoTG, 2018). The “lack of [an] appraisal system” (Tarro, 2021:13) undermines the CSR objective of merit and competency based promotion. Without a robust appraisal system, it is difficult to establish and nurture a merit based promotion system. The continued deficit of capacity in key institutions, including the Personnel Management Office (PMO) (Tarro, 2021), undermines the civil service reform objective of capacity building. Inadequate capacity in key institutions poses a challenge to the implementation of civil service reform strategies and sustainability of the reforms.

These challenges have been recognised in the Civil Service Reform Programme (2018 – 2027) strategy. It has clearly articulated the challenges facing the civil service which points to the gaps in terms of the achievement of the objectives of the CSR strategy 2008 – 2011 and the CSRP 2011 – 2015. These challenges include among others the growth in civil service and the wage bill putting pressure on fiscal space, poor remuneration and incentives, and inadequate capacity building. The National Development Plan of The Gambia (2018 – 2021) also highlighted the problems in the civil service such as increased number of ministries, departments and agencies, lack of performance management systems, and low pay and pension levels. This is an indication of gaps in the attainment of the objectives of the CSR over the period 2008 – 2015.

## **Conclusion**

This study examined civil service reforms in The Gambia between 2008 and 2015. CSR is an important reform agenda for governments around the world. While they have a long history, the history of CSR in Sub Saharan African has been divided into three periods. The first generation of reforms were mainly driven by donors and coincided with the Structural Adjustment Programmes. They were mainly driven by the desire to address macroeconomic imbalances and thus reducing the size of the civil service. The second generation reforms went further to include performance management with the third generation focusing on a responsive state and improved service delivery to the citizenry. In The Gambia, like many other Sub-Saharan Countries, CSR was a key part of the Structural Adjustment Programme of the 1980s. This study looked at the Civil Service Reform strategy of 2008 – 2011 and the Civil Service Reform programme of 2012 – 2015. The study examined the motives for CSR strategy 2008 – 2011 and the CSR programme 2012 – 2015 with a view to establishing the objectives of the reform and the extent to which these objectives were achieved. The key objectives of the CSR agenda during this period revolved around improving pay, pensions, and incentives, establishing performance

management system and culture, capacity building particularly of key institutions responsible for the reform, and control of the wage bill.

The study indicated that some of the key objectives of the CSR agenda from 2008 to 2015 were not achieved. Low pay, pensions and incentives continue to be a challenge in the Gambian civil service. The envisaged performance management systems has not been established by 2015 and continues to be a key objective of the Civil Service reform programme 2018 – 2027.

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# ***FINANCE***



## MAIN IMPLICATIONS AND REACTIONS FOR THE PONZI SCHEMES' VICTIMS

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**Abstract:** *In the last years, the economic frauds have increased and diversified, the Ponzi schemes being one of them. This purpose of this paper is to highlights the main implications and reactions for the Ponzi schemes' victims using a review method of books, articles and reports. The consequences of the Ponzi frauds on the victims are various, including financial, health and emotional aspects (depression, physical problems, and suicide attempts) and behavioural issues (self-blame, guilt and shame). Following a Ponzi scam, victims reported various reactions, including feelings of shame and guilt, while some tried to hide the they are victims to a fraud or to avoid the reporting to authorities. However, finding the types of effects and reactions of the victims may lead to awareness of existing risks and to a greater willingness of present and future victims to report these fraudulent acts.*

**Keywords:** *Ponzi frauds, financial crime, victimization, victim's behaviour.*

### Introduction

In the last years, the economic illegal practices increase and diversify worldwide. Individuals and groups are searching for illegal material and financial advantages from victims using various tools and methods. Ponzi scheme is one of these methods of financial fraud, taking into consideration the method developed by Charles Ponzi in the earlies 1920. This scheme aims to collect money from victims instead of promising high profits, while cooks illegally use the funds (Frankel, 2012). Although victims are aware that high profits without risks are impossible, they frequently make irrational choices, suggesting that the human behaviour can be different to patterns predicted by economic rational models (Diacon et al., 2013). Sometimes victims blame themselves for their weakness, and try to hide the losses incurred to them, instead of filing a complaint with the police in order to avoid public humiliation. This conduct gives validity to the attitude that they could have avoided the losses, and their silence, stemming from the shame of the victim, even helps the crooks to evade punishment and continue their deception.

The economic uncertainty caused by the global pandemic has created a stimulus for Ponzi schemes. Beyond the consequences of Covid-19 pandemic from medical and economic perspectives, people had to endure restrictions. The mobility of people was restrained and affected the consumption behaviour (Sorcaru et al., 2020). The lack of mobility, the limited access of high-standard products, and the collapse of several companies due to the lockdown prompted people to commit frauds or to search illegal methods to raise their profits. In this context, the number of frauds increases.

Even large companies that committed or fallen victim to Ponzi scams prefer to avoid exposure and remain silent. They are afraid of being perceived as companies that are not careful in managing their assets, which can deter customers and cause losses.

The paper aims to highlight the main implications and reactions for the Ponzi schemes' victims using a review method of books, articles and reports. The paper has three parts. The first one includes the implications for the Ponzi victims, while the next section is related to reactions of them. The last part presents the conclusions.

### **Implications for victims**

The consequences of the Ponzi frauds on the victims are devastating and some victims indicate that they felt as if they had been raped (Deem, 2000). The main implications are related to financial, emotional, behavioural and health aspects, while some effects were recorded in terms of employment, family unity and business community.

Regarding the financial implications, some victims were forced to sell properties they own (often their homes), return to work after they have already retired, and conduct themselves financially while failing to obtain a credit. In severe cases, they even go bankrupt (Button et al., 2009). Almost 20% of fraud victims had difficulty obtaining credit and had to deal with other financial problems as a direct result of a fraud (Deem, 2000). Another aspect is the amount of time victims are forced to invest in dealing with the economic harm. For example, victims of identity theft are forced to spend an average of 48 hours to clear their name (Fraud Advisory Panel, 2006).

In terms of emotional consequences, for some of the victims, the level of fear of hacking into their personal database has risen for some victims, especially those who suffered an identity theft. Others suffered from distress and nervousness, and some felt severe invasion of privacy, stress, and anger (Pascoe et al., 2006). Even among victims of mass marketing frauds the emotional consequences included feelings of stress, anxiety and loss of self-esteem (George, 2006). Fraud victims feel themselves to some extent guilty of falling victim to a fraud (Titus & Gover, 2001), similar to the self-blame experienced by victims of rape and violent crime.

Some victims experienced changes in behaviour patterns. Spalek (1999) found that people who fell victim to Maxwell's pension fraud had previously perceived themselves as immune, but after the fraud became known their self-perception changed and they began to feel more vulnerable. They also chose other channels to invest their money. George (2006) shows that over 50% of fraud victims have changed their behavioural patterns in terms of purchases and payments. It was also found that some victims stopped shopping online.

Unlike crooks, and perhaps due to the fear of social condemnation, many Ponzi victims agree with the finger of blame directed at them. The emotional consequences for fraud victims include self-blame, shame, and guilt. They fear social condemnation, the prevailing attitude they have received what they deserve because of greed and stupidity on their part, and social isolation (they do not expose the losses due to the fear of alienation and the accusing finger pointed at them). The shame they feel intensifies in the absence of a supportive environment and they feel completely alone. Indeed, society seems to convey to the fraud victims the message that they should have guarded themselves against the crooks and are condemned for their lack of vigilance (Frenkel, 2012).

As regarding health consequences, Spalek's (1999) study revealed that some of the women who were victims of Ponzi scams testified that they believe the scam accelerated the death of their husbands. Ganizi et al. (1990) examined the consequences of Ponzi scams on the victims and found that many of them suffered from depression, which also adversely affected their physical health later on. In some cases, victims of fraud even try to commit suicide.

Besides these implications, there are some consequences in the field of employment. Victims who work as self-employed lost their source of livelihood in the event that their business is harmed because of the fraud. Often, was recorded a family disintegration, when couples separated due to loss of property and the very concealment of the occurrence of fraud. Even when family members implored a potential victim not to cooperate with the crook, this led to the breakdown of the relationship (Button et al., 2009). Trust in the business community may be damaged too. According to the Fraud Advisory Panel (2006), consumers may stop buying products online, as an expression of distrust on their part. This will also hurt legitimate companies operating in the field of telemarketing and mass marketing (George, 2006).

### **Reactions of the Ponzi victims**

Victims reported experiencing different emotions after being exposed to the scam. The feeling of shame and guilt was an important element because such feelings influenced the victims not to share their immediate social environment about the scam. Among those who chose or were forced to share their environment, there was even a growing sense of shame that they were perceived by their environment as guilty of their situation or had flaws in their judgment. "Blaming the victim" created conflicts in their interpersonal relationships and even exacerbated the victims own negative emotional response (Harvey et al., 2014).

One of the most common reaction of the Ponzi victims is the tendency of no reporting falling victim to a fraud. In contrast to cases where identity theft took place and all of which were reported to the authorities, in cases of Ponzi fraud and mass marketing the reporting rate is very low, about 1% -3% (Button et al., 2009).

There is a variety of explanations for the low reporting rate by fraud victims. In the first line, some people are unaware of the fact that they have fallen victim to a fraud. On the other hand, many see themselves as guilty, in part or in full. Mason and Benson (1996) found that victims, who blamed themselves or believed that they shared responsibility with the crook, were less likely to report the scam. Secondly, because of the perception that they share the guilt, some of the victims feel ashamed and want to hide from their families and their environment the losses they have suffered. In other cases, victims perceive the fraud as ambiguous in the sense that they are unsure whether it is a failed investment or a fraud (Button et al., 2009). Thirdly, when it comes to the loss of relatively small sums of money, victims are less likely to report (Mason & Benson, 1996; Copes et al., 2001). At the same time, there are scams that are pre-planned that their legality would seem not unequivocal, and therefore the victims find it difficult to harness law enforcement agencies to open an investigation. In some cases, there is a perception of victims that the justice system does not take them seriously (Mason & Benson, 1996; Titus, 1999).

Copes et al. (2001) attempted to establish an affinity between "Black's Law Behaviour Theory" and fraud reporting patterns. They found that morphology and cultural context are significant predictors of the tendency to report a fraud. In addition, it appears that the higher the amounts of money lost, the greater the victims' tendency to report the fraud.

Sometimes, it is not clear to the victims which authority they should report the fraud. The confusion even increases in cases where the police dismiss their complaint because it is a "civil matter", and they move from one enforcement authority to another without anyone taking responsibility for handling the complaint (Button et al., 2009). Among fraud victims in the U.S., it was found that less than 50% "trusted" or "fairly trusted" the authorities to successfully deal with frauds (Reisig & Holtfreter, 2007).

Another type of reaction is to request for help. Following the discovery of a scam, the victims sought help from various bodies, including authorities, a dedicated website, police stations, banks, accountants, financial advisers and lawyers. The responses they received were varied, from registering their complaint without further treatment to opening a large-scale investigation and even a conviction. Victims did not always report the scam, either because they treated it as a petty matter or because they believed the report would not bear any fruit (Harvey et al., 2014).

However, the authorities' handling of complaints was different among the victims. Some victims were experienced positive answers to the complaints and reported receiving practical intent. Victims who were satisfied with the treatment they received also held the view that the organization did not have a real ability to deal with the fraud in light of the fact that the funds they lost within its framework had not been fully reimbursed. In addition, regarding the police treatment, some of the victims described it as a negative experience, feeling that they were underestimated and even blamed for investing in a company under no supervision. Some victims reported that it was not clear to which official body they should file a complaint and that they were even referred from one body to another. Other victims reported anger towards the authorities due to inaction on their part. However, there were victims that showed understanding for the burden placed on authorities in investigating investment frauds and believed that small-scale scams should be avoided in order not to burden the system. Some even refrained from reporting repeated frauds because they believed no action would be taken (Harvey et al., 2014).

Regarding the relation of victims with fraudsters after the fraud was exposed, victims were able to break away from the fraud following various scenarios. In some cases, the crook disconnected relationship with the victims and in other cases; it was stopping the fraud by an official or the police. Some victims became aware of the fraud after the intervention of other parties, including bank representatives who applied regarding transfers made to the account or an investment advisor who expressed concern when he learned of the investment made by his client. Victims were not always convinced that this was indeed a false investment. In other cases, the crook's behaviour has created suspicions: for example, the presentation of unprofessional documents, excessive pressure on the participant to invest, the demand for additional funds as a condition for the release of the investment funds, or discrepancies in the information provided by the crook regarding the investment (Harvey et al., 2014).

Victims who discovered the fraud because of intervention of other factors or the behaviour of the crook, found it difficult to disengage from the fraud. They negotiated with

the crook or tried to embarrass him in the hope that he would get their money back. Some tried to outwit the crook in order to extract information from him and pass it on to the authorities, such as, giving him uncovered checks or lied that they wanted to attach a wealthy friend to the investment. Although they knew he was a crook, some reported feelings of guilt or apprehension that they were breaking the law, due to their attempt to outwit him. Victims who managed to break away from the fraud testify that they sent a sharp and clear message to the crook that they do not intend to transfer money to him at all, or to transfer additional money to him (Harvey et al., 2014).

## **Conclusions**

The consequences of the Ponzi frauds on the victims are various, including financial, emotional, behavioural and health aspects. While the emotional and behavioural implications imply self-blame, guilt and shame, some victims suffered depression, physical and financial problems, bankruptcy or even try to suicide. Other victims incurred consequences regarding losing their jobs, their trust in business community and family disintegration.

After being exposed to the Ponzi schemes, victims expressed different reactions. While some people felt shame and guilt, other tried to hide the fact that they have fallen victims to a fraud. Even if people agreed to report falling victim to a fraud, their reactions differ. Some victims trust in authorities and requested for help from different sources, other do not. The relation with authorities following a complaint recorded both positive and negative response. Some people were satisfied by the authorities' response and treatment, while other were anger because no action was taken. However, victims who managed to break away from the fraud through various forms tried to recover some funds from the fraudster and did not intended to transfer new funds to him.

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## THE ROLE OF EXTERNAL AUDIT ON COMPANY PERFORMANCE IN DEVELOPED ECONOMIES

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**Abstract:** *The financial statements of a company are important factors in the decision-making process of investors, because financial statements not only highlight the current position of the company but also its future performance. From this point of view, the audit has a very important role, as an inefficient audit committee implies that companies have insecure financial statements, therefore investor do not have confidence required to understand and evaluate in a timely manner the current position of the company. To test the impact of audit practices on the performance of new companies, we used a series of OLS estimates on a sample of the most developed countries in the Eurozone: Germany, France, and Italy. After analyzing the impact of audit practices on the profitability of listed companies in France, Germany and Italy, our results show that ensuring the independence of the audit committee has a positive effect on the profitability of the company calculated as the rate of return on assets, but the effect is reduced from the perspective of return on equity. Our results indicate that in the case of developed companies, the independence of audit committees has a positive impact on the overall performance of the company, even if it is lower. Therefore, investors and decision makers must consider establishing and ensuring the independence of external audit to ensure the premises for increasing the performance of companies.*

**Keywords:** *determinants of firm performance, developed economies, external audit, independence of external audit*

**JEL Classification:** *G32, G34*

### Introduction

The financial situations of a company present significant elements for investors in decision-making, by highlighting the current position of the financial perspective of the company but also the performance afterwards. From this point of view, the audit has a very important role, and an inefficient audit committee can be reflected in those companies that present uncertain financial situations, that do not present confidence and that do not report in a timely manner the current position of the company (Khamsi Che Abdul Hamid et al., 2014). The quality of the audit directly affects the different decisions of the users of the audited financial statements in that the auditors are responsible for ensuring the quality of financial reporting because of professional auditing standards (DeFond and Zhang, 2014).

Thus, we believe that ensuring the quality of the audit by ensuring the independence of internal auditors also contributes to increase the performance of companies and improving the quality of financial reporting.

Information on the characteristics of a company's internal audit committee is extremely useful for investors, regulators and other users of financial situations in order to make the understanding and detection of the criteria associated with a report more efficiently especially in a competitive corporate environment (Khamsi Che Abdul Hamid et al., 2015). This information can help to incentivize investors to make companies voluntarily create effective control mechanisms to ensure the quality of financial reporting. As the main role of internal auditing in the company is to verify the conformity of financial situations with the company's activity itself and to streamline the communication mechanisms between the board of directors, the executive committee and other committees with external auditors, we consider that maintain an independent internal audit committee which exercises its powers objectively, particularly with regard to the examination of the company's financial problems, participates in ensuring the quality of superior financial reporting and as a result, to the financial situation of residence. In addition, financial statements which present unclear elements and are not published in a timely manner may suggest an ineffective internal audit because an independent internal audit with an adequate level of financial knowledge contributes to the improvement of the financial quality (Khamsi Che Abdul Hamid et al., 2015).

### **Literature review**

Internal audit is an important governance mechanism within a company that aims to protect investors' rights by reducing the asymmetry of information and ensuring the provision of information about the company. Financial situations are documents that may suggest the effectiveness or inefficiency of the audit in a company through their accuracy, credibility, and reliability. Internal audit is a particularly important component within a company in its impact on the reliability of financial reporting (Anderson et al., 2004; Chan and Li, 2011).

The financial situations of a company must cumulatively meet criteria such as: to be issued in a timely manner, to have accuracy, to be credible and reliable because these criteria are very important in detecting possible distortions or even fraud. From this point of view, internal audit through the function of ensuring the compliance of a company's financial report has an important role to play in ensuring that the quality criteria of financial situations are met. Thus, we believe that ensuring the effectiveness of the audit committee by ensuring the independence of the members of the committee contributes to ensuring the quality of the financial situation. The independence characteristic of the audit committee is a basic feature of internal audit, which in the literature is often associated with the effectiveness of the audit committee (Abbott and Park, 2000). In this context, there are studies in the literature that associate the independence of the audit committee with the efficiency of the detection of fraudulent reporting (Cornejo et al., 2019) and the detection of errors, omissions and misreporting in financial situations (Abbott and Park, 2000).

Independent members of the audit committee have the role of protecting financial reporting more effectively, studies show that an independent audit committee contributes to the improvement of the management monitoring mechanism (Aldamen et al., 2012).

Recent studies show that internal audit has a particular impact on the quality of financial reporting. For example, Alzeban, (2020), looked at the implications of corporate governance traits, including internal audit features on his independence and his expertise on the quality of financial reporting on a sample of 386 companies in the UK, France, Italy and Spain over a period between 2015 and 2017 using linear regression (OLS). The results of the study showed that the most important influence on the quality of financial reporting in corporate governance characteristics is the composition of internal audit. Thus, an independent internal audit composed of members with expertise has a positive and significant direct impact on the quality of financial reporting. In this context, it was found that the independence and expertise of the audit committee represent valuable control mechanisms for the company that lead to the improvement of the quality of financial reporting. Basically, the results of the study place the independence and expertise of the audit committee as the main influencing factors of the quality of financial reporting.

Oroud, (2019), analyzed the implications of the audit committee's characteristics on the performance of 55 companies, expressed by Jordan's rate of return on equity (ROE), using a sample of 255 observations over a period between 2013 and 2017 using the fixed effects date panel OLS method. The results suggested that the independence of the audit committee has a positive and significant impact on the rate of return on equity (ROE).

Saha et al., (2018) analyzed the implications of corporate governance characteristics including internal audit on company performance expressed through ROA, ROE and TobinQ. They used a sample of 81 companies listed over a period between 2013 and 2017. Their results showed that the independence of the internal audit committee has a positive and statistically significant effect on the company's performance calculated through the ROA and TobinQ and a positive but statistically insignificant impact on the ROE.

Yameen et al., (2019) analyzed the implications of corporate governance networks including audit ones such as the independence of internal audit on the performance of firms calculated through ROA, ROE and TobinQ using the multiple OLS linear regression model. Their sample was composed of panel data on 39 Indian companies listed on the stock exchange over a period between 2013 and 2018. Their results showed that the independence of the internal audit committee has positive and statistically significant effects on the performance of the model companies calculated through the ROA. Al-Najjar, (2011), analyses the committee's internal audit determinants using a sample of 70 UK companies over a period between 2003 and 2008. The results of the study show that large companies are more advanced in monitoring and do not ask for an independent internal audit committee. Also, companies that have high cash flows indicate the need to set up an independent audit committee. Thus, the liquidity of a firm is inversely proportional to the independence of the internal audit.

Bunget et al., (2020), analyzed the link between board structure, audit and corporate performance, the latter being expressed by ROA and ROE. Using a sample of 226 registrations representing companies listed mainly from Romania and Greece for a period between 2016 and 2018. As a metrology they used the Ordinary Least Square linear regression model of OLS. Their results showed that the independence of the audit committee contributes to improving the performance expressed by the ROA, the coefficient having a positive and statistically significant impact. As regards the performance variable expressed by the ROE, their results suggested that the independence of the audit committee

has a positive and statistically significant impact, but significance is not present in all the models generated.

In the context of the literature analysis, we find that the independence of the internal audit contributes to a better performance, respectively improves the quality of financial reporting, thus, we use two hypotheses to carry out our empirical analysis:

*H.1. The independence of the audit committee has a positive impact on the company's performance expressed through the ROA;*

*H.2. The independence of the audit committee has a positive impact on the company's performance expressed through the ROE.*

## Data and Methodology

### Data

To carry out the empirical study, we used data from the financial statements of listed companies in Italy, Germany, and France. The data used was collected from the Thomson Reuters Eikon database. Companies are defined as large companies, listed on private sector less so in the financial sector and financial services. Also excluded from the situation were funds for the co-financing of the model and the results. The data used from our sample is for a period of 10 years, respectively the years 2010-2019. As regards the of the variables used, a brief description of them can be found in Table No. 1. as follows.

As we can see from the table, as dependent variables we have chosen the two profitability variables the rate of return on assets (ROA) and the rate of return on equity (ROE) in accordance with the studies carried out in this field such as (Alzeban, 2019; Bahaa Hussein Mohammed et al., 2019; Oroud, 2019). The independent variables in the table called control variables consider indicators of the financial situation of companies and are in number of variables. These include the indebtedness the company's share of total assets, borrowers, the current rate and the rapid rate as well as a company's stocks in agreement with (Alzeban, 2019; Oroud, 2019; Ashari and Krismiaj, 2019).

**Table 1. Description of the variables used in the model**

Variable	Description
Dependent Variables	
ROA	Rate of return on assets, calculated as the ratio between EBIDA and total assets
ROE	Rate of return on equity calculated as the ratio of EBIDA to total equity
Control variables	
Indebtedness	Indebtedness, calculated as the ratio of total liabilities to total assets
QUICKRATIO	The rapid rate calculated as the ratio between the assets of the company from which we deduct the inventory and the liabilities of the company.
RataLiq	Current rate represented by the ratio of current assets to current liabilities
Stocks	The stocks that the company has
LnDebitori	Debtors, calculated as a natural logarithm from debtors
Size	The size of the company, relative to the natural logarithm of the total assets
Specific audit variable	

Variable	Description
dummyAI2_n	Dummy variable, denoted by 1 if there is an independent audit committee/department and 0 if not.

Source: The Authors

Our variable of interest is represented by a dummy variable, denoted by 1 in the situation in which the firm register an independent audit department or committee and 0 in the situation where the firm has an audit department or committee but is not independent. In this context, we processed the variable according to the logical reasoning that the audit department or committee with the members over 50% independence was allocated to the dummy variable the value 1 and what was less than 50% independent members was considered as dummy value 0.

As regards the descriptive statistics of the variables used in the model, this is shown in Table No. 2. as follows:

**Table 2. Descriptive statistics of initial variables**

Variabile	Obs.	Mean	Std.Dev.	Min.	Max.
ROA	12214	0.2446	54.4534	-596.78	5241.96
ROE	11718	-7.5646	153.776	-6755.37	1820.17
Size	12656	12.1380	2.5691	0.6931	20.7120
QUICKRATIO	11633	2.9408	48.6296	0	4605.3
LnDebitori	10750	10.2216	3.0679	0	18.6211
Stocks	12439	14970.8	748809.3	0	1.22e+07
RataLiq	11694	0.4026	0.8754	0.0001	51.5897
Indebtedness	11622	0.2898	0.9809	9.81e-06	54.375
dummyAI2_n	2960	0.6628	0.4728	0	1

Source: Own processing

We can see from 2. there are extreme values of variables that can cause risks of estimation and invalidate the model. In this context, to eliminate the outliers, we have achieved winsorized the data which involves setting the identified extreme values (outliers) to the 1% and 99% percentiles, respectively. In this context, using this practice often found in the literature (Duru et. al, 2016; Yameen et al., 2019), we have produced the descriptive statistics of the processed dataset, revealed in Table No.3. as follows.

**Table 3. Descriptive statistics after winzsorting**

Variabile	Obs.	Mean	Std.Dev.	Min.	Max.
ROA	12214	-0.2032	16.9482	-90.47	30.5
ROE	11718	-1.9517	43.4707	-260.43	78
Size	12656	12.1436	2.5200	6.5652	18.5190
QUICKRATIO	11633	1.6273	2.1541	0.14	16.38
LnDebitori	10750	10.2289	3.0169	2.7080	16.9315
Stocks	12439	112835.2	359609.9	81	2525000
RataLiq	11694	0.3676	0.2187	0.0223	1.2952
Indebtedness	11622	0.2556	0.1976	0.0002	1.0254
dummyAI2_n	2960	0.6628	0.4728	0	1

Source: Own processing

As can be seen, because of winsorization, the extreme values have been reduced, our variables having smaller variations. In this context, we note that the variation of the ROA is between -90.47 and 30.5, the ROE having a variation between -260.43 and 78. The model used in our analysis is a panel model, which has a relatively small time period of 10 years (n=10) and a relatively large number of registers (N>500). As we can see from the table with the descriptive statistics only 408 companies, present data on the audit committee out of the total of 12439. In this context, our opponent is also due to the lack of audit data, it has been restricted from 1244 companies to 408 companies. In order to carry out our analysis we have generated table no. 4. the correlation matrix.

**Table 4. Correlation matrix**

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(1) ROA	1.000								
(2) ROE	0.636	1.000							
(3) Size	0.308	0.271	1.000						
(4) QUICKRATIO	-0.048	-0.022	-0.251	1.000					
(5) LnDebitori	0.231	0.210	0.566	-0.230	1.000				
(6) Stocks	0.068	0.067	0.527	-0.095	0.493	1.000			
(7) RataLiq	-0.201	-0.173	-0.112	-0.419	-0.150	-0.055	1.000		
(8) Indebtedness	-0.135	-0.095	0.090	-0.222	0.377	0.051	0.215	1.000	
(9) dummyAI2_n	0.404	0.476	0.515	-0.283	0.518	0.375	-0.199	0.063	1.000

Source: Own processing

## Methodology

The method used for analysis is the method the linear regression OLS- Ordinary Least Square with cross-sectional fixed effects, the most used method in the literature (Alzeban, 2019; Oroud, 2019; Yameen et al, 2019; Bunget et al., 2020). As far a sour data set is concerned, a peculiarity of the analyses on the impact of the audit on the performance of companies is the emergence of the endogenous country (Wang and Shailer, 2015; Cărauşu, 2016). In this context, to avoid the occurrence of endogenous risk, we chose to use the estimates with robust standard errors grouped at company level in agreement with (Petersen, 2009). These types of estimates are preferred because they are considered estimates that combat endogenous risk and the risk of heteroskedasticity.

In order to determine the equation of general linear regression, X is determined by two major variables as follows:

$$VD(ROA, ROE)_{i,c,t} = \beta_1 VIAI_{i,c,t} + \beta_2 VINC_{i,c,t} + \alpha_i + \varepsilon_{i,t} \quad (1)$$

Where:

$VD_{i,c,t}$  represent the dependent variables represented by roa and roe at the company level and in the country c at time t;

$VIAI_{i,c,t}$ . Represents our dummy variable on independent auditing denoted by 1 if the company i in country t registers an independent audit department or committee at the time t and zero otherwise.

$VINC_{i,c,t}$  represent the company-specific control variables, i.e. the indicators in the company's financial statements and in the country c at time t;

$\alpha_i$  represent the specific constant of the company;

$\epsilon_{i,t}$  represent idiosyncratic errors;  
 i represent the company;  
 that I represent the country;  
 t represent tthe period of time, in our case 2010-2019.

In order to identify the estimation method with fixed effects or the one with random effects, related to our and the emanation, which would most appropriately respond to the data set used, we chose to perform the Hausman test (1978), a test that indicates the most appropriate variant to use between fixed cross-sec model or the random effect model. The results of the Hausman test for both the ROA dependent variable and the ROE dependent variable are shown in Table no. 5. as follows:

**Table 5. Hausman test**

Variabile	$\chi^2(5) = (b-B)'[(V \ b-V \ B)^{-1}](b-B)$	Prob> $\chi^2$
ROA	56.14	0.0000
ROE	123.65	0.0000

Source: Own processing

After performing the Hausman test, we found that the cross-sectional fixed effects model is the most appropriate model to use for our dataset. This is explained by our results expressed in Table 5. Thus, in the case of our model, the results emphasize that the individual effects are correlated with regressors (Prob> $\chi^2$  less than 0.05) which indicates the use of the fixed effects model, the one with random effects being problematic.

### **Empirical results**

When testing the effects of audit practices, by highlighting the effectiveness of the audit and revealing the financial situations in the companies in the top countries of the European Union, we have chosen a sample of companies from the first largest economies reported the most developed countries of the European Union, in particular in the Euro area, namely Germany, France and Italy, which are among the top countries in the European Union according to the size of gross domestic product according to Eurostat 2019. Because we want to test the implications of audit practices on the most relevant performance indicators detached from the financial situations of listed companies, we have used an OLS fixed effects panel model, which is the most use model in the literature on similar databases and similar testing. This method was used on a sequence between 2446 and 2537 observations over a period of 10 years (2010-2019). The performance indicators extracted from the financial statements are represented by the two rates of return of a company, namely the rate of return on assets (abbreviation ROA) and the rate of return on equity (ROE abbreviation).

Thus, our analysis is aimed at testing the audit practices and revealing the financial situation of companies in the three most important countries in the Euro Zone, namely France, Germany and Italy after the gross domestic product according to Eurostat 2019, in the context of the modern economy. Our results are shown in table no. 6 respectively no. 7. which provides a picture of the impact of audit practices by ensuring its independence, a basic principle in international auditing standards on the performance of listed companies

in the main countries in the European Union. Following the analysis of the impact of audit practices on the performance of listed companies in France, Germany and Italy, our results show that ensuring the independence of the audit committee leads to a positive and statistically significant influence on performance the company is calculated as the rate of return on assets.

Table 6. Results of estimates of the impact of the independent audit on the rate of return on assets (ROA)

Fixed-effects (within) regression	Number of obs =	2537				
Group variable: comp	Number of groups =	408				
R-sq: within = 0.0889	Obs per group: min =	1				
between = 0.3378	avg =	6.2				
overall = 0.2907	max =	10				
	F(7,407) =	5.98				
corr(u_i, Xb) = 0.0017	Prob > F =	0.0000				
	(Std. Err. adjusted for 408 clusters in comp)					
Robust						
ROA	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
Size	3.058879	1.207697	2.53	0.012	0.6847764	5.432981
QUICKRATIO	0.4743817	0.382387	1.24	0.215	-2.773184	1.226082
LnDebitori	-0.5727917	0.4094441	-1.40	0.163	-1.377681	0.2320975
Stocks	-2.81e-06	1.10e-06	-2.56	0.011	-4.96e-06	-6.48e-07
RataLiq	-10.05939	6.475701	-1.55	0.121	-22.78939	2.670605
Indebtedness	-7.840326	4.275392	-1.83	0.067	-16.24493	0.5642817
dummyAI2_n	5.629514	3.355136	1.68	0.094	-0.9660458	12.22507
cons	-35.19538	15.06161	-2.34	0.020	-64.80365	-5.587118
	sigma_u	13.651754				
	sigma_e	7.4772822				
	rho	0.7692351	(fraction of variance due to u_i)			

Source: Author's Estimates

The variable coefficient dummiAI\_n is positive at 5,629 and statistically significant with a value  $p < 0.1$ . In this context, our hypothesis H.1. The independence of the audit committee has a positive impact on the company's performance expressed through the ROA is accepted.

Ensuring the independence of the members of the internal audit committee is a solution to improve the profitability of a company expressed through the ROA, being in line with the literature in the field (Alzeban, 2019; Saha et al., 2018; Yameen et al, 2019).

The results of our estimates suggest that on average the companies that have secured an internal audit committee present an economic return expressed by the rate of return on assets higher by 5,629 at the expense of those that did not secure their independence of the audit committee.

Table 7. Results of estimates of the impact of the independent audit on the rate of return on equity (ROE)

Fixed-effects (within) regression	Number of obs =	2446
Group variable: comp	Number of groups =	401
R-sq: within = 0.2532	Obs per group: min =	1
between = 0.3818	avg =	6.1
overall = 0.3052	max =	10

corr(u<sub>i</sub>, X<sub>b</sub>) = -0.5313      F(7,400) = 13.99  
 Prob > F = 0.0000  
 (Std. Err. adjusted for 401 clusters in comp)

Robust

ROE	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
Size	13.94163	3.85671	3.61	0.000	6.359678	21.52359
QUICKRATIO	-0.8047939	0.9871499	-0.82	0.415	-2.745444	1.135856
LnDebitori	-0.1186817	1.480034	-0.08	0.936	-3.028298	2.790935
Stocks	-0.0000122	5.27e-06	-2.32	0.021	-0.0000226	-1.86e-06
RataLiq	-111.2392	20.13559	-5.52	0.000	-150.824	-71.65441
Indebtness	-111.0449	19.80429	-5.61	0.000	-149.9784	-72.11141
dummiAI2_n	10.68649	11.69088	0.91	0.361	-12.29675	33.66973
cons	-138.2361	47.51605	-2.91	0.004	-231.6485	-44.82371

sigma\_u | 38.848352  
 sigma\_e | 23.689405  
 rho | .7289448 (fraction of variance due to u<sub>i</sub>)

Source: Author's Estimates

In this context, we believe that the independence of the audit committee contributes to making the detection of fraudulent reporting more effective (Owens-Jackson et al, 2009), the detection of errors, omissions and misreporting in financial situations (Abbott and Park, 2000; Siagian and Tresnaningsih, 2011). Thus, independent internal audit members are able to protect financial reporting more effectively and contribute to improving the management monitoring mechanism in agreement with (Alzeban, 2019; Aldamen et al., 2012). Following the analysis of the impact of audit practices on the performance of listed companies in France, Germany and Italy, our results show that ensuring the independence of the audit committee exerts a positive and insignificant influence statistically on the performance of the company expressed by the rate of return on equity. Our results are in line with (Saha et al., 2018) where the independence of the internal audit committee has a positive but statistically insignificant association with the company's profitability, as measured by the rate of return on equity (ROE).

The variable coefficient dummiAI<sub>n</sub> is positive at 10,686 but not statistically significant having a p>0.1 value. In this context, our hypothesis H.2. The independence of the audit committee has a positive impact on the company's performance expressed through the ROE cannot be accepted at the level of this performance indicator. We take the view that ensuring the independence of the internal audit committee has a small role to play in listed companies in France, Italy and Germany, as it does not have a direct and statistically significant impact on the rate of return on equity. One possible factor is the lack of integration in our analysis in addition to the independence of the audit and audit variables on the work and expertise of the audit committee. The independence and expertise of the audit committee used together as audit variables in analyses within the specialized works are valuable control mechanisms for the company that lead to the improvement of the quality of financial reporting (Alzeban, 2019; Zalata et al., 2018, Tanyi and Smith, 2015). In this context, to retest the results obtained as the data will be available, we will consider the use of several variables related to the composition of the internal audit committee such as: expertise, size, frequency of meetings of the audit committee.

Although we cannot explain our results from the point of view of statistical significance, from an economic point of view we find that since the coefficient of the variable  $dummiAI_n$  is positive it is consistent with the studies in the literature. (Oroud, 2019; Saha et al., 2018) in that an independent audit department presents a contribution to a firm's higher performance, a performance calculated as the rate of return on equity.

## **Conclusion**

The financial statements of a company are important factors in the decision-making process of investors because financial statements not only highlight the current position of the company but also its future performance. From this point of view, the audit has a very important role, as an inefficient audit committee implies that companies have insecure financial statements, therefore investor do not have confidence required to understand and evaluate in a timely manner the current position of the company. To test the impact of audit practices on the performance of new companies, we used a series of OLS estimates on a sample of the most developed countries in the Eurozone: Germany, France, and Italy for the period 2009-2019. After analyzing the impact of audit practices on the profitability of listed companies in France, Germany and Italy, our results show that ensuring the independence of the audit committee has a positive effect on the profitability of the company calculated as the rate of return on assets, but the effect is reduced from the perspective of return on equity. Our results indicate that in the case of developed companies, the independence of audit committees has a positive impact on the overall performance of the company, even if it is lower. Therefore, investors and decision makers must consider establishing and ensuring the independence of external audit to ensure the premises for increasing the performance of companies.

In terms of quantitative data, our study is limited to three countries in the top countries in the European Union according to the size of gross domestic product due to the lack of access to data. We believe that a first future direction of research can be expressed by the expansion of the sample to more countries in the European Union as it ensures the availability of accessing more data. Also, in our analysis we considered only companies listed on the stock exchange and excluded companies with a financial profile. In this context, another direction of research is aimed at including in the analysis, as the data will be available to us and of unlisted companies as well as those in the financial sector. Regarding our variable of interest, due to the lack of access to the data, only the independence of the audit committee was considered from the defining elements of the audit committee's effectiveness. A future direction of research, as available to access the data, aims to include in the analysis other elements such as the expertise of the members of the audit board, the frequency of meetings of the audit board and its size. We thus find that our analysis opens new horizons regarding the quantification of the implications of internal audit practices and the relevance of the financial statements at European Union level.

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# MOTIVATION, TRAINING AND ORGANIZATIONAL COMMUNICATION - THE FUNDAMENTAL FACTORS OF PERFORMANCE

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**Abstract:** *The factors that are meant to trigger the energy of the action and to maintain it afterwards in a state of productive engagement are very diverse, being able to be identified by manifestations such as intentions, tendencies, goals, ideals, interests, winnings, aspirations, etc. Needs or affairs, as essential for initiating and sustaining behavior, may be considered to have a direct influence on the individual, since they determine thoughts and actions. However, a person's needs are determined by their perceptions of the situation, and perceptions are determined by previous learning processes.*

**Keywords:** *Motivation, Training, Organizational communication, Work, Factors, Entrepreneurship.*

## Introduction

Most theories of motivation have identified and described the main conditions that can influence the set of needs of a person in relation to:

1. Medium/heredity.
2. The level of training/education.
3. The person's self-conception.
4. Life experience.

The interaction between the conditions or factors influencing the set of needs of a person will lead to the choice of the objectives that allow their satisfaction. The brief presentation of the most important explanatory perspectives and models revealed how complex and difficult to research the field of motivation is. Not only is there a great multitude and diversity of variables that should be considered in an interrogatory model, but the very permanent, sometimes radical changes that have occurred at the level of social organization and the organizational design are likely to further complicate any effort to systematize the information and data research.

## Motivation, training, and organizational communication

If we admit that motivation cannot be analyzed exclusively by reference to human needs, being largely determined by individual and cultural values, specific to the society in which they live, people are confronted with various work experiences in a particular organizational context. The social, economic, or cultural changes produced at the level of the societies will influence the way of setting up the motivations and the process of motivation for work.

Inglehart argues, for example, that the motivation for achievement is part of a cultural developmental syndrome. The author suggests that motivation for achievement is a cultural dimension that, along with others, has proved to play an important role in economic development. The author's statement is based on the results of a comparative research, conducted in 43 companies, which tried to identify the dominant values, specific to each society. After interpreting the results, he argued that some cultures emphasize the motivation to achieve more than others, and those that emphasize this motivation have been shown to have higher economic growth rates. Inglehart also discovered that the motivation for achievement correlates strongly with economic development, which reflects, in the author's interpretation, the transition from the value systems of pre-industrial society, the transition related to the process of modernization. The direct link between motivation for achievement and development reflects, in the author's conception, the effects of motivational factors on entrepreneurship.

However, it should be noted that Inglehart associates economic development with the presence of materialistic values (centered mainly on physical and economic security), arguing that post-materialistic values (which value the capacity for expression and quality of life) tend to be negatively correlated with economic development.

The processes of motivation, training and organizational communication have a decisive role in the behavioral approach of the manager, the training function being strongly based on it. Based on an efficient communication process, it is possible to draw the course of the evolution of the activities in the company, to transmit the responsibilities, tasks, and action plans. In past periods, this component of the training function has been classified in the management process as a command function. Currently, the essence of the function consists in the ability to initiate actions, to train and mobilize the company's employees in the work process.

Through the training functions, the plans and forecasts drawn up in advance are translated into reality. Training-motivation is the only attribute of leadership that considers only the human resources of the organization, which means that it only deals with people. The new vision presupposes the ability to influence the employee's work behavior in the direction of obtaining high performance, which is precisely training-motivation. It designates all the actions carried out by the managers, by which all the employees are determined to make full use of their availability (intellectual and physical) to achieve the performances established for each compartment or employee. The perspective adopted by the management of the organizations regarding human nature, but also on the social, cultural, economic contexts in which they operate, the policies adopted to stimulate the performance can be focused either on the priority use of financial rewards, careful supervision and sanctions, or on the use of psychological principles aimed at identifying beliefs, the values, perceptions, attitudes or emotions of employment, with a view to their use, modeling or change as a means of generating a deep commitment to the values and culture of the organization. Obviously, each of the two approaches is designed and adopted with the explicit purpose of determining the maintenance or increase of performance and results of work.

One of the reasons still widely valued as having a strong strength to influence people's behavior in organizations to increase labor efficiency or performance is to be related to material incentives and rewards. It is obvious that this type of motivation is focused on the context of work or on what Herzberg called hygiene factors, just as it is

equally obvious that the assumption underlying the adoption of this strategy of motivation is based on the economic model of human behavior. Another aspect that needs to be considered in the study of the remuneration-performance relationship concerns the extremely different reward practices used within different cultures. It has been shown that, within the same culture, there are highly efficient firms that do not employ any meritocratically form of reward, as others successfully use such systems.

There are countries such as Japan and North Korea where the remuneration system is largely based on the principle of seniority and is also linked to the hierarchical position. In some countries and companies, the system of financial remuneration is used as the main mechanism for controlling and guiding behavior, while in others, this system does not enjoy appreciation, instead adopting forms of reward and recognition of a symbolic nature. The results of another study, conducted by Konrad and Pfeffer, suggest that the relationship between remuneration and productivity seems to really work in areas where there are less uncertainty and ambiguities about how performance is measured, such as research.

Another research that aimed to look at how to distribute remuneration in more than 1800 academic departments, Pfeffer and Langton discovered the existence of greater inequality between the salaries of academic staff in private colleges. The interpretation of these results leads to the conclusion that the higher frequency of contracts and the visualization, responsible for the public nature of the information, contribute to reducing the inequality of salaries in the organizations.

In a new study, also conducted in colleges, Pfeffer and Langton found that greater dispersion and higher pay inequality contributed to lower job satisfaction. Remuneration directly related to performance and high wage inequality were both associated with lower levels of productivity. The authors conclude that organizational engagement should not be seen as a linear, rational process, which implies that a high level of commitment automatically leads to the adoption of a single type of behavior in a predictable manner. Another important suggestion is the need to study engagement in close connection with the cultural context in which organizations operate.

## **Conclusions**

Beyond the fact that focusing on determining commitment and loyalty raises several ethical issues related to the use of mechanisms to control and manipulate people's behavior, the real contribution of commitment to maintaining or raising organizational performance is still quite ambiguous. In other words, inducing engagement as a motivational factor of performance could have positive consequences only in certain situations and, especially, in the context of the association with other motivational factors. Therefore, as has emerged from the results of the research presented, inducing commitment is an important mechanism used to build strong cultures, rather than an actual factor in motivating performance.

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## CRITICAL AND CREATIVE THINKING

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**Abstract:** *The intermediate results of this study supplement the rather narrow research in the field, which has sought, based on theoretical and practical approaches, to contribute to shedding light on the mechanisms of modern practices in managers' creative thinking and the related principles and values. As we are nowadays heading towards a liberal knowledge-based economy in which the role and significance of scientific and technological knowledge for economic activity has changed radically, there are increasingly more opinions supporting the need to redefine theoretically the concept of creative thinking and place it within a more complex system than the traditional one. Creative thinking is essentially a complex mental activity that results in a particular product, it is the mental capacity of the human individual to achieve new things, in different forms: theoretical, scientific, technical, social, etc., to reveal unknown facts about reality, to develop original approaches and solutions to solve problems and to express them in unique personal forms. The research conducted as part of the present study has identified a current need for creative practices, highlighting the personal capacity to identify and manage effectively one's own skills, abilities, and qualities in relation to one's personal goals (career, family, education, etc.). The approach ranges from the conceptual to the methodological dimensions to explore the experimental field, which includes: information, comparative analyses, inductive and deductive testing of the ideas and interpretations supported by real situations. This study of great topicality and originality can be considered a concrete support for researchers, academics and managers in what is an interesting field of economy.*

**Keywords:** *professional training, creativity, manager, skills, innovation potential*

**JEL classification:** *L20, M51, O30, O31, O32*

### Introduction

Thinking is the highest triumph of the spirit. Everything we are is the result of what we have thought. The mind is everything. We become what we think. We build the world with our thoughts. The progress of mankind is not possible without people's creative activity and thinking, theoretical and practical. For this reason, it is natural for creative activity and creative thinking to be considered the highest forms of human activity. In light of this, creative thinking has become recently a skill that is increasingly in demand by all companies in Romania. "Being creative" refers to the investment in collecting information and becoming more professional that individuals make in their field of reference and is not based on genetics. The ultimate responsibility lies at the level of the individual, who must know their field of activity and the skills that stimulate thinking in order to generate effective solutions. It is known that skills are not creative in themselves, but become so as they are activated and put to use through creative motives and attitudes. Not every

psychological feature is a skill, rather only those that favour above average results in a particular activity. Skill levels differentiate individuals, employees, managers, with the main element being quantitative and qualitative performance. In general, the term creative thinking refers to the ability and intellectual strength of employees and managers to find new ideas. In a prestigious firm, these ideas can refer to the design of new products or services or to modern ways to provide services.

We may argue that imagination and creative thinking are important features of a manager's activities. Indeed, the absence of creativity causes not only a stall in development, but in time it can even lead to disaster for the firm. In a market economy, specific to Romania, maintaining competitiveness requires constant creativity, innovation and originality to develop new, sophisticated, refined and individually nuanced products and services. Innovative, original and creative activities do not reside in advertising campaigns, and no manager has consistent support to plan for precise deadlines for designing innovation and creation. Furthermore, s/he can not anticipate or expect immediate return on the investment of energy, money and time to experiment and launch new products and services.

Creative thinking requires managers to reassess periodically the size of the market segments where they are positioned, to carefully analyse their products and services to remove from their offer those products, services, or processes for which returns are dwindling fast. As part of these concerns, it is a priority to examine the status of obsolete products so that they do not act to the detriment of the firm.

The manager's decision to restrict the range of products and services will become operational only if the business has a portfolio of new substitute offers, highlighting the need to focus on the creativity process and creative thinking distinctly. Creative thinking brings benefits to all the areas and activities of a company's management. Problems that require creative thinking are always problems with "open solutions", that is, issues for which there is not just one solution. In creative thinking, one must put aside one's personal beliefs and sometimes try the impossible. Through a series of steps, one can indeed move from impossible to possible.

### **The current state of exploration of the matter and the purpose of the research**

The shift to a market economy involves the emergence of a new, creative type of management and its implementation at both micro and macroeconomic level. Therefore, variety, flexibility, dynamism, creative thinking and efficiency nowadays become key attributes of business management. These attributes require a new type of management: creative - innovative management. [14, p. 145] Taking this into account, the present research aims at substantiating the theoretical and practical bases of creative thinking, based on the comparative critical analyses of data from the international and domestic literature. Given that nowadays we are moving towards a knowledge-based economy, in which the role and significance for business of specific and technical knowledge has radically changed, there are ever more calls supporting the need to redefine the creative thinking vector and to place it in a more complex system than the traditional one.

In the literature in the field, creative thinking is defined as the process of establishing a relationship between things or ideas, between which there was no connection before. Creative thinking requires imagination and involves several possible ideas or

answers, whereas analytical thinking is logical and leads to a single answer or a small number of solutions. Although different, the two types of reasoning complement each other. This is obvious in creative thinking, where the many ideas suggested must then be analysed by the manager to identify the few ones that can be applied in practice. Thus, analytical thinking succeeds in consolidating practical ideas and solutions, yet if progress is to be made, they need to be followed by creative leaps [18; p. 171].

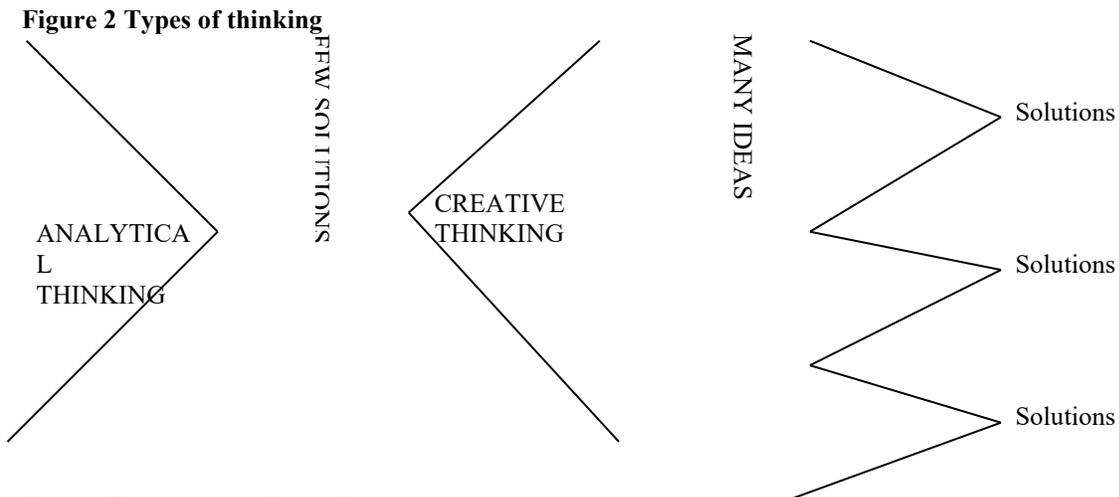
**Figure 1 illustrates four terms very commonly used in the management field: convergent, divergent, vertical and lateral.**

ANALYTICAL Logic Single answer or few solutions CONVERGENT VERTICAL	CREATIVE Imagination Multiple possible solutions or ideas DIVERGENT LATERAL
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Source: Data processed by author

Analytical thinking is convergent, as its scope narrows to a single solution or a small number of ideas that can then be analysed and applied in practice by the manager. Creative thinking has a divergent character, starting with stating the problem and expanding its scope to offer as many answers or ways to solve it as possible. Analytical thinking provides solutions, while the creative thinking produces ideas - a great number of ideas from which the best solution can be chosen. The terms convergent and divergent occur more frequently in the literature devoted to creative thinking and management research. The other two terms, vertical and lateral, are less commonly used, but no less applicable in the context of analytical and creative thinking. In Figure 1, we have illustrated the relationship between the convergent (analytical) and divergent (creative) types of thinking and the number of solutions and ideas. In any business in Romania, the process can be repeated indefinitely, creative reasoning focusing on each solution or idea.

Figure no. 2, presented below, has two shortcomings however. First of all, the perspective, suggesting that people think creatively rather than analytically. Secondly, a deliberate distinction is made between the creative and the analytical elements, and this separation does not correspond to reality.



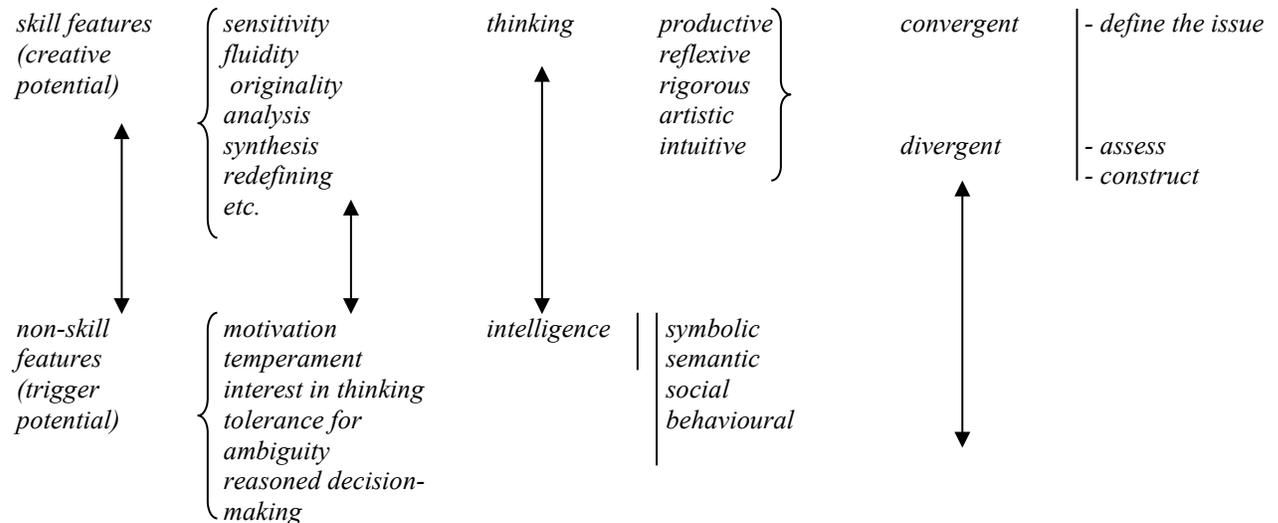
Source: Data processed by authors

Generally, any employee who works in a company has some creative skills. Unfortunately, however, these are not sufficiently utilised in analytical thinking and this tends to destroy inventiveness. It has been shown that there are various barriers that block the thinking of managers operating in a company, the most important being the following [6; p.497]:

- self-imposed barriers;
- patterns or single response;
- conformity;
- doubting something obvious;
- hasty assessments;
- fear of ridicule.

In order to overcome these obstacles, managers must bear in mind the fact that “two heads think better than one and three heads think better than two”. Therefore, fostering team spirit is absolutely necessary to boost creativity and innovation. In a community, all such barriers must be permanently removed, to generate an engaging atmosphere, characterised by freedom of thought, in which all ideas are accepted. The literature in the field recognises that skills are not in themselves creative, but become so as they are activated and utilised through creative motives and attitudes. Not every psychological attribute is a skill, but only those that favour above average results in an activity. Skill levels differentiate individuals, the employees among them, with the main element being creative and qualitative performance (as an example, we present in Figure 3 the characteristics of creative potential and trigger potential in a construction company).

**Figure no. 3: Features of creative potential and trigger potential**



Source: Data processed by authors

### Applied methods and materials

The following methods were used in the research: quantitative and qualitative research methods, including bibliographic documentation, induction, deduction, systemic method, statistical methods, method of comparison, defining the scope of the problem,

correlation, evaluation, etc. The article is based on systemic, complex and problem-focused approaches and seeks to examine the mechanisms of managers' creative thinking values.

The research was expanded to present methods and techniques developed to utilise and develop creative thinking. Thus, most of the techniques currently used in the field of creativity emerged in the 20th century, their role being to free up thought and favour the formation of new ideas. Generally, techniques to stimulate creative thinking are based on group interaction, while others focus on stimulating initiatives by individuals within a company. How do we develop creative thinking? There are many techniques that managers can apply. We will summarise two of the most common creative thinking techniques that give effective and immediate results: brainstorming and "synectics". All of these methods favour communication, constructive critical spirit, independence in thought and action, finding creative, bold ideas to solve the tasks of managers.

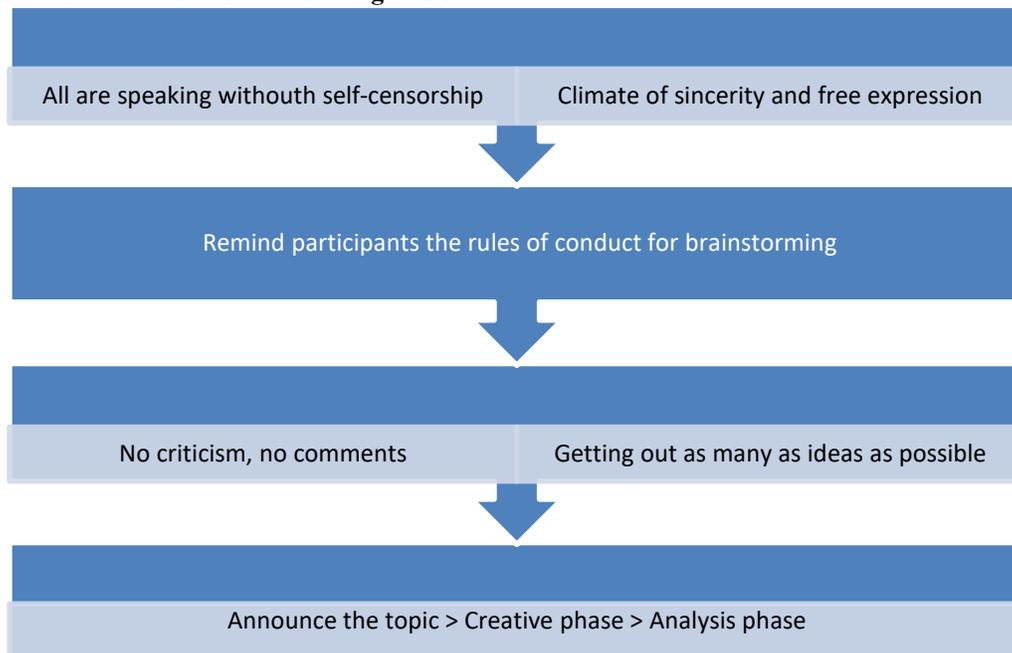
## Results and Discussions

The brainstorming technique, a widespread worldwide to facilitate creative thinking, was developed by Alex F. Osborn, the "father of brainstorming". The purpose of this technique is to find, via group debates, solutions to solve the specific problems faced by the company. The conditions for group debates were established by Osborn and relate to the following issues:

1. Participants in the debate will withhold criticism of new ideas.
2. The more radical an idea, the better it is to be examined and debated.
3. "Production" of new ideas is limited to the topic of group discussions.
4. Completing, qualifying and refining the idea is encouraged.

The structure of a "brainstorming" meeting, taking place in a Romanian firm, is shown in Figure 4.

Figure 4: Structure of a brainstorming session



It follows then that the brainstorming technique is based on collective, group thinking. This technique has followers, but equally opponents. The latter are supporters of individual creative thinking and argue that a person who acts individually can formulate and convey their ideas better if working alone than when participating in a group debate. On the contrary, brainstorming proponents claim that in the sphere of the service economy, each member of the brainstorming group has gained some experience in service delivery processes and as such can make a greater contribution to the creative work of refining new ideas. An essential argument in favour of this technique is the fact the degree of acceptance by the group is higher for a decision developed by a group than if the idea emanates from a single person [12; p. 21].

### **Synectics**

Synectics was originally labelled as the Gordon technique (after its creator William J. J. Gordon), but over time it underwent several changes. In this technique, when examining a specific situation requiring a new idea, the members of the panel who participate in the debates are carefully selected based on whether they belong to various working groups and on their work experience in the group interested in solving problems. The group leader plays the vital role in the success of the debates. In order to not influence the group to adopt premature opinions, the group leader must not state at the outset the purpose of the discussions; s/he will seek to direct the debates in such a way that the most pressing issues for the smooth running of the firm appear to have been formulated by the participants themselves. In other words, the rationale of the technique is not to constrain the debates within the limits of a previously known topic. This avoids the risk that the members of the group are influenced, consciously or not, to address only one aspect of the issue at hand. If the leader of the group properly manages the discussions along the complex group interactions, most of the time the debates result in the design of a new product or service.

Although brainstorming and synectic techniques can provide creative ideas, it would be incorrect to appreciate that such creativity can only emerge from group activities. Many economic analysts argue that group discussions can also have adverse effects and may lead to inhibiting creative thinking. The arguments of the group technique opponents are numerous, and among these the following are worth highlighting:

- members of a group may become fascinated by a new idea, but may neglect or exclude other alternative solutions;
- some persons participating in group debates may have reservations in expressing their opinions, for fear of being ridiculed by other members of the group;
- lower-ranked managers may be inhibited in expressing their ideas in front of higher-ranked managers, out of a fear of being misunderstood (or viewed as out of line) if their solution is not accepted;
- there may also be camouflaged pressures on the part of the group, which discourage the expression of ideas viewed as deviant or inconsistent with the opinion expressed by the group;
- the need to align with the prevailing ideas of the group may be stronger than the need to explore other alternatives to solve a problem or alternatives that might be seen as unpopular by the group;

- Finally, the urgency imposed to find a solution could lead to the acceptance of the very first new alternative without continuing the search efforts and other solutions that might ultimately prove more relevant to the foreseen decision.

### **Characteristics of creative thinking**

Creative thinking is a multidimensional concept that can be manifested in many areas. The concept of creative thinking can be defined from the perspective of different disciplines, such as: sociology, cognitive sciences, arts, artificial intelligence, philosophy, economics, management, etc. and thus at many distinct levels: cognitive, intellectual, social, economic, artistic, literary, etc. Creative, innovative people have many distinct features/traits that differentiate them significantly from less creative or even noncreative individuals. In 1999, Garry A. Davis “inventoried” over 200 personality traits and attributes of the creative attitude as found in the literature on creativity and divided them into positive, socially desirable features and negative, potentially offensive features. Among these, in order of importance: imagination, problem sensitivity, curiosity, intuition, discovery of ideas, tolerance for ambiguity, independence (autonomy), originality, enthusiasm, perseverance, risk-taking, etc.

Independence (autonomy). Creative people tend to be independent, non-conformist in thought and action, and relatively not influenced by others. Autonomy is a feature that encompasses other social traits: introversion, intrinsic motivation, self-confidence, desire for solitude, dissatisfaction with status-quo. Imagination is an important skill and is based on certain hereditary predispositions, enabling the creation of new images or ideas. Creative imagination denotes an individual's ability to perform a creative activity, often generalised to all inventing capacity [11; p.89]. Developing imagination however requires a lot of work in the creative process. Sensitivity to problems. It is an essential feature for problem-solving. The creative person has the ability to perceive that which is unusual and different, to see potential unrealised in given situations, to observe similarities and analogies in different experiences. Intuition - is a sudden discovery, a revelation of a truth, a solution to a problem, etc. during “learning” through trial and error. An intuitive personality perceives relationships, implications and has increased sensitivity to details and patterns. Originality. The creative person exhibits originality in thought and ideas, and sees things in new ways. Originality is also expressed in the ability to leave aside firmly structured and established systems, to dismantle existing syntheses and to use elements and concepts outside their original contexts to create new combinations and new systems of relationships. Stimulating the creative thinking of employees is an important factor in the management of any Romanian company, their creation process generally displaying certain specific characteristics, which can be grouped into four categories as follows:

First of all, creativity always involves imaginative thinking or behaviour. Imaginative activity is a process of generating something original: offering an alternative to that which is conventional, expected or routine.

Secondly, in general, the imaginative activity has a definite purpose: i.e., it is directed towards achieving a particular objective or solving a central problem. Sometimes the goal changes when new ideas and possibilities emerge: for example, in inventions or discoveries new goals are identified when the original product or idea has emerged.

Third, these processes must generate something original. Originality may be individual (relative to a person's previous result), relative (relative to the group) or historical (the result is original in relation to any previous achievement in the specific field). Fourthly, the result must be valuable in relation to the goal. "Value" is here an assessment of a certain property of the result. There are many possible ratings of value, depending on the field of activity: effectiveness, usefulness, agreeableness, validity, durability (sustainability).

### Trends in stimulating creative thinking

Trends in stimulating creative thinking, existing in Romanian companies, are summarised in Table 1, the range of effects generated by these tendencies are presented in Table 2

**Table 1: Trends in creativity**

Algorithmisation	Fuzzification	Invention machine	Globalisation of thinking	e-creation
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Source: Vitalie Belusov, Gheorghe Doncean – "Curs de creativitate tehnică", Editura Performantica, Iași, 2010, p. 6, ISBN 978-973-730-697-32, (412 pages).

**Table 2: Range of effects**

Group		
A	B	C
Psychological	Mathematical	Biological
Social	Physical	Environmental
Economic	Chemical	Extra-effects

Source: Vitalie Belusov, Gheorghe Doncean – "Curs de creativitate tehnică", Editura Performantica, Iași, 2010, p. 6, ISBN 978-973-730-697-32, (412 pages).

Research has demonstrated that there are at least three aspects of creative thinking, which have attracted the attention of economics researchers, namely:

- The creative process, which has received the most attention, focuses in particular on the mechanisms and phases that are part of the creative act.
- The second aspect is the creative person, his/her personality traits. The atmosphere and influence of the socio-cultural environment / system are related to the creative situation and can determine the level and frequency of creative behaviour.
- The third aspect is given by the characteristics of the creative products. This aspect is of particular importance as it forms the basis of any assessment of the performance of creative thinking in the real world and can open a "window" on other aspects of creativity in general.

### Conclusions

The new, knowledge-based economy that will emerge in the future society integrates the objectives of sustainable development, based on social justice and equal opportunities, environmental protection, freedom, cultural diversity and innovation development, industry and business restructuring. It also represents a new stage in human

civilisation that allows broad access to information, new way of workings and knowledge, expanding the possibilities of economic globalisation and increasing social cohesion.

Nowadays, when fewer people devote themselves to thought, thinking creatively means raising oneself to a higher level and drawing on that infinite energy resource from which the universe was created. The creative drive knows no obstacles.

The modernisation of Romanian companies and their alignment with the standards of developed countries, by increasing the degree of comfort, requires upgrades in the entire infrastructure. In any business at any level, there is a rich, but still undiscovered, range of useful ideas. The creative thinking technique tends to discover this resource and exploit it for the benefit of businesses and society as a whole. However, it takes a sustained effort, not just to overcome scepticism and lack of confidence, but also to follow the subsequent stages of the brainstorming session, namely, to properly evaluate and apply the ideas in practice. The effective way of thinking and creative techniques can be easily adopted, and managers can abandon on analytical procedures and biases. Style, as the author Lucian Blaga wrote, leaves a mark on the creations of a people, a country, a nation, and expresses its strong and authentic identity. The man of today needs to restore culture within his own being, since from its origins, the human nature being creative. We conclude this study with a quote by Thomas Jefferson, who was one of the most influential “founding fathers” of the United States: “Nothing can stop people with positive thinking. Nothing can help those with the thought, the wrong mentality.”

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## **PUBLIC DEBT SUSTAINABILITY IN THE EU DEVELOPED COUNTRIES**

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**Abstract:** *After the global financial crisis in 2008, the topic of public debt sustainability has increased in relevance for the economic literature, causing significant economic structural changes in the affected countries and substantial debates whether the public debt and its projected path are consistent with those of the government's revenues and expenditures. The paper tackles the average reaction coefficients of the primary surplus relative to GDP to variations concerning the debt of the EU most developed economies, using time series data from 2000. The estimated model introduces some control variables that account for the specificities of these countries, namely the domestic credit to private sector and the economic freedom index. In order to estimate the time-varying coefficients, the penalized spline regression model is employed, which is more robust than the OLS estimation.*

**Keywords:** *public debt, sustainability of public debt, penalized spline regression, developed EU economies.*

### **Introduction**

Ensuring the sustainability of public debt is a challenge for public authorities in all countries of the world. The difficulty of ensuring this economic policy objective will be all the more accentuated, as the economic effects of the current health crisis will be felt more acutely in the coming period. The study of the sustainability of the public debt has a special significance, in the current economic, political and social context, both for the countries of Central and Eastern Europe, as well as for the countries of Western Europe, as the health crisis generated by the COVID-19 virus will have unprecedented economic effects on economies of all countries of the world. The European Commission and the authorities of each EU member country have adopted exceptional economic support measures, which have already generated a significant increase in public debt, but the effectiveness of these

measures can be estimated in the medium and long term. The analysis of public debt sustainability thus becomes a major issue of economic policy.

The main objective of the paper is to analyze the sustainability of the public debt for 14 countries with developed economies of the European Union, namely Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden. The empirical study will be carried out using as statistical variables the primary surplus, the public debt ratio (net), the public debt expenditure, a variable that reflects the business cycle (real GDP fluctuations), the domestic credit to the private sector and the index of economic freedom. These variables were recorded for the period from 2000 to 2019, and the data source is represented by the International Monetary Fund (IMF), the World Bank and the World Governance Indicators (WGI). The statistical method used to evaluate the sustainability of public debt is spline regression; this analysis is carried out to highlight the specific characteristics of the countries in the chosen sample.

The paper is structured in three parts as follows: in the first part, a study of the literature on public debt and the sustainability of public debt will be briefly presented. The second part presents the data and methodology that were used to estimate the sustainability of the public debt. The third part presents the empirical analysis for 14 member countries of the European Union with a developed economy (Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden).

## **Literature review**

The economic policy of the EU was guided by the principle of sound public finances with the emergence of the Maastricht Treaty, in this way it was considered to guarantee the stability of the single currency (von Hagen & Wyplosz, 2008). The fiscal policy thus constructed allowed, at the same time, according to Balassone & Franco (2001), sufficient margins for budgetary flexibility in less favorable economic periods. If fiscal policies, left to the discretion of each member state, had the advantage of addressing specific needs, the disadvantage was given by the possibility of excessive use of fiscal instruments, which entailed the increase of deficits and debt, a fact that could have threatened price stability and, in this similarly, the economies of the rest of the euro zone member states would be negatively affected, through two channels (Bergman et al., 2013). The first relevant research on the sustainability of debt policies was conducted by Hamilton & Flavin (1986). These authors analyzed the US government debt and deficit series from 1962-1984 and focused on the stochastic properties of the deficit including interest payments. They concluded that public debt is considered sustainable if it follows a stationary trajectory. After this moment, numerous authors tried to answer the question of whether public debt policies can be considered sustainable.

An important role in many of these sustainability studies is played by the interest rate, to reduce the flow of public debt, recalling that the government's intertemporal budget constraint requires that the present value of public debt asymptotically tends to zero, a point that was emphasized by Wilcox (1989). When addressing public debt sustainability, the focus is mainly on public spending, public revenue, and the role that an economy's Central Bank can play is ignored. This is because it is believed that governments should not rely

on central banks to reduce public debt through money creation, since central banks are independent and are not required to assist governments in implementing policies for sustainable public debt. Authors like Haug (1991), Hakkio & Rush (1991), Trehan & Walsh (1991), Quintos (1995) have studied the deficit sustainability through cointegration tests by analyzing the relationship between primary deficit and debt and found that a stationary deficit including interest payments is sufficient for public debt sustainability if the real interest rate is positive, or the relationship between government revenues and expenditures including interest payments and found that cointegration is only a sufficient condition for deficit sustainability.

Another approach to test public debt sustainability was proposed by Bohn (1998) who investigated how the response of the primary surplus relative to GDP reacts to changes in public debt relative to GDP, arguing that a positive response provides reliable evidence for sustainability debt. This test is very plausible because it has a logical economic intuition: if governments engage in debt today, they must take corrective action in the future by increasing the primary surplus. Otherwise, public debt will not be sustainable. Bohn (1998) proposes a sustainability test that does not require assumptions about interest rates. Ghosh et al. (2013) developed a measure of maximum debt that depends on a country's fiscal response function and the government's ability to change its debt over time. Following this approach, Greiner & Fincke (2016) developed this test from a theoretical point of view and demonstrated that a permanent increase in the debt-to-GDP ratio is not compatible with a sustainable debt policy. A sustainable debt policy requires that the public debt-to-GDP ratio becomes constant and that the transiently increasing debt ratio is compatible with sustainability. Empirical tests conducted demonstrated that most of the analyzed countries reacted positively to higher debt ratios, increasing the principal balance in relation to GDP.

Berti et al. (2016) highlighted that most EU countries have adjusted their fiscal policy positively to the increase in debt levels, using estimated country-specific fiscal reaction functions. When analysing the determinants of the fiscal balance in 27 EU countries and the impact of membership of the Economic and Monetary Union (EMU) on the effectiveness of fiscal rules and fiscal councils, Maltritz & Wüste (2015) found that EMU membership does not have a significant impact on the budget balance. The methodological design follows the approach adopted by Bohn (1998), Greiner & Fincke (2016), Berti et al. (2016) and the empirical study is a follow up on Grosu et al. (2022). Using annual data from 2000 to 2019, we estimated the models using time series for each country in the sample. The estimated model for each country is a semi-parametric model, as the relationship between the primary balance and the debt ratio is characterized by non-linearities (Greiner & Kauermann, 2005). The estimation method is penalized spline regression, which gives more robust estimators than OLS (Hastie & Tibshirani, 1990; Ruppert et al., 2003).

## **Data and methodology**

This paper assesses the responses of governments to debt accumulation in 14 EU countries with developed economies, namely Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain and Sweden. We used data from the year 2000 to 2019. The data sources used are the

International Monetary Fund (IMF), the World Bank and the World Governance Indicators (WGI). We follow the approach proposed by Fincke and Greiner (2012), Greiner and Fincke (2016) and test the response of the primary surplus (% of GDP) to changes in the public debt ratio (% of GDP). To account for countries' specificities, control variables are used, that measure the institutional dimension, through a variable that measures the quality of governance, namely the economic freedom index and the economic dimension, by the share of domestic credit to the private sector (% of GDP).

The economic freedom index is a composite index scored on a scale from 0 to 100, where 100 represents maximum freedom, with ten components grouped into four broad categories: the rule of law (property rights, freedom from corruption); limited government (fiscal freedom, government spending); regulatory efficiency (business freedom, labor freedom, monetary freedom) and open markets (trade freedom, investment freedom and financial freedom). Domestic credit to the private sector refers to financial resources provided to the private sector by financial corporations, such as through loans, purchases of non-equity securities and trade credits and other accounts receivable, which establish a demand for repayment.

The general form of the econometric models estimated in the paper is similar to that adopted by Bohn (1998), Greiner & Fincke (2016), Berti et al. (2016).

For the time series estimations, we used a semi-parametric model as shown below:

$$PB_t = \beta_0 + f(Debt_{t-1}) + \beta_1 Expend_t + \beta_2 GDP_t + \beta_3 Z_t + \varepsilon_t,$$

where  $PB_t$  represents the primary surplus (% of GDP), and  $Debt_{t-1}$  means the debt rate lagged by a period, since the budget plans are made a year in advance. The other variables,  $Expend_t$  and  $GDP_t$ , are the variables derived from public spending and real GDP fluctuations, the latter being a business cycle variable in the model. These were obtained by subtracting the long-term trend of the series, obtained by applying the Hodrick-Prescott filter. The  $Z_t$  variables are the control variables that reflect the specificities of the economies of the countries under consideration (domestic credit to the private sector and the index of economic freedom).  $f(Debt_{t-1})$  is a smoothing function (unknown, but smooth, that are to be estimated from the empirical data) using the lagged debt rate. The coefficients  $\beta_i$ ,  $i = 1, 2, 3$  are the coefficients associated with the variables  $Expend_t$ ,  $GDP_t$ , and  $Z_t$ , respectively. The term  $\varepsilon$  is the error term.

Penalized spline regression is used as an estimation method, since it provides more robust estimators than OLS (Hastie & Tibshirani, 1990; Wood, 2000; Ruppert et al., 2003). The data source is the International Monetary Fund (IMF), the World Bank and the World Governance Indicators (WGI).

## Empirical findings

The empirical study carried out in this paper concerns the sustainability of public debt in the 14 developed economies of the EU. Before presenting the results, we provide a brief description of the analyzed variables, followed by the time series estimates.

### Data summary

The data used for the empirical study consists of annual data from 2000 to 2019 for the 14 developed countries in the EU. The missing values were imputed using simple imputation methods. The visual representation of the variables' dynamics is shown in the Figures 1 to 6.

*The primary surplus*

The primary surplus, calculated as the difference between general government revenues and general government expenditures, excluding interest payments (as % of GDP), for the countries in the sample, in the period 2000-2019, is represented in Figure 1.

**Figure 1. Primary surplus (% of GDP) dynamics for the 14 countries, from 2000 to 2019**

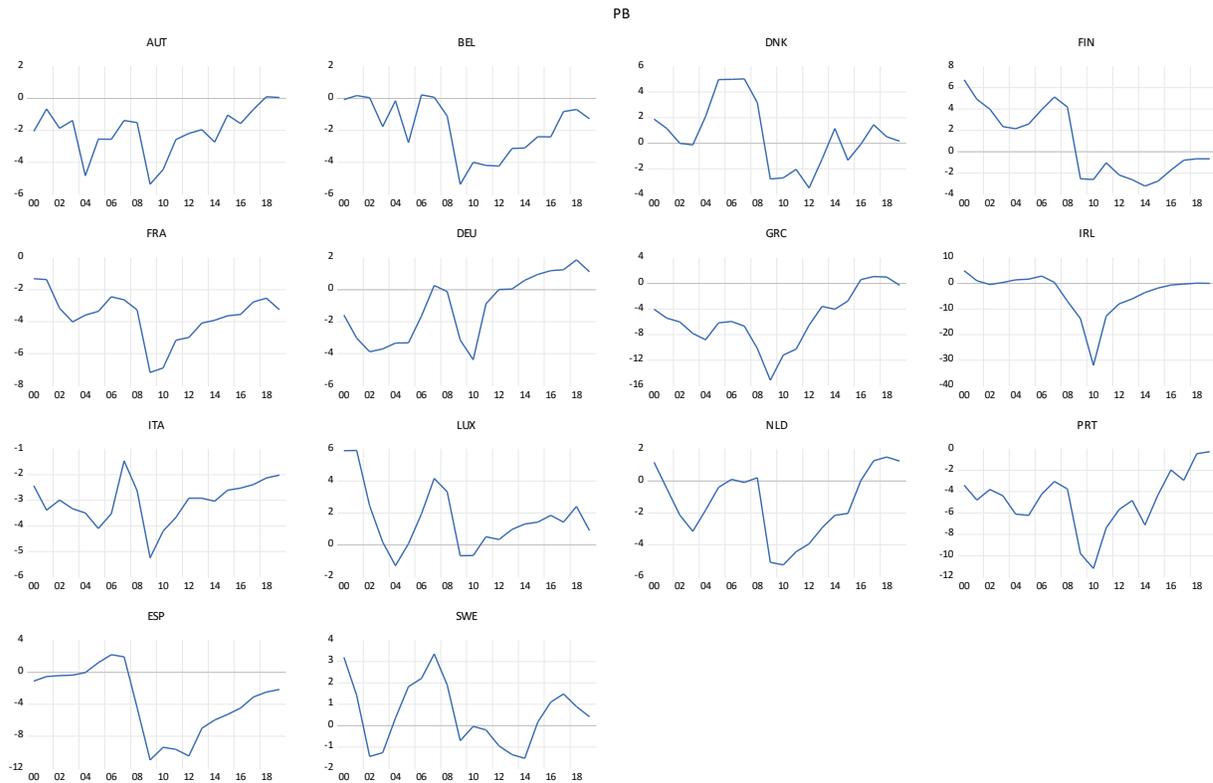


Figure 1 shows that most countries recorded primary deficits for the entire period between 2000 and 2019, with only a few exceptions, notably Belgium, Denmark, Finland and Spain, for the period before the financial crisis. The rest of the countries recorded deficits, with significant differences in their size and trend. Some countries have been able to better control government spending and revenue, significantly improving their primary surplus, such as Austria, France, Germany, Greece, the Netherlands, Portugal, while others, such as Denmark, Finland, Spain, Sweden, underperformed with moderate improvements in their primary surplus. The case of Luxembourg is special, as the country deepened its primary deficit, from 6% in 2000 to more than -1.5% around 2004.

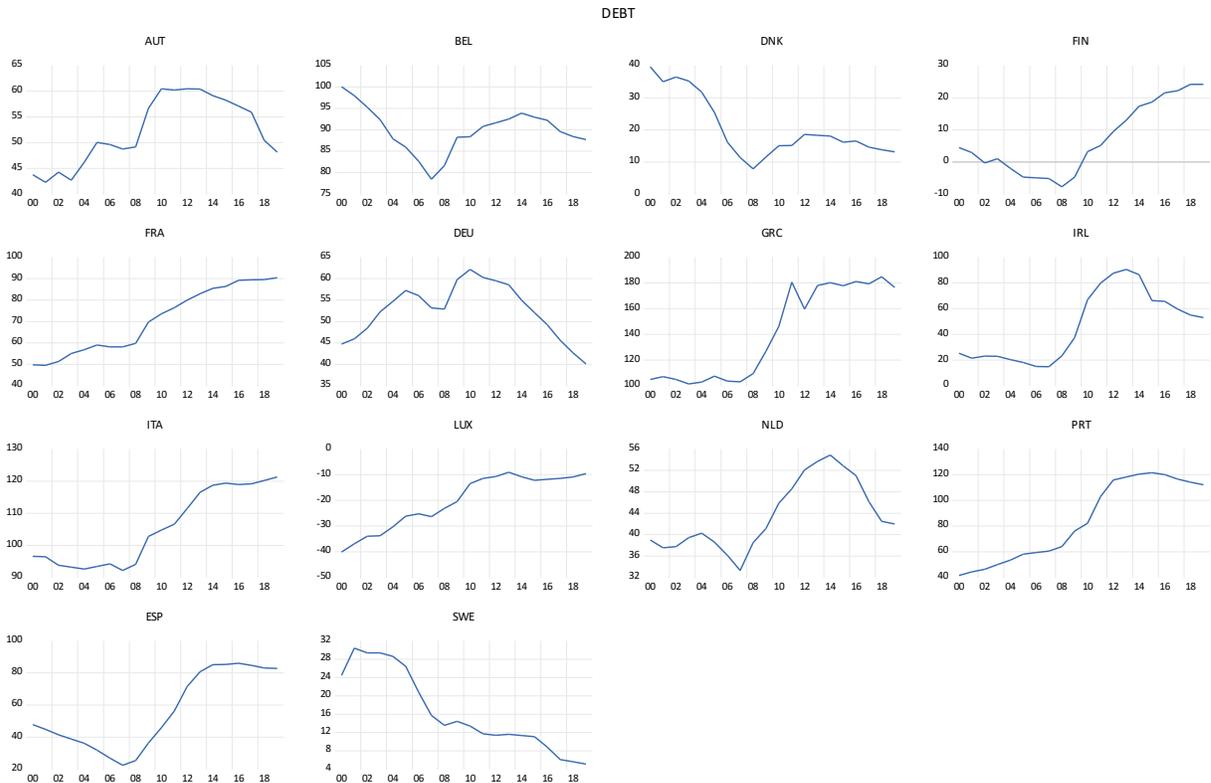
An important contribution to the favorable evolution of the economic situation of these countries can be attributed to the application of fiscal governance in all EU countries,

after the adoption of the Treaty on the establishment, coordination and governance of the Economic and Monetary Union.

*Public debt rate*

The graph for the public debt ratio for the 14 European countries, from 2000 to 2019, is represented in Figure 2.

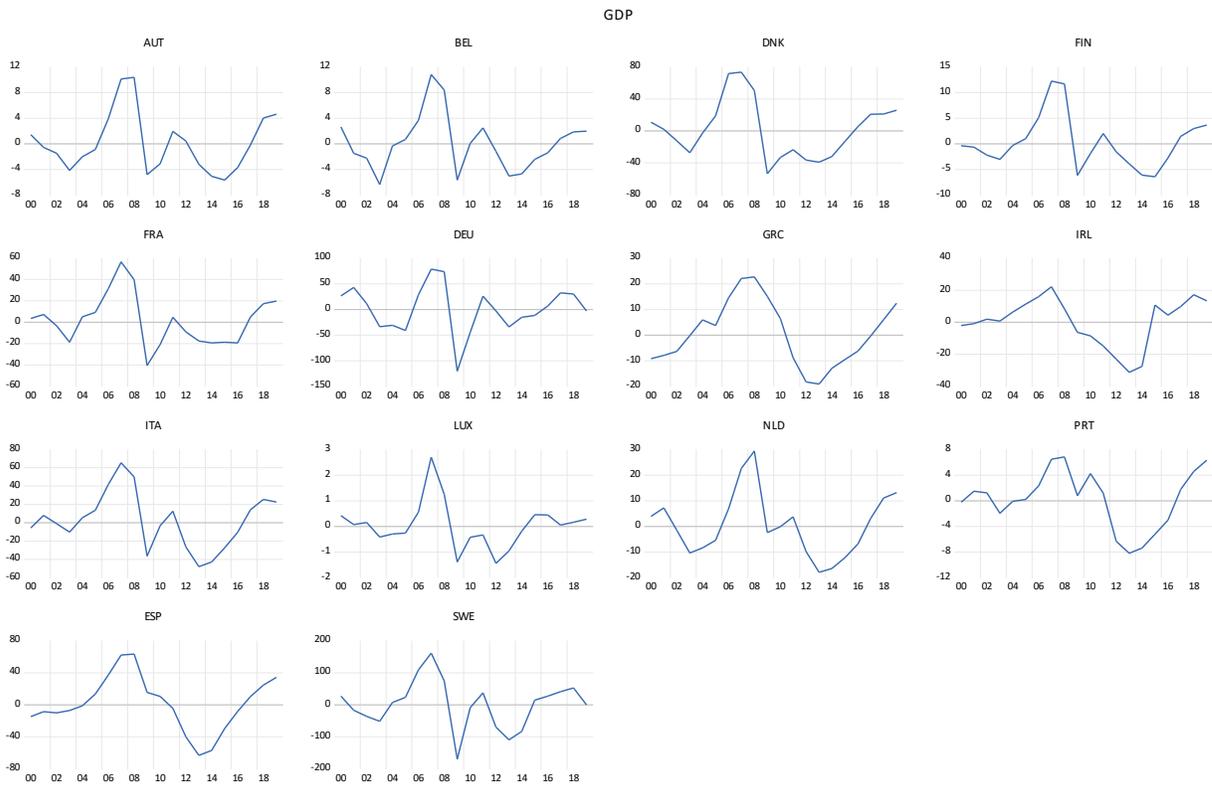
**Figure 2. Public debt ratio dynamics for the 14 countries, from 2000 to 2019**



*Business cycle*

The visual representation for the business cycle, which represents the changes in real GDP for the 14 countries, from 2000 to 2019, is shown below, in Figure 3.

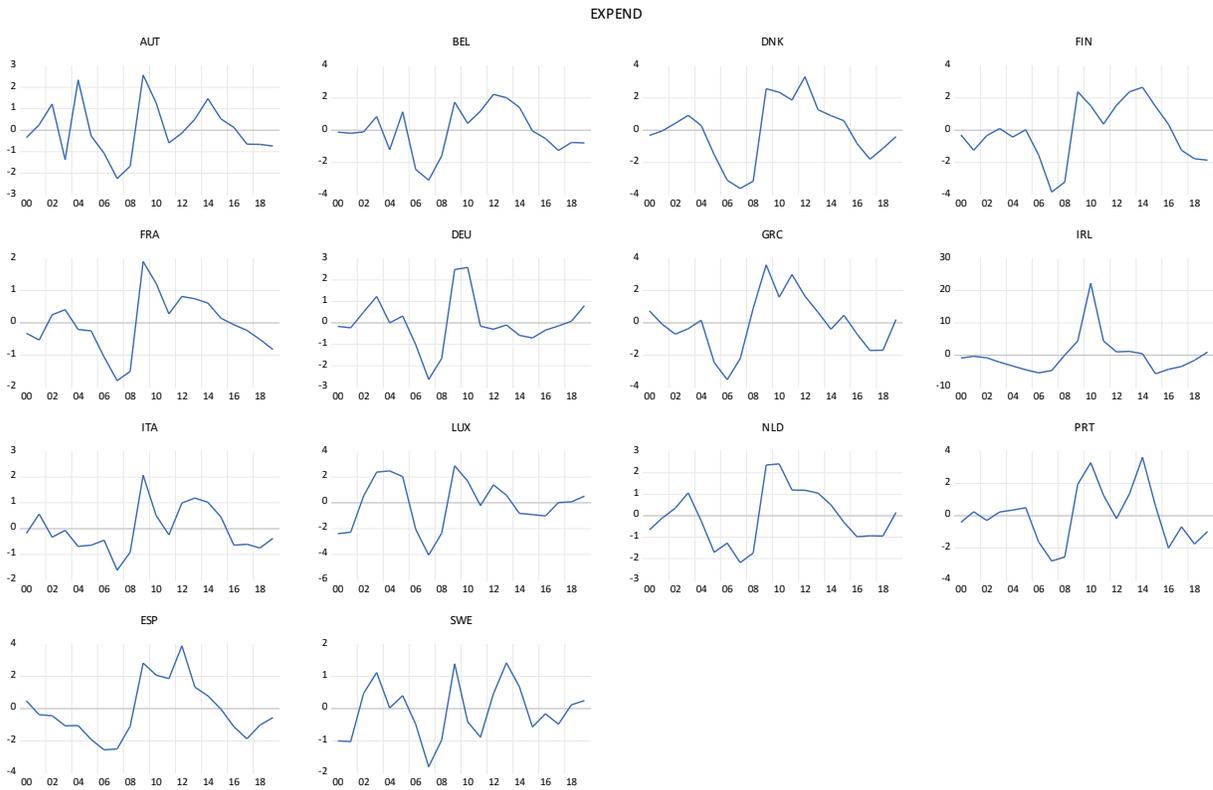
**Figure 3. Business cycle dynamics for the 14 countries, from 2000 to 2019**



*Public debt expenditures*

The graph for the variable representing public debt expenditure fluctuations around their trend (% of GDP) for the 14 countries, from 2000 to 2019, is represented below.

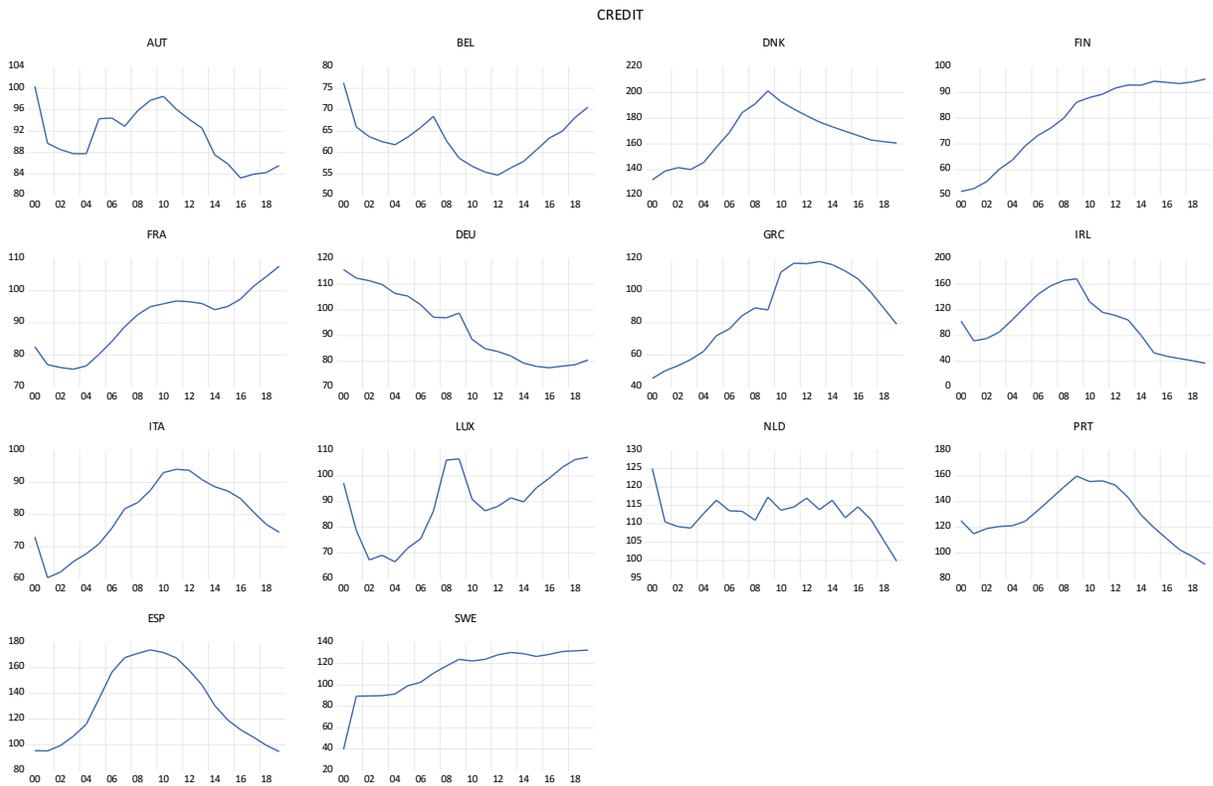
**Figure 4. Public debt expenditure dynamics (% of GDP) for the 14 countries, from 2000 to 2019**



*Domestic credit of the private sector*

The visual representation of the dynamics of the domestic credit for the private sector (% of GDP) for the 14 countries, from 2000 to 2019, is represented in Figure 5.

**Figure 5. Domestic credit for the private sector dynamics (% of GDP) for the 14 countries, from 2000 to 2019**

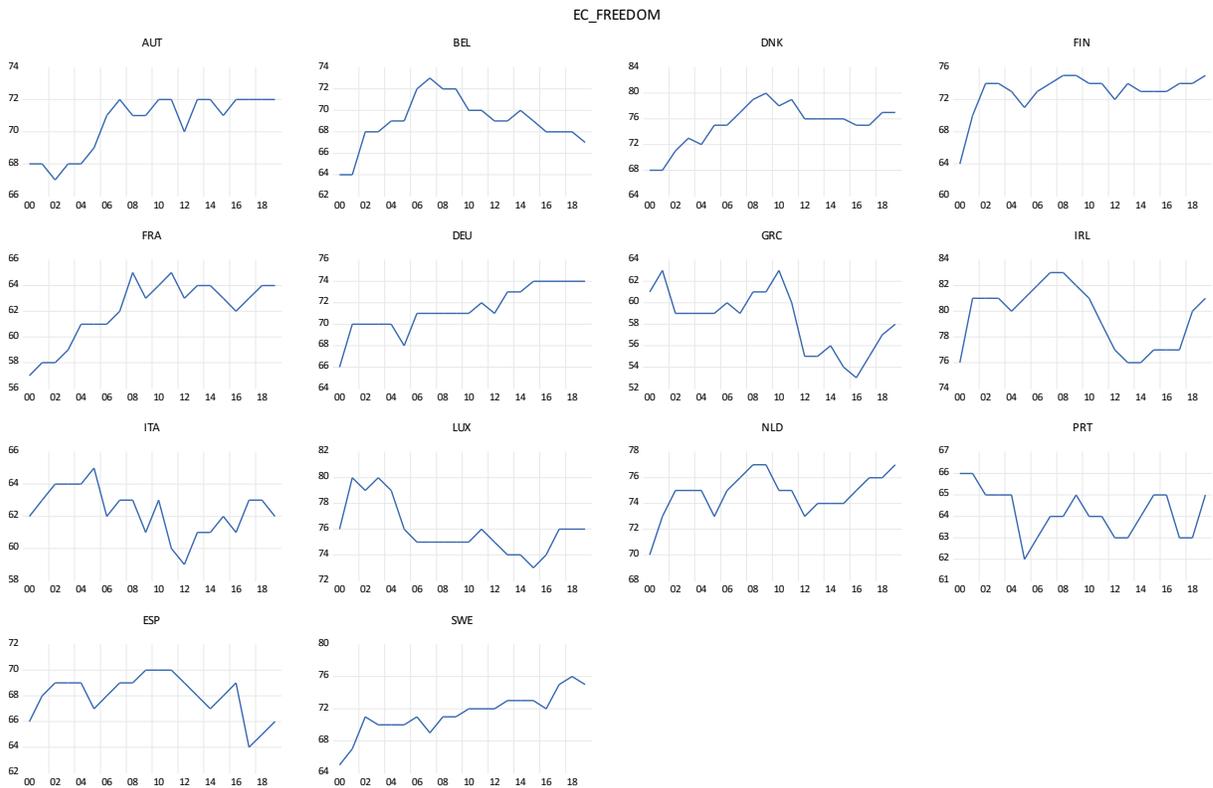


Analyzing the graph above, we can see that at the beginning of the 2000s, all countries, with developed, stable economies, register a very high level of domestic credit for the private sector. Only Ireland, Greece and Sweden reached the lowest value, of 40%. Although in all countries the values have increased over the period under review, there are still large differences between countries in terms of the pace of growth and the level to which it has reached. The highest value of 200% was achieved by Denmark. Moreover, we note that the trend has been reversed for a few countries, notably Germany, which has seen a sharp decline.

*Index of economic freedom*

The graph for the dynamics of economic freedom index, for the countries in the sample, are presented in Figure 6.

**Figure 6. Index of economic freedom dynamics for the 14 countries, from 2000 to 2019**



All countries improved their economic freedom during this period, reaching an average score of 70 points in 2019. Among these countries, Finland has the highest index, over 72 points for the entire period, while Italy has the lowest index below 53 points during this period. With small fluctuations, all countries recorded an upward trend in the index of economic freedom.

### Estimating spline regression

The results of estimating the econometric models for the European countries in our sample, using as control variables the domestic credit for the private sector (% of GDP) and the index of economic freedom are presented in Tables 1 and 2. The models presented in these tables were chosen in as a function of the smallest generalized cross-validation (GCV) statistic and the largest adjusted multiple determination ratio (Adj. R2) value. The results for which the coefficient of the smooth function is statistically significant are presented. Denmark is the only country for which the model containing the economic freedom index is not statistically significant.

### Estimated regression coefficients

The estimated equations are presented as follows, in Tables 1 and 2.  
*Domestic credit for the private sector*

**Table 1 : Coefficients for models using domestic credit for the private sector (% of GDP) as a control variable (dependent variable: primary surplus as % of GDP)**

Variables	AUT	BEL	DNK	FIN	FRA	DEU	GRC	IRL	ITA	LUX	NLD	PRT	ESP	SWE
Constant	1.219 (6.315)	10.835 (7.006)	-20.635 (6.247)	14.387 (1.585)	-15.791 (3.581)	-33.459 (15.042)	-6.003 (8.124)	2.536 (7.348)	-12.434 (3.867)	-1.039 (1.459)	-5.845 (4.826)	-11.034 (10.832)	-35.254 (16.512)	25.115 (5.958)
$PB_{t-1}$	0.088 (0.168)	-0.347 (0.186)	0.100 (0.134)	0.030 (0.076)	0.543 (0.095)	0.080 (0.144)	0.190 (0.159)	-0.112 (0.129)	0.295 (0.157)	0.154 (0.088)	0.111 (0.115)	-0.111 (0.108)	0.007 (0.194)	0.561 (0.123)
$Debt_{t-1}$	0.014 (0.034)	-0.049 (0.046)	0.156 (0.045)	-0.109 (0.142)	0.119 (0.271)	0.041 (0.044)	-0.031 (0.026)	-0.301 (0.227)	0.042 (0.016)	0.016 (0.035)	-0.040 (0.059)	-0.018 (0.045)	0.320 (0.103)	0.003 (0.029)
$Expend$	-0.702 (0.185)	-0.670 (0.186)	-0.991 (0.337)	0.214 (0.300)	-0.696 (0.305)	-0.999 (0.231)	-1.137 (0.205)	-1.053 (0.093)	-0.445 (0.300)	-0.791 (0.175)	-1.047 (0.188)	-1.109 (0.108)	-0.496 (0.348)	0.146 (0.310)
$GDP$	0.024 (0.058)	0.080 (0.048)	0.006 (0.017)	0.343 (0.091)	0.011 (0.011)	0.002 (0.006)	-0.114 (0.059)	-0.040 (0.050)	0.009 (0.010)	-0.203 (0.360)	0.014 (0.027)	0.075 (0.096)	0.090 (0.038)	0.008 (0.003)
$Credit$	-0.072 (0.051)	-0.021 (0.091)	0.088 (0.028)	-0.185 (0.021)	-0.030 (0.024)	0.268 (0.127)	0.037 (0.059)	-0.048 (0.043)	0.019 (0.017)	0.024 (0.018)	0.033 (0.051)	0.050 (0.060)	0.072 (0.090)	-0.207 (0.048)
$sm_t$	F stat. 0.057 *	F stat. 0.004 ***	F stat. 0.009 ***	F stat. 0.000 9 ***	F stat. 0.000 04 ***	F stat. 0.049 **	F stat. 0.017 **	F stat. 0.007 ***	F stat. 0.040 **	F stat. 0.044 **	F stat. 0.004 ***	F stat. 0.020 **	F stat. 0.007 ***	F stat. 0.003 ***

Standard error in brackets  
 \*\*\*p<0.01; \*\*p<0.05; \*p<0.1.

The coefficients for net debt ratios are statistically significant for four countries: Denmark, France, Italy and Spain. For all these countries, the coefficients are positive, indicating that the primary surplus increases with the increase in the debt-to-GDP ratio. These results allow us to support the sustainability of the public debt for these countries in the analyzed period. Moreover, if we look at the deviation  $f(.)$  from the average coefficient of the  $Debt_{t-1}$  variable (Figure 7), where the graph of the smooth function is represented, we notice that the reaction of the primary surplus to the changes in the debt ratio for Denmark increased for the whole period. For France and Italy, even if the overall trend is decreasing, it has remained positive for the entire period. For Spain, the time trajectory of the term of the smooth function shows an increasing pattern at the beginning of the period and then starts to decrease again. The decreasing path of the coefficient of this function over time indicates that the government attached less importance to the stabilization of the public debt.

Considering the coefficients for government spending, we notice that we have significantly negative coefficients for almost all countries, indicating that the primary surplus is lower in periods of higher public spending.

If we analyze the business cycle variable, we notice that for Finland, Spain and Sweden the coefficient is positive and significant at 0.1, which proves that periods of economic boom and recession respectively cause a positive and negative effect on the primary surplus. In contrast, for Greece, the coefficient of the business cycle variable is significant and negative.

The coefficients for PBT-1 (primary surplus for the previous year) are statistically significant and positive, at 0.1, for 3 countries: France, Italy and Sweden.

*Index of economic freedom*

**Table 2: Coefficients for models using the index of economic freedom as a control variable (dependent variable: primary surplus as % of GDP)**

Variables	AUT	BEL	FIN	FRA	DEU	GRC	IRL	ITA	LUX	NLD	PRT	ESP	SWE
<i>Constant</i>	14.886 (14.202)	-0.004 *** (0.001)	27.071 ** (9.211)	-38.475 *** (5.085)	25.051 ** (10.149)	17.844 (11.205)	-20.405 (38.801)	-0.016 ** (0.006)	0.234 (8.706)	15.187 (17.691)	7.938 (16.421)	-41.828 ** (11.840)	19.684 ** (7.592)
<i>PBT<sub>t-1</sub></i>	0.166 (0.152)	0.174 (0.105)	0.217 (0.136)	0.263 (0.147)	0.126 (0.120)	0.020 (0.140)	0.135 (0.093)	0.253 * (0.135)	0.188 * (0.090)	0.176 (0.111)	-0.037 (0.103)	-0.012 (0.180)	0.198 (0.117)
<i>Debt<sub>t-1</sub></i>	0.130 (0.334)	0.037 *** (0.010)	0.006 (0.029)	0.119 ** (0.044)	-0.027 (0.017)	-0.053 * (0.024)	-0.044 (0.076)	0.034 ** (0.012)	0.001 (0.035)	-0.036 (0.048)	-0.040 (0.042)	0.299 *** (0.066)	-0.145 * (0.063)
<i>Expend</i>	-0.775 *** (0.183)	-0.989 *** (0.163)	-1.534 *** (0.455)	-0.918 *** (0.208)	-0.950 *** (0.194)	-1.228 *** (0.186)	-1.151 *** (0.082)	-0.573 ** (0.255)	-0.891 *** (0.176)	-1.001 *** (0.160)	-1.169 *** (0.105)	-0.447 (0.284)	-0.122 (0.332)
<i>GDP</i>	0.017 (0.058)	-0.021 (0.056)	-0.141 (0.141)	-0.018 * (0.008)	0.001 (0.005)	-0.079 (0.056)	-0.062 (0.054)	0.006 (0.008)	-0.391 (0.349)	0.016 (0.023)	0.032 (0.085)	0.093 ** (0.033)	0.008 (0.004)
<i>Ec_freedom</i>	-0.303 (0.203)	-0.119 *** (0.025)	-0.357 ** (0.127)	0.386 *** (0.050)	-0.326 ** (0.131)	-0.342 * (0.162)	0.157 (0.058)	-0.149 *** (0.043)	-0.001 (0.115)	-0.210 (0.198)	-0.177 (0.211)	0.242 (0.148)	-0.271 ** (0.102)
<i>sm<sub>t</sub></i>	F stat. 0.011 **	F stat. 0.005 ***	F stat. 0.021 **	F stat. 3.88 e-16 ***	F stat. 0.0002 ***	F stat. 0.007 ***	F stat. 0.013 **	F stat. 0.033 **	F stat. 0.057 *	F stat. 0.003 ***	F stat. 0.001 ***	F stat. 0.0009 ***	F stat. 0.003 ***

Standard error in brackets  
\*\*\*p<0.01; \*\*p<0.05; \*p<0.1.

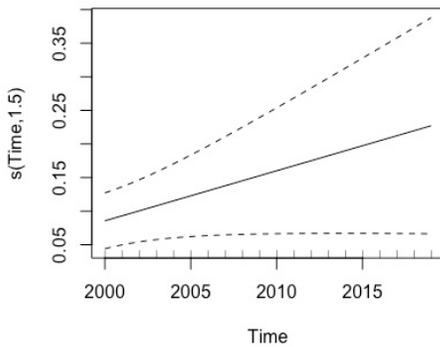
Analyzing the coefficients of the net debt ratio, we observe that for Belgium, France, Italy and Spain the coefficients are significantly positive, indicating the sustainability of the public debt, while for Greece and Sweden the coefficients are significant and negative, which suggests that these countries follow an unsustainable debt policy. The graphs of the smooth term for Belgium and Italy (Figure 11 and Figure 14) are centered around the average value of the reaction coefficient, showing a weak sustainability policy. While for France and Spain it shows that, even if the overall trend is decreasing, the response of the primary balance has remained positive for many years of the period considered in our study. The graphs of the smooth term for Greece and Sweden have a

slight upward trend, which indicates that the governments of these countries are concerned with stabilizing the public debt. Considering the estimation results for government spending and business cycle variables, we obtained similar results for almost all countries. The significantly negative coefficients for government spending are in line with our expectations, suggesting public debt sustainability.

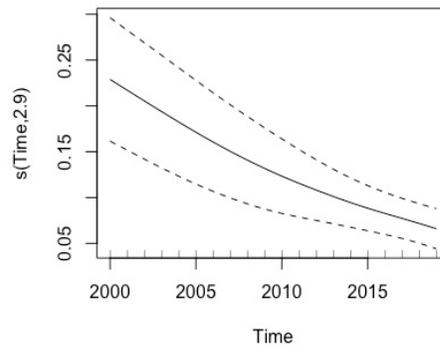
**Visual representation of the smooth function**

In the following, the graphs obtained for the countries for which the net debt ratio coefficients are statistically significant, for the two models are presented in Figures 7 to 16.

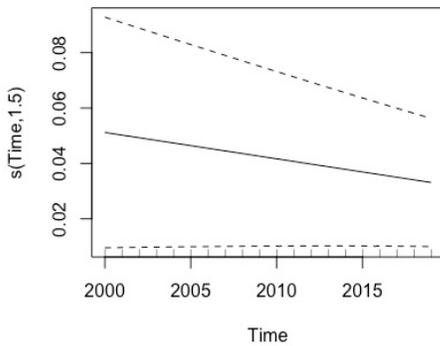
**Domestic credit for the private sector**



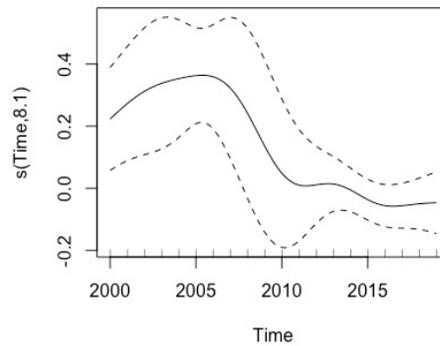
**Figure 7. The smooth function for the model with the control variable domestic credit for the private sector (% of GDP), for Denmark**



**Figure 8. The smooth function for the model with the control variable domestic credit for the private sector (% of GDP), for France**

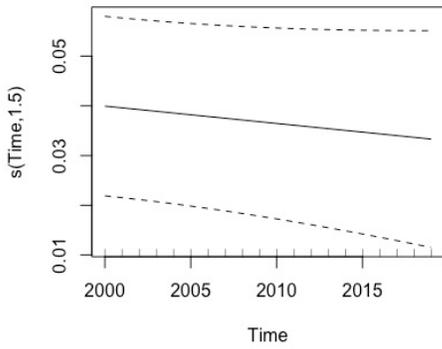


**Figure 9. The smooth function for the model with the control variable domestic credit for the private sector (% of GDP), for Italy**

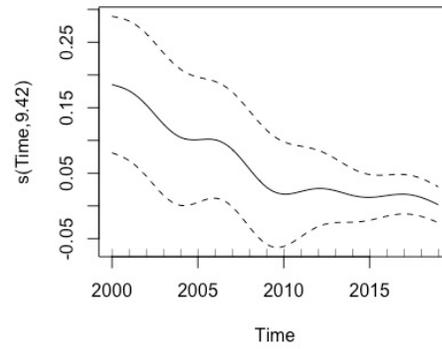


**Figure 10. The smooth function for the model with the control variable domestic credit for the private sector (% of GDP), for Spain**

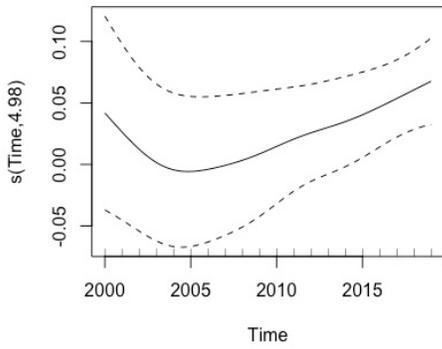
Index of economic freedom



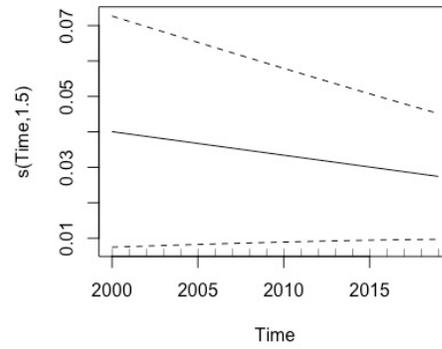
**Figure 11. The smooth function for the model with the control variable index of economic freedom, for Belgium**



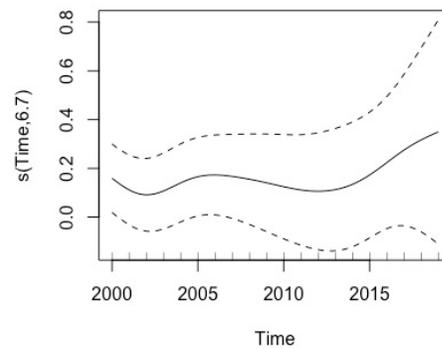
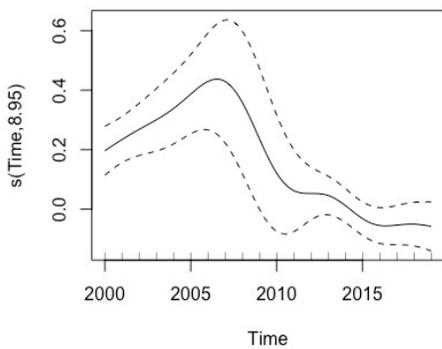
**Figure 12. The smooth function for the model with the control variable index of economic freedom, for France**



**Figure 13. The smooth function for the model with the control variable index of economic freedom, for Greece**



**Figure 14. The smooth function for the model with the control variable index of economic freedom, for Italy**



**Figure 15. The smooth function for the model with the control variable index of economic freedom, for Spain**

**Figure 16. The smooth function for the model with the control variable index of economic freedom, for Sweden**

**Validation of the estimated models**

The criteria used to validate the models are the criteria based on the adjusted multiple determination ratio and the cross-validation criterion. Cross-validation evaluates the fit of the model to a given  $\lambda$  in a very similar manner to RSS, but removes the point  $y_i$  and evaluates how well the fit of this removed point predicts. In other words, it tries to minimize the RSS while ignoring the closest point, hence it is often referred to as the "drop-out" strategy. This is formally defined as

$$CV(\lambda) = \sum_{i=1}^n \{y_i - \hat{f}_{-1}(x_i; \lambda)\}^2$$

where  $\hat{f}_{-1}(x_i; \lambda)$  refers to fitting the spline function without the point  $(x_i, y_i)$ . This allows to find  $\lambda$  for a given spline basis that minimizes this value while allowing for the prediction of new points and avoiding the danger of over-fitting.

The best results that are obtained after such an estimation are those that have the value of the adjusted determination ratio as high as possible and the value of the cross-validation criterion as low as possible.

The results of the model validation criteria obtained for the fourteen countries in the period 2000-2019 are presented in Tables 3 and 4.

**Domestic credit for the private sector**

**Table 3: The results for Adj. R2 and GCV tests, for the model with the control variable domestic credit for the private sector (% of GDP)**

Tests	AUT	BEL	DNK	FIN	FRA	DEU	GRC	IRL	ITA	LUX	NLD	PRT	ESP	SWE
Adj. R <sup>2</sup>	0.843	0.980	0.901	0.996	0.965	0.965	0.946	0.987	0.618	0.928	0.945	0.977	0.986	0.865
GCV	0.589	0.199	1.002	0.130	0.135	0.293	1.787	2.515	0.440	0.465	0.473	0.512	0.755	0.474

**Index of economic freedom**

**Table 4: The results for Adj. R2 and GCV tests, for the model with the control variable index of economic freedom**

Tests	AUT	BEL	FIN	FRA	DEU	GRC	IRL	ITA	LUX	NLD	PRT	ESP	SWE
Adj. R <sup>2</sup>	0.833	0.863	0.936	0.997	0.95	0.965	0.971	0.655	0.924	0.940	0.971	0.991	0.954
GCV	0.621	0.595	1.021	0.024	0.333	1.359	3.736	0.369	0.503	0.490	0.573	0.568	0.270

Comparing the empirical results generated by the econometric models estimated for the 14 countries using the statistical variables that highlight the specific characteristics of these countries (domestic credit for the private sector and the index of economic freedom), we can conclude that the model that includes the domestic credit for the private sector, having the lowest GCV values and the highest adjusted R2, best reproduces the data generation process and is the best for most of the countries in our sample. This result shows that this model is more relevant to the analysis of public debt sustainability than the one with economic freedom and could represent a more useful tool in the process of economic policy making.

## **Conclusions**

The paper aims at analyzing the sustainability of the public debt for developed European countries, a highly debated topic in the specialized literature due to the rapid accumulation of public debt in many European countries. Debt sustainability concerns are not very high for developed European countries compared to Eastern European countries, which underwent major institutional and structural changes in the 1990s and are still characterized by macroeconomic uncertainty and vulnerability, even though they have reached in the early 2000s, the status of the market-based economy. These concerns were amplified by the financial crisis that hit the world in 2008, followed by a sovereign debt crisis in some countries.

In the analysis of the sustainability of the public debt, we followed the approach proposed by Fincke and Greiner (2012), Greiner and Fincke (2016), which is appropriate in our case considering the characteristics mentioned above. In addition, in the econometric model, in terms of specification, we included control variables that measure both economic and institutional dimensions: the domestic credit for the private sector and the index of economic freedom.

The empirical results show that the domestic credit for the private sector significantly influenced the primary surplus in four countries: Denmark, Finland, Germany, and Sweden. For Finland and Sweden, the coefficients are significantly negative and indicate that for these countries, the ratio of the primary surplus worsens in the periods with the increase of the domestic credit for the private sector. The findings can be explained by the reduction in domestic credit available to the government, which may increase the public debt burden. At the same time, for Denmark and Germany, the coefficients are statistically significant and positive, presenting opposite situations to those presented previously. For the rest of the countries, the coefficients are not statistically significant, and we cannot conclude that the level of domestic credit for the private sector has a positive or negative impact on public debt sustainability.

As for the economic freedom index, the empirical results highlighted the fact that for seven European countries the coefficients for the economic freedom index are statistically significant: Belgium, Finland, France, Germany, Greece, Italy and Sweden. In France, the coefficient is positive, showing that the improvement in the index of economic freedom contributed positively to the primary surplus. For the rest of the countries for which the model generated significant results, the coefficients are negative but close to zero, except for Finland, Germany and Greece. These differences can be explained by variations and fluctuations in the levels of the primary surplus and the index of economic freedom. Even if a country has significantly improved its institutions, potential limitations on primary surplus adjustment in response to rising public debt-to-GDP ratios can moderate the benefits of stronger institutions. Also, the moderate improvement in the index of economic freedom, even if they correspond to already high levels, may not have any impact on public debt management.

Regarding the sustainability of public debt, the empirical results prove that only a few countries (Belgium, Denmark, France, Ireland, Italy, and Spain) pursued, to a certain extent, sustainable public debt policies during the analyzed period. Moreover, our models prove that only two countries (Greece and Sweden) implemented an unsustainable public debt policy. For the other countries in our sample, the statistically insignificant results suggest that the hypothesis of an unsustainable public debt policy cannot be rejected.

Despite the limitations of our research, especially the small data series, the results are in line with the literature for these countries and can be used as recommendations for a more prudent fiscal policy in the years to come.

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## KNOWLEDGE VALORIZATION IN E.U. A CRITICAL ASSESSMENT FOR ROMANIA

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**Abstract:** *In this paper we propose a critical assessment of the activities in the knowledge valorisation chain in Romania, exploring data from 2021 European Innovation Scoreboard (EIS). Using a set of relevant indicators, we analyse the main dimensions of capturing the value creation from knowledge. Knowledge valorisation lies at the heart of the knowledge economy and is critical for the economic and social progress. Despite of the political efforts of the European Commission regarding this issue, the “European Paradox” continues to exist and the failure of most European countries to convert the investment carried out in R&D into economic results and social benefits remains a debated topic. Universities, as one of the main actors of the knowledge valorisation process acknowledge this as a component of the university mission and play multiple roles along the valorisation channels. In this context, the entrepreneurial transformation of the university is determined and determines support and intensification of knowledge transfer. The research shows the need to reduce barriers for transferring knowledge into economy and necessity for policy intervention in order to uptake of research results in society and the economy, especially for Romanian environment.*

**Keywords:** *knowledge valorisation, entrepreneurial university, innovation*

**JEL Classification:** *I32, O32, O38*

### Introduction

European Union is dedicated to achieving sustainable development principles. In 2015, the UN 2030 Agenda for Sustainable Development set out 17 goals in a global effort to address the world challenges. European Union adopted the principles of the sustainable development since 2001, when the first European Union Strategy for Sustainable Development was adopted at the E.U. Summit. Later, in 2016, the European Commission developed the European Action for Sustainability, in compliance with which the E.U. SDG Multi-stakeholder Platform was established in 2017.

In this context, mission-oriented Research and Innovation is one of the transformations for EU achieving the UN Sustainable Development Goals (The 2019 European Sustainable Development Report. Paris and Brussels: SDSN & IEEP 2019). On another side, innovation policy is crucial for EU becoming a world innovation leader and outperforming its main competitors, USA and Japan. Investing in R&D as a major driver of innovation is critical. Still there are discrepancies between E.U. countries regarding R%D intensity. For example, in 2020 Belgium and Sweden recorded the highest intensity at 3.5% and at the opposite scale six member states recorded a R&D intensity below 1% of GDP: Romania, Malta, Latvia, Cyprus, Bulgaria and Slovakia (Eurostat, 2021). Despite of the efforts for investing in R&D, there is a failure in the capacity to convert research output into successful innovations in the market. This is encapsulated in the concept of

“European Paradox”, coined by European Commission in Green Paper of Innovation, in 1995 (Green Paper on Innovation, 1995). The document emphasizes the need of utilization of top level European research by industry.

However, there are researchers questioning the theory regarding this paradox (Dosi, Llerena and Labini, 2006), (Rodriguez-Navarro and Narin, 2010). Their main argument could be resumed at the fact that the quality of research publications count more than the high volume of scientific research. The concern for the European paradox was maintained in the policy documents of E.U. which are recently emphasizing that “even if the Union continues to be a global leader in terms of scientific output producing, for example, 22.7 % of all high-quality scientific publication, still lags behind in translating this advantage to the market“ (Eurostat, 2020).

Research and Innovation systems are performing based on top-level science producing relevant output, business involved in innovation activities and also on supporting policies conducive to thriving science-industry knowledge transfer relationship. Universities play an important role in research and innovation systems. The process of knowledge valorisation is starting with universities (Hladchenko, 2016). The traditional functions related to education and research are enriched and complemented with a third mission, for commercialization activities, patenting licensing and company formation. (Rasmussen, Moen and Gulbrandsen, 2006). The model of Triple Helix (Etzkowitz and Leydesdorf, 1995) consider universities together with industry and government as „helices” generating the innovation system. Due to the impacts on society the entrepreneurial profile of universities become a factor for stimulating innovation and for promoting the uptake of research and innovation results.

In this paper, data for Romania and “emergent countries” extracted from the European Innovation Scoreboard (EIS) 2021 are used to illustrate the main dimensions of capturing the value creation from knowledge. Also, we analyse the role of universities in knowledge valorisation chain and the need for policies to enhance the activities stimulating the transfer of knowledge into goods and services.

## **Conceptualization**

The process of transfer the knowledge to society, through transformation of knowledge to valuable products and services is subject of numerous studies. Knowledge valorisation is a broad concept with multiple manifestations such as: ”licensing of a patent to a firm, university-business collaboration to elaborate an invention to bring it to market, graduates working in research departments in the business sector, and spin-off firms engaged in developing an invention” (Van Geenhuizen, 2010), knowledge exploitation, knowledge or technology transfer, knowledge exploitation and academic entrepreneurship (van de Burgwal, van der Waal and Claassen, 2018), the transfer of knowledge from one party to another for economic benefit (Andriessen, 2005). There are three major paths of exploration regarding the concept of transforming knowledge in universities to economic value: knowledge valorisation, knowledge commercialization and knowledge capitalization (Baycan and Stough, 2013). The transformation stages can be considered as constituent elements of a value chain. Porter sought to define competitive of a firm using the concept of value chain. The goal of the activities within a value chain is to create value

that exceeds the cost of performing that activity, therefore generating a higher profit (Porter, 1985).

Similar to Porter's value chain approach, a knowledge value chain is consisting of knowledge management infrastructure, knowledge management activities and knowledge performances (Lee and Yang, 2000). The impact of research valorisation and innovation for economy and social life determined the scholars to design conceptual models for a clear representations of knowledge valorisation. The process of university knowledge valorisation is not linear and homogenous. The diversity in models show that knowledge valorisation, and specifically university-based innovation, is hard to define, comprising multiple heterogeneous subprocesses and associated activities with potential contribution role in the process of achieving societal impact (van de Burgwal, van der Waal and Claassen, 2018).

Among the participants in the valorisation process are university faculty members, university technology officers, firms and entrepreneurs, consumers and policymakers (Siegel and Wright, 2015). In addition to their traditional roles of education and research, universities are engaged in establishing links with industry, which made them to evolve „into fully fledged managerial organizations preoccupied with generating profits and creating an economic impact on local, regional and national scales” (Budyldina, 2018). Preoccupation for valorisation of research is one of the phases of becoming an entrepreneurial university, when the universities are taking an active role in commercializing the intellectual property arising from their activities (Etzkowitz, 2017). One conclusion is there are two necessary conditions for knowledge valorisation: the transfer of knowledge and economic benefit. (Baycan and Stough, 2013)

The concern for “European paradox” meaning “inferiority in terms of transforming the results of technological research and skills into innovations and competitive advantages” (EU Commission, 1995) is reflected in policy instruments adopted by E.C., for instance:

-the EU Knowledge Valorisation Platform launched in 2021, as one of the actions under the new European Research Area (ERA) Communication. The platform is a digital space aiming to stimulate cooperation across the borders and improve the transfer of the research results to economic and social life.

-the policy review ‘Knowledge valorisation channels and tools’ as the first milestone in setting out a European knowledge valorisation strategy published in July 2020. It describes the different means for:

- improving the transformation of research results into new sustainable solutions;
- identifying and analysing the main channels for the uptake of research and innovation results;
- get better at spreading excellent national practices;
- highlight best practices from Europe and beyond.

-the Communication on ‘A new ERA for Research and Innovation’ (COM 2020 628 final) calls on the Commission in consultation with Member States and stakeholders to update and develop guiding principles for knowledge valorisation and a code of practice for the smart use of intellectual property (IP).

Since the first edition in 2001, European Innovation Scoreboard is intended to be a measurement framework for research and innovation performance of the EU Member

States. EIS is integrating indicators are assessing the position of individual countries in terms of innovation, which can reflect knowledge valorisation process.

## Data

The Summary Innovation Index measures the performance of EU national innovation systems and is quantified by a composite indicator aggregating 32 indicators which illustrate four main types of activities: Framework conditions, Investments, Innovation activities and Impacts. According to the EIS (Hollanders, 2021) there are four performance groups:

- Innovation Leaders includes four Member States where performance is above 125% of the EU average. The Innovation Leaders are: Belgium, Denmark, Finland and Sweden.
- Strong Innovators includes seven Member States with a performance between 100% and 125% of the EU average. Austria, Estonia, France, Germany, Ireland, Luxembourg and the Netherlands are Strong Innovators.
- Moderate Innovators include nine Member States where performance is between 70% and 100% of the EU average. Cyprus, Czechia, Greece, Italy, Lithuania, Malta, Portugal, Slovenia and Spain belong to this group.
- Emerging Innovators include seven Member States that show a performance level below 70% of the EU average. This group includes: Bulgaria, Croatia, Hungary, Latvia, Poland, Romania, and Slovakia.

## Analysis and discussion

The analysis considered benchmarking Romania against the countries from the “Emerging Innovators” (Hollanders, 2021) using specific indicators for each dimension, as illustrated in Table 1.

The dimensions and associated indicators related to the activities in the value chain are illustrated as follows: in Table 2 for “Framework conditions”, in Table 3 for “Investments” and “Innovation activities” and in Table 4 for “Impacts”.

**Table 1. EIS selected indicators**

Type of activity	Dimension	Indicators	Activity in the KV chain
Framework conditions	Human resources	1.1.1 New doctorate graduates (in STEM) 1.1.2 Population aged 25-34 with tertiary education	Knowledge acquisition
	Attractive research systems	1.2.1 International scientific co-publications 1.2.2 Top 10% most cited publications 1.2.3 Foreign doctorate students as a % of all doctorate students	
Investments	Finance and support	2.1.1 R&D expenditure in the public sector	Knowledge processing
		2.1.3 Direct government funding and government tax support for business R&D	
Innovation activities	Linkages	3.2.2 Public-private co-publications	Knowledge dissemination

Type of activity	Dimension	Indicators	Activity in the KV chain
Impacts	Employment impacts	4.1.1 Employment in knowledge-intensive activities	
	Sales impacts	4.2.1 Medium and high-tech product exports 4.2.2 Knowledge-intensive services exports 4.2.3 Sales of product innovations	

Source: European Innovation Scoreboard 2021 and own elaboration

**Table 2. Selected indicators for “Framework conditions”, Emerging Innovators**

Country	1.1.1 New doctorate graduates	1.1.2 Population with tertiary education (Regional)	1.2.1 International scientific co-publications (Regional)	1.2.2 Scientific publications among the top 10% most cited (Regional)	1.2.3 Foreign doctorate students as a % of all doctorate students
Slovakia	77,02	127,27	101,07	41,83	61,32
Bulgaria	42,56	73,55	47,61	15,78	46,26
Croatia	42,56	96,69	107,43	32,08	57,90
Hungary	31,07	56,20	85,94	48,74	123,03
Latvia	19,58	165,29	90,39	39,37	63,20
Poland	19,58	162,81	69,72	43,58	13,47
Romania	19,58	14,05	47,41	39,84	28,45

Source: European Innovation Scoreboard 2021

**Table 3. Selected indicators for “Investments” and “Innovation activities”, Emerging Innovators**

Country	2.1.1 R&D expenditure in the public sector	2.1.3 Direct government funding and government tax support for business R&D	3.2.2 Public-private co-publications
Slovakia	35,09	27,83	84,82
Bulgaria	15,79	6,84	51,81
Croatia	68,42	4,22	126,94
Hungary	31,58	174,72	111,35
Latvia	50,88	5,77	88,45
Poland	54,39	86,92	71,15
Romania	3,51	14,47	51,81

Source: European Innovation Scoreboard 2021

**Table 4. Selected indicators for “Impacts”, Emerging Innovators**

Country	4.1.1 Employment in knowledge-intensive activities (Regional)	4.2.1 Exports of medium and high technology products	4.2.2 Knowledge-intensive services exports	4.2.3 Sales of new-to-market and new-to-firm innovations (Regional)
Slovakia	70,67	142,19	44,14	83,6
Bulgaria	65,33	50,91	57,93	42,05
Croatia	81,33	64,34	7,95	85,83
Hungary	86,67	143,53	72,02	63,35
Latvia	70,67	45,33	74,84	59,4

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Poland	65,33	88,49	57,05	42,8
Romania	25,33	110,44	64,88	62,97

Source: e European Innovation Scoreboard 2021

Analyzing the data for Romania these are indicating the weakest position for the most part of dimensions from the “Framework condition”: “New doctorate graduates (in STEM)”, “Population aged 25-34 with tertiary education” “Population aged 25-34 with tertiary education”, “International scientific co-publications”. Better ranking inside the Emerging Innovators group are for “Scientific publications among the top 10% most cited” and “Foreign doctorate students as a % of all doctorate students”. For “Investment dimension” Romania is ranked before Latvia and Croatia regarding “Direct government funding and government tax support for business R&D”. Despite of the low results in the „input” chain, Romania’s strengths are in “Exports of medium and high technology products”, “Knowledge-intensive services exports” and “Sales impacts”.

## Conclusions

There is widely recognized the importance of knowledge as a driver of innovation, economic and societal progress. In order to measure the turn of innovation inputs into innovative outputs, a large set of indicators aiming at measuring the output from innovative processes was created. European Innovation Scoreboard is a framework using specific indicators for assessment of the position of individual countries, in terms of innovation. Performance of the EU innovation system, measured as the weighted average of the performance of the innovation systems of all 27 Member States, has improved by 12.5 percentage points over the last eight years between 2014 and 2021 (Hollanders, 2021).

Within the Emerging Countries group, for 2021, Romania has the lowest value of the innovation index from EU countries, 35.09. Comparative with Sweden which has 156.45, Romania is an emerging Innovator. Based on the assessing indicators and the dimensions related to the activities in the value chain, Romania has the following weaknesses: on both stages of knowledge acquisition and processing the performance is poor, has one of the less attractive research systems from Europe and one of the lowest levels for R&D expenditures in the public sector (3.51 comparing with 156.14 score for Denmark). Despite of the low results in the „input” chain, Romania’s strengths are in “Exports of medium and high technology products”, “Knowledge-intensive services exports”, and “Sales impacts”.

The European Paradox acknowledge the fact that effectiveness of public subsidies for research investments is not translated into successful innovations in the market. The inconsistency between Europe's leadership in scientific production and limited innovation outcomes that is described by this paradox is generally considered to be best addressed by improvements in knowledge transfer and knowledge valorisation processes (Van Vught, 2009). Some of the barriers to knowledge valorisation identified in relevant literature are concerning the following aspects:

- Lack of initiatives for facilitate and foster knowledge commercialization;
- Constraining university-industry collaboration because of cognitive-distance, differences in value systems between university and industry, shortcomings in financial planning and market conditions (Baycan, 2013);

- Bureaucracy and lack of flexibility in University-Industry relationship, insufficient rewards for researchers (Siegel et al., 2004).

In this context it is necessary to improve policies stimulating the knowledge valorisation process. Among recently undertaken measures by the European Commission are supporting: the development of a Code of Practice for researchers on standardisation in the course of research projects funded by Horizon 2020 (European Commission, 2022), the elaboration of the Recommendations on the management of intellectual property in knowledge transfer activities and Code of Practice for universities and other public research organisations (European Commission, 2008) and defining the European knowledge valorisation strategy (European Commission, 2020).

Future research will address the relation between process and outcomes within the knowledge valorization process of university.

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## FRAMEWORK FOR THE CONTRIBUTIONS AND CONSTRAINTS OF THE INFORMAL ECONOMY ON DOMESTIC ECONOMIC GROWTH IN SOUTH AFRICA

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**Abstract:** *The informal economy is very crucial when managing local economic growth but its effectivity seems to be reluctant in South Africa despite efforts from the locals. This study seeks to design a framework for the contributions and constraints of the informal economy on domestic economic growth in the Thembisile Hani local municipality in South Africa. The current study follows a quantitative approach to investigate on the research variables that impact the expansion of the domestic economic growth. It uses a Likert scale type of questionnaire for data assemblage. The SPSS version 22 was used for the statistical analysis of research data. The reliability and validity of the research variables and the used instrument were confirmed with a Cronbach's Alpha coefficient of .979. Research findings revealed that 96.1% of the domestic economic growth is explained by the behaviour of the employment opportunities, government support, convenient regulations and infrastructures, conducive local municipality and poverty solution. The correlation and the regression analysis showed that relationship between the domestic economic development and its variables was positive and significant with a P-value of .000 at the significance level of 1%. The study proposed an informal sector management framework that include constraints of the informal economy, the imperfectly defined guiding framework in addition to the indifferent state approach towards informal economy. Findings showed that constraints of the informal economy include the limited access to funding, trading infrastructure, skills development as well as the lack of state recognition besides the extension of shopping malls to the townships and villages. The revised framework comprises an additional section for the positive implications such as the employment creation, poverty reduction, investment prospects and a vibrant local economic development once the restrictions of the informal economy are relieved by the local municipality and the government. The revised framework therefore constitutes a legitimately defined tool for the effective implementation of the informal economy as foundation for a sustainable local economic development in the South African municipalities.*

**Keywords:** *Framework, Contributions, Constraints, Informal Economy, Domestic Economic Growth, Thembisile Hani Local Municipality, South Africa*

## **Introduction and Background**

### *Introduction*

The concept of the informal economy originated in the early 1970s, emerged as a means of conceptualising the illicit activities of the marginal poor in the third world and it became identified as common characteristics of the contemporary economy.

Todaro & Smith, (2015) argued that the informal economy continues to play a significant role in emerging nations regardless of years of benign disregard and even outright antagonism. In numerous emerging nations, about half of the city's employed inhabitants work in the informal economy. Informal economy is described as economic operations that are not subject to the government's regulations and taxations but assist the unprivileged people in the community (Weng, 2015). Benjamin and Mbaye (2014) advocated that informality is better described as a continuum defined by the arrangement of the available criteria. Furthermore, Benjamin and Mbaye (2014) contended that irrespective of the criteria used, it is complicated to define the informal economy in a dichotomised manner.

### *Background*

Literature on the informal economy provide for self-employment as a widespread phenomenon in the urban employment program and that it is comparative to wage employment in the global South. Self-employment is mainly leading in sub-Saharan Africa and that the contemporary certainty is that furthestmost non-agrarian employments in the global South are today informal. Furthestmost of individuals are in self-employment (Chen et al., 2014). Charoensukmongkol (2016) likewise noticed that regime backing in various ways is crucial for the global success of the informal economy small businesses. Though, Peck, Jackson and Mulvey (2017) pointed that poorly distinct guideline result in antagonistic effects on the advancement and expansion of the informal economy small businesses.

## **Literature Review**

The analysis of the existing literature predominantly centres on the informal economy and domestic economic growth aspects in relation to the contributions and constraints of the informal economy in domestic economic progress. This will further elaborate on the issues related to the employment creation and poverty reduction. The informal economy refers to all the firms in respect of size and business records while the informal employment includes the employees of the informal economy with unpaid workers, workers with precarious standing in formal enterprises and unpaid domestic workers. It is also useful to differentiate between the informal enterprise and the informal economic activity, since workers are also employed informally by formal firms (Benjamin, Beegle, Recanatini & Santini, 2014).

### *Limitations of the Informal Economy*

Hobson (2011) reflected that regardless of its significance, the informal economy faces many limitations affecting its capability to contribute to economic success. Limitations occur, in factor of economic performance including infrastructure, governing hurdles, management and marketing skills, access to finance and human skills. Access to

capital is rated as the most vital limitation to the casual economy avoiding its participants from expanding their production and productivity. Numerous people have no substitute but to enter the casual economy due to inability to find formal work. Finding start-up capital through loans or savings is specifically difficult for the deprived (Madichie & Nkamnebe, 2010:307). Companion (2010:176) argued that distrust among informal economy participants is a factor that threaten their ability to work as a collective. Sociocultural limitations are inexplicably faced by women who experienced gender hurdles to casual trading (Akharuzzaman & Deguchi (2010).

#### *Domestic economic growth*

Local economic development is viewed as a partnership centred on the strategic planning that focuses on the domestic demand to expedite job expansion, poverty reduction and enriched living settings through enhanced economic situations (Koma, 2014:40-61). Furthermore, domestic economic progress is viewed as a vehicle through which stakeholders converge to distribute wealth, develop skills and reduce poverty (Yatta, 2015). Blakely and Leigh (2013) regarded domestic economic expansion as completed when a community living standard can be conserved and increased through a process of human and physical progress based on principles of equity and sustainability.

Linkages of the Informal and Formal Economies Igudia, Ackrill, Coleman and Dobson (2016) pointed that the initial thoughtful of the unregulated economy is clarified inside the confines of dualism. Dualism theory defines two dissimilar economies in which comparative benefits occur in one over the other. Narula (2018:587) observed viewed that emerging nations tend to have a dual structure including both the formal and informal economy. The informal economy is meticulously linked with the formal urban segment. Todaro and Smith (2015:350) argued that the formal economy benefits from the cheaper workforce that the casual economy offers while the informal economy depends on a developed formal economy to improve its conditions and revenues. Chen (2012) contented that the linkages occur through sub-divisions whereby numerous informal businesses or individual account operative manufactures and interchanges products and services with formal businesses known as sub-segments and through the value chains whereby some casual businesses and individual account operatives and by clarification.

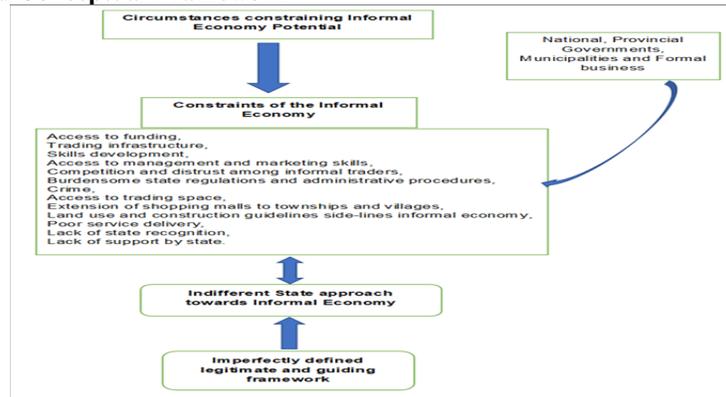
#### *Constraints of the informal economy*

Although informal economy contributes to the expansion of the national economy, the environment is completely jeopardised. Although informal economy contributes to the expansion of the national economy, the environment is completely jeopardised. Although informal economy contributes to the expansion of the national economy, the environment is completely jeopardised. Informal economy traders have limited access to funding and capitals to increase their productivity (Peck, Jackson and Mulvey, 2017). Evidence shows that informal economy players do not have management and marketing skills to efficiency run their businesses. The government equally fails to provide them with the skills development to increase their competitive advantage. Furthermore, the lack of access to trading infrastructure restraint any potential growth in the sector.

#### *Imperfectly defined legitimate and guiding framework*

Peck, Jackson and Mulvey’s (2017) observed that poorly distinct guidelines result in antagonistic effects on the advancement and expansion of the informal economy’ small businesses. The informal economy participants under these conditions will choose to remain informal due to government not intervening to make the conditions favourable. The choice of the informal economy participants in these instances will be voluntary as they are free to choose other alternatives (Peck., Jackson & Mulvey’s, 2017). Matsongoni and Mutambara (2018) indicated the importance of the informal economy participants as one of the means that can drive employment formation, economic development and expansion. Figure 1 below displays constraints of the informal economy and the imperfectly defined legitimate and guiding.

**Figure1: Proposed Conceptual Framework**



Source: Own compilation

*The importance of a conceptual framework in the study*

The conceptual framework is the process of effectively manage informal economy and increase domestic growth. The conceptual framework defines the connection amongst the core notions of the research that is organised in a rational structure to support and afford a depiction of how concepts in a research recount to one another (Grant & Osanloo, 2014). The framework makes it easier for the researcher to simply postulate and outline the notions within the problem of the research (Luse, Menneke & Townsend, 2012). The conceptual framework proposes numerous benefits to a study as it supports the researcher in classifying and creating a worldview on the phenomenon explored (Grant & Osanloo, 2014). It is a modest method through which a researcher distinctively presents stated solutions to the problem (Chen, 2012).

*Contribution of the study*

The primary objective for this study is to develop a framework related to the contributions and constraints of the informal economy to the domestic economic growth in the Thembisile Hani Local Municipality. The research measures the effects of the contributions of the informal economy on the one hand while on the other hand it measures its constraints on the local economic development. The proposed conceptual framework will guide the informal economy players, the local economic development stakeholders and the related policymakers in their mission of improving the South African economic sector.

## Methods and Material of the Study

### Research design

In this study, the quantitative research method is employed since it uses exact measurement to apply comparative analysis among variables (Bless, Higson-Smith & Sithole, 2016:58). It is a method that is methodical and unbiased considering the use of numerical data collected and later generalise the results of the phenomenon under study (Maree & Pietersen, 2012: 145). This will assist to understand the contributions and constraints of the informal economy on domestic economic growth using descriptive and inferential statistics (Salkind, 2014: 230 and 247). This study adopted the survey method as the research design because it is an adequate tool used to provide quantitative description of respondents' opinions, attitudes and trends of populations on the research problem. As for this study, the target population is 358 informal businesses of the Thembisile Hani Local Municipality and located at the three intersections of the R573 main road.

### Data collection

This study uses the Likert scale questionnaire structure where participants had a choice of five options in a five-point rating. Three hundred (300) copies of questionnaires were distributed, 286 respondents were targeted but only 199 completed questionnaires were received back. There are three main shopping malls situated at KwaMhlanga, Phola and Kwaggafontein that attract owners of small businesses. Data collection instrument for this study was a questionnaire alienated into four units namely A, B, C and D.

### Data Analysis

Data of the study was captured and coded using SPSS version 22 for organisation and analysis by executing a series of tests. Subsequent to data gathering, data was prepared and analysed using descriptive statistics. The Cronbach's alpha was deployed to identify the internal reliability of the items of the questionnaire. For the purpose of this study, a bivariate correlation was performed to establish relationships between variables. The analysis of variance (ANOVA) was deployed in this study to determine the overall degree of significance of the research variables. Regression analysis was deployed in this study for the purpose of identifying and evaluating the degree of significance between dependent and independent variables.

### Model Specification

Table 1 displays the independent and dependent variables used in this study.

**Table 1: Research Variables**

Independent Variables		Dependent Variables	
Code	Description	Code	Description
IEEO	Employment opportunities	DEG	Domestic economic Growth
IEGS	Government Support		
IECRI	Convenient regulations & infrastructures		
IECLM	Conducive local municipalities		
IEPS	Poverty solution		

Source: Own Compilation

The following linear equation is defined according to the economic variables considered in this study:

$$DEG = \beta_0 + \beta_1 IEEO + \beta_2 IEGS + \beta_3 IECRI + \beta_4 IECLM + \beta_5 IEPS + \text{£} \quad (1)$$

Where £ represents the error term;  $\beta_1, \beta_2, \beta_3, \beta_4$  the estimation parameters and  $\beta_0$  the constant term. The coefficient of each variables will be provided during regression analysis.

### Data analysis and Results

#### Data Analysis Reliability and Validity

Table 2 shows that research variables are valid and reliable since the Cronbach's Alpha coefficient equals .979 which is more than .70 the minimum requirement.

**Table 2: Reliability Statistics**

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.979	.980	6

Source: Own Compilation

#### Descriptive statistics

Table 3 displays the descriptive statistics of the research variables namely IEEO, IEGS, IECRI, IECLM, IEPS and DEG. Their average is respectively 3.31, 3.13, 2.51, 2.97, 2.45 and 2.45. The standard deviation indicates how close the sample mean is to the population. Table 3 displays that standard deviation of IEEO, IEGS, IECRI, IECLM, IEPS and DEG are respectively 1.319, 1.197, 1.184, 1.357, 1.380 and 1.11541.

**Table 3: Descriptive statistics**

	Descriptive Statistics								
	N	Range	Minimum	Maximum	Sum	Mean	Std. Deviation	Variance	
Employment opportunities	199	4	1	5	658	3.31	1.319	1.739	
Government Support	199	4	1	5	622	3.13	1.197	1.434	
Convenient regulations & Infrastructures	199	3	1	4	499	2.51	1.184	1.403	
Conducive local municipalities	199	4	1	5	592	2.97	1.357	1.843	
Poverty solution	199	3	1	4	488	2.45	1.380	1.906	
Domestic economic Growth	199	4.00	1.00	5.00	620.00	3.1156	1.11541	1.244	
Valid N (listwise)	199								

Source: Own Compilation

#### Correlation Analysis

Table 4 below indicates that there is a positive and strong relationship between the DEG and the independent variables such as IEEO, IEGS, IECRI, IECLM, IEPS that respectively have a correlation coefficient of .961, .923, .861, .876 and .855 at a significance level of 1%.

**Table 4: Correlation Analysis**

		Correlations					
		Employment opportunities	Government Support	Convenient regulations & infrastructures	Conducive local municipalities	Poverty solution	Domestic economic Growth
Employment opportunities	Pearson Correlation	1	.887**	.912**	.938**	.886**	.961**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
Government Support	N	199	199	199	199	199	199
	Pearson Correlation	.887**	1	.834**	.832**	.787**	.923**
Convenient regulations & infrastructures	Sig. (2-tailed)	.000		.000	.000	.000	.000
	N	199	199	199	199	199	199
Conducive local municipalities	Pearson Correlation	.912**	.834**	1	.932**	.928**	.861**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
Poverty solution	N	199	199	199	199	199	199
	Pearson Correlation	.886**	.787**	.928**	.933**	1	.855**
Domestic economic Growth	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000
	N	199	199	199	199	199	199

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

Source: Own Compilation

*Regression Analysis*

Table 5 shows that the R square equals .961. This means that 96.1% of the domestic economic growth is explained by the behaviour of employment opportunities, government support, convenient regulations and infrastructures, conducive local municipality and poverty solution.

**Table 5: Model Summary**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.980 <sup>a</sup>	.961	.960	.22352
a. Predictors: (Constant), Poverty solution, Government Support, Employment opportunities, Convenient regulations & infrastructures, Conducive local municipalities				

Source: Own Compilation

The below ANOVA table indicates that the relationship between research is not only positive and strong but it is strongly significant with a P-value of .000.

**Table 6: ANOVA**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	236.699	5	47.340	947.505	.000 <sup>b</sup>
	Residual	9.643	193	.050		
	Total	246.342	198			
a. Dependent Variable: Domestic economic Growth						
b. Predictors: (Constant), Poverty solution, Government Support, Employment opportunities, Convenient regulations & infrastructures, Conducive local municipalities						

Source: Own Compilation

*Regression model*

Table 7 below indicates that the coefficient and the P-value of each research variable. The P-value appears to be significant with a value equals to .000 for each variable such as IEEO, IEGS, IECRI, IECLM, IEPS. This implies that the domestic economic

growth is significantly impacted by the dimensions of the informal economy namely Employment opportunities, Government Support, Convenient regulations & infrastructures, Conducive local municipalities and Poverty solution in the Thembisile local municipality.

**Table 7: Regression coefficients**

Model		Coefficients <sup>a</sup>				
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.317	.048		6.663	.000
	Employment opportunities	.752	.043	.889	17.670	.000
	Government Support	.326	.029	.350	11.179	.000
	Convenient regulations & infrastructures	-.179	.044	-.190	-4.080	.000
	Conducive local municipalities	-.268	.045	-.326	-5.956	.000
	Poverty solution	.220	.036	.272	6.109	.000

a. Dependent Variable: Domestic economic Growth

Source: Own Compilation

Based on the above regression coefficients, the regression model appears as follow:  
 $DEG = \beta_0 + \beta_1 IEEO + \beta_2 IEGS + \beta_3 IECRI + \beta_4 IECLM + \beta_5 IEPS + \epsilon$  (1)

The regression equation becomes as follow:  
 $DEG = 0.317 + 0.752IEEO + 0.326IOGS - 0.179 IECRI - 0.268 IECLM + 0.220IEPS + \epsilon$  (2)

*Research Findings*

Based on the statistical analysis and the findings from the literature review, figure 2 depicts the informal economy elements that contribute to the expansion of domestic economic growth.

**Figure 2: Informal economy elements**



Source: Own Compilation

*Employment opportunities*

A more topical literature illustrates the informal economy as an opening of prospects for numerous workers and firms that find in the informality an opportunity to generate revenues and get employment that should be not easy to obtain in a highly regulated economic environment. Furthermore, the informal economy gives a thoughtful platform to people and businesses to spur entrepreneurial beliefs by creating wealth. This platform is not any longer restricted to vulnerable activities but is ample to house firms in

fabrication processes (Adams et al., 2013). In South Africa, informal economy affords a security net for several families that should then be in calamitous insufficiency circumstances without occupation or an alternate basis of revenue (Herrington, Kew & Kew, 2010; Lings, 2014).

#### *Government Support*

Notwithstanding the suggestion that recognises the several enterprises and workers are connected to formal economy through value chains, numerous informal enterprises and workers are affected by the state decisions and laws. This is true, due to the actions of the state such as when it decides to upsurge labour laws and enact punitive laws (Chen, 2014). The discourse regarding the economic importance and growth of the informal economy is that popular opinion views it as a survival solution. Many of the operators select steady employment since they do not possess the abilities and assets to operate an effective formal business (Turok et al., 2017: 35). However, there is a further optimistic outlook that proposes that the informal economy can serve vital niche markets and enhance significance to other events with the government support (Turok et al., 2017: 35).

#### *Convenient regulations & infrastructures*

Majority of participants agreed that the informal economy is indeed believed to be constrained by elements such as lack of infrastructure, capital, relevant skills, unsuitable regulations and security apprehensions. State procedure, laws and practices apply an enormous effect on the development opportunities of informal firms (Hartnack & Liedeman, 2017). The informal economy is still defined by poor infrastructure suggesting that it is been poorly reflected in the improvement of policies (Mafunzwaini, 2013:5). Mahadea (2018) posited that empirical studies in several countries have acknowledged frequent growths preventing the above-cited factors for an informal economy. Indeed, players in the unofficial economy are subject to informal occupation measures and are in general unprotected and defenceless (ILO, 2014).

#### *Poverty solution*

Most of the respondents approved that many of South African poor people rely on the unofficial economy for survival and livings. Mahadea (2018) observed that deprived and short-skilled people see the informal economy as the only alternative for safeguarding their livings. The worldview of the dualists' theory regarding informal economy is that it is composed of marginalised economic activities dominated by the underprivileged as revenue source and safety net in the time of economic distresses. Majority of participants agreed that self-employment in the informal economy activities is increasingly becoming a recognised solution to the rising unemployment and poverty in Thembisile Hani Local Municipality. The majority of the unemployed people in SA resides in the townships that emerged in the last 2 decades as the discrimination consequences occurred during the racial segregation epoch forming an unfortunate class between 1958 and 1994 (Mahajan, 2014). The Statistics South Africa (2017) published that 88.70% of the 62 million of unemployed people in the country are Africans and 65% of them are black people who lives under the poverty line since 2015 as depicted by the poverty trend analysis in SA. Unemployment is both a cause and a result of isolation and poverty situation happening to people and

rendering them weak and vulnerable. Unemployment is both a specific and societal standing attribution (Blakely & Leigh, 2016).

#### *Conducive local municipality*

A conducive local municipality enables conditions that improve the management of informal economy. Municipalities suppress the informal economy by regulating the quantity and localities for informal sellers by creating trading procedures, delineating trading bays and implementing by-laws (van Eeden, 2011). Confining informal trading to some parts is obviously sincere for some motives. They could culminate in ill-managed spaces deprived of the fundamental arrangement that aggravates the complications of criminality and filth. Practical and pre-emptive controls of the informal economy would be superior to the current standing (SERI, 2015). SALGA (2012) contended that there is a change in philosophy that is inspiring municipalities to look at the informal economy as significant service delivery roles. It is at the local level where precise limitations touching explicit actions of the informal economy better expressed and commendably addressed (Ndabeni, 2014:2).

#### 4.2.6 Local economic development

Majority of participants confirm the statement that the economic development planning has excluded the informal economy in economic development policies leading to the need for a more inclusive economic development approach. South Africa continues to encounter key developmental obstacles related to unemployment, poverty and inequality. There is a need to explore alternative approaches to economic development that can bring inclusive economic expansion although informal economy is often overlooked in economic policy analysis (Ndabeni, 2014:1). Equal numbers of participants contrasted each other regarding the statement that substitute economic development methods are to be explored to attain an improved life for all South Africans. Local governments are progressively accomplishing an important role in confronting economic and social challenges and successfully managing processes of economic transformation.

The informal economy is specifically imperative to the local economic development due to employment and revenue occasions that it offers to the poor and unwaged. Advancement of measures that identify the informal economy as a critical role player in domestic economic expansion will help to obligate local administrations to back and expedite a supportive setting in which the informal economy players can earn a livelihood (Ndabeni, 2014:2).

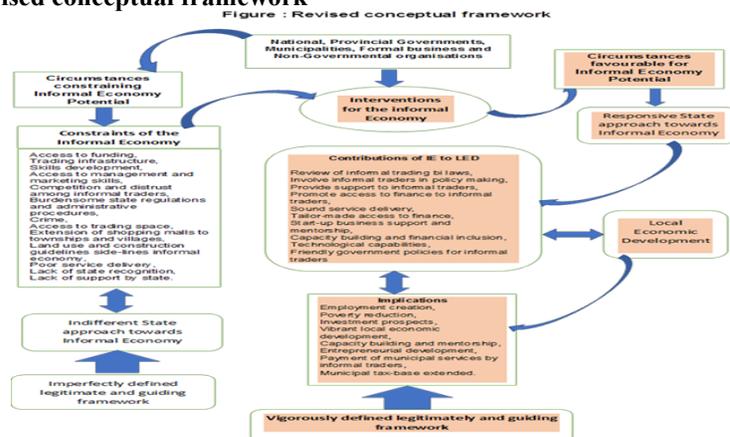
#### *Revised conceptual framework*

The revised conceptual framework intends to ensure a transformation in the lives of the unregulated economy participants with regards to improving their daily experiences in their work of ensuring that they make reasonable livelihoods. Municipalities in the main are nearest government for the people of this country therefore it is imperative for municipalities in their endeavour to delivery services to its people. States holds the obligation to intervene and remedy policy partialities that have preferred the formal parts of the economy to the disadvantage of the informal economy. The state should safeguard that current financial and non-financial support programmes inclusively attend to the informal economy businesses development constraints. The revised framework was to

ensure that the informal economy achieves its full potential on the basis that the informal economy participants will have admission to the benefits of reviewed informal trading by laws and are involved in informal traders' policy and decision making. Therefore, the revised framework provides contributions to national outputs while offering an impulse to the development of human resources at low cost. A favourable procedure and lawful atmosphere sustain entrepreneurship by decreasing the expense of starting and managing an enterprise. The revised conceptual framework calls for the formal economy to ensure that the unregulated economy is provided with opportunities to realise its potential. Self-employment is encouraged by the study as part of employment creation and contribution to local economic development in the Thembisile Hani Local Municipality. The revised conceptual framework indicates benefits such as employment creation, poverty reduction, conducive municipalities, income generation, local economic development, convenient regulations and infrastructures. Additionally, capacity building and mentorship, entrepreneurial development, expansion of municipal tax base, wealth creation, small business creation are further benefit dimensions that rise concomitantly. Intervention by government and municipalities for the informal economy should benefit mostly women because they are the majority players in the informal economy and are the breadwinners of their households.

Figure 3 below depicts the revised conceptual framework. This framework will constitute a legitimately defined tool for the effective implementation of the informal economy as foundation of the local economic development.

Figure 3: The revised conceptual framework



Source: Own compilation

## Recommendations and Conclusion

### Recommendations

Considering the study results, the ensuing recommendations are offered for the deliberation of effective management of the informal economy in the Thembisile Hani Local Municipality. Investigate an inclusive study of policies that affect informal economic action transversely national, provincial and local municipalities, and subsequently examine the spatial and demographic scopes of the informal economic management to measure how detailed guidelines and interpositions affect various collections and societies. Formulate a

complete thoughtful of several connections prevailing among formal and informal economic action by plotting out stream and value chains and put energetic public assignation with informal traders at the centre of all informal economy management energies to advance comprehensiveness, acceptability, approval and efficiency of policies. Afford a benign and protected atmosphere for informal traders over offering of a suitable trading setup, enough public lights and patrolling in addition to providing capacity building for the expansion of the unregulated economy. Help the players in informal economy to passage from the subsistence means to workable commercial undertakings. Drives to sustain informally self-employed require to be rooted in a decisively sectoral grounded method and attentive on the value chains in which informal businesses are situated.

### *Conclusion*

In the ultimate deduction and breakdown of this research, the general results indicate that the informal economy contributes and influences domestic economic growth. The importance of the informal economy towards economic growth, employment creation and poverty solution were significantly highlighted. The revised conceptual framework indicates informal economy benefits such as the employment creation, poverty reduction, conducive municipalities, income generation, convenient regulations and infrastructures in addition to the capacity building and mentorship, entrepreneurial development, expansion of municipal tax base and domestic economic growth. This framework will guide the informal economy players, the local economic development stakeholders and the related policymakers in their mission of improving the South African economic sector.

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# ANALYTICAL ROLE OF TRUST IN MICROFINANCE SUCCESS IN EAST AFRICAN COUNTRIES: IDENTIFYING PROBLEMS AND SOLUTIONS

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**Abstract:** *East Africa is an emerging market that has the potential to position the sub-Saharan Africa in the global context through the diverse and robust resources. One of the core drivers of economic feasibility and market metrics in the region is the effective development of microfinance across such countries as Uganda, Kenya, and Tanzania. The region's economic environment is characterized with increased value-addition approaches to its agricultural sector and having the significant approaches to instill the relevant success connotations to diversify the industries including the informal sectors. The microfinance borrowers and users have the definite and expanded market in east Africa that conform to the needs of the people and align to the policies in the context of sustainable outcomes. Trust is a crucial virtue in understanding the effectiveness of microfinance in east African countries, including the critical assessment of the challenges and solutions. A publication on the subject requires that the roles of trust among the microfinance institutions and the stakeholders such as consumers and the government agencies are crucial part of the sustainable management practices (Odera, 2013). The focus of the discussion is on the roles of trust in ascertaining the success of microfinance in east African countries.*

**Keywords:** *Trust, Microfinance, Stakeholders*

## Introduction

East African countries such as Kenya, Uganda, and Tanzania are emerging markets with high potential to achieve the highest levels of economic development through the microfinance metrics (Murphy, 2003). In this regard, these countries have diversified their micro-economy and focused on the market segments that embrace agriculture, informal sectors, tourism, fishing, and other related products. These perspectives underscore the frameworks that are followed to make East Africa one of the economic hubs in the African and global perspectives. Part of the challenge is trust in the microfinance as the core source of capital for entrepreneurship ventures in the region (Brown et al., 2011). The economic bloc has strategic policies that enhance trade between the three countries based on tariffs and other policies that improve the appreciation of the core goals and objectives in the long run. The current and long-term trends in East African microfinance environment underline the issues associated with the emerging economies in the region (Kinya Mbaya, 2017). The focus is on the strategic interventions to override the challenges and metrics that define the outdated technologies and the reliance on the microeconomic element through the innovative and disruptive technologies (Epstein & Yuthas, 2011). The frameworks and contexts highlighted define the mechanisms and strategies that define the use of microfinance in shaping the current economic trends in East Africa.

Many financial institutions offering microfinance include the online money lenders, banks, and other informal banking institutions that advance loans and other incentives to the consumers to achieve their set goals and objectives (Mori et al., 2013). In this regard, the focus is on the use of technologies that advance the financial loans and incentives to the consumers and make them advance their business goals and objectives. One of the core aspects of microfinance in East Africa is the use of digital lending platforms and banks to advance the desired products that improve the investment portfolios to millions of users across the region (Brown et al., 2011). For instance, Kenya's informal sector and small business entities have benefited from the loans and other services advanced by banks and other lenders to improve their feasibility in the market metrics (Kinya Mbaya, 2017). Thus, the study explores the approaches and mechanisms that underline the competitiveness and sustainability of the east African countries to use the microfinance products and services, especially on the levels of trust attached to their use (Kipesha & Zhang, 2013). Microfinance situation in east Africa is characterized with trust issues, including the context of security of the loans advanced to the borrowers, and the interest rates that they have to repay (Epstein & Yuthas, 2011). Moreover, the defaulters and the methods used to recover the principals administered are part of the trust mechanism that has characterized the region.

### **Statement of the Problem**

The East African market and economic situation is characterized with increased development of microfinance metrics that spur the economic scenarios and frameworks in the context of sustainable goals and objectives (Murphy, 2003). Thus, the challenge is on the concept of trust and how it shapes the current and future perception of microfinance, including the security, surety, and the trust perspectives between the lenders and borrowers (Kinya Mbaya, 2017). Thus, the east African market suffers from the challenges of trust and contextualizing the inconsistencies with the core values and ideologies of the management perspectives to define the long-term success of microfinance. The trust that the lenders and borrowers have in this segment of economic and capital sourcing have diverse impacts, including the emergence of technologies that tap onto the customer data and information (Brown et al., 2011). One of the core elements of these frameworks is on the mechanisms of adapting to the new approaches and mechanisms that define and contextualize the expected outcomes. The main challenges that define this study are on the suitability of the trust as one of the competitive advantages and determinants of the success of this approach in east Africa (Odera, 2013). Thus, the study explores and establishes the benefits and challenge on the role of trust been the consumers and lenders regarding the microfinance services advanced to the groups and communities.

These components and aspects underscore the suitability of this study in the target market, through the critical assessment of the trends and emerging issues. In this regard, an understanding of how technology, automation, innovation, cashless transactions, and mobile money through branchless mechanisms have enhanced or lowered trust levels is crucial. The emerging issues underline the technological frameworks and how they define the necessities and frameworks for improving or lowering trust on the microfinance products and services in the context of the individual borrowers and lenders (Kinya Mbaya, 2017). The growth of microfinance in east Africa is characteristic of borrowed concepts

and emergence of mobile banking and branchless banks, which underscore the current and future goals and objectives. These issues are characteristic of the mechanisms and strategic that has rocked the market and redefined the trust in the region to underscore the economic indicators and stimulation programs (Epstein & Yuthas, 2011). Through the emerging platforms, technologies, and practices, it is possible to understand the consistencies of the sustainable growth mechanisms and strategies that define the management practices and define the impacts and roles of trust in the long run.

### **Justification of the Study**

Trust is central to the understanding of the success of microfinance, including having the perspectives and approaches the determine the lending potential for the individuals, groups, and communities. The trust is a two-way concept, including the lenders and borrowers to instill the successful background in the long run. These aspects are crucial in defining and managing the long-term expectations through the trust in interaction of the clients, borrowing groups, and the loan officers (Odera, 2013). Moreover, it defines the metrics, approaches, and mechanisms that improve the performance of many financial institutions to achieve the common business investment goals (Brown et al., 2011). Therefore, the study's objective is on the roles of trust in the success of financial institutions in east Africa through the framework of sustainable growth and development and achieving potential and feasible interactions among the stakeholders (Kipsha & Zhang, 2013). Thus, it is integral that the discussion highlights the roles of trust and create the models and frameworks that define its significance in the society to advance the current and future goals and objectives.

Moreover, the information accrued defines the metrics, approaches, and models that can improve the success of microfinance in east Africa and globally. It is necessary to understand how trust leads to success of this subject, including the relationship, interaction, and trustworthiness between the lenders, borrowers, and the institutions (Mori et al., 2015). Moreover, the loan officers and the clients or institutions are effectively interconnected through the relevant microfinance trust metrics and frameworks. These factors underline the consistencies and approaches that improve the understanding of strategic challenges that impact the financial institutions and how they have overcome them through trust (Epstein & Yuthas, 2011). More businesses and individuals have enrolled to the banking components through microfinance to achieve their short and long-term goals and financial needs. The business keeps flourishing in the perspective of how they influence the outcomes and frameworks. Thus, it is crucial that the financial management practices underscore the significance of trust as part of the sustainable goals and objectives and create the framework for understanding the growth and development in east Africa.

It is a question of how trust is constructed and sustained in the concept of having the right correlation and working environment between the institutions, clients, and loan officers to achieve the anticipated goals and objectives. These factors cumulatively define the integral components and sustainable outcomes in the long run (Kipsha & Zhang, 2013). Trust is an integral tool that enhance the solutions that many microfinance institutions (MFIs) face, including the loss of loans and increasing number of defaulters (Kinya Mbaya, 2017). Consequently, the concern is on the metrics and frameworks of sustainable goals and objectives. The MFIs depend on trust to improve their social impacts

and financial sustainability to communities and target business, which form integral part of the sustainable goals (Odera, 2013). Exploring this study gives the platform for understanding the significance of trust in the context of sustainable business ventures and financial markets and the impacts that the microfinance sector have on the social perspectives (Epstein & Yuthas, 2011). Thus, trust is the foundation of the success of core business goals and objectives that define the existence of microfinance institutions in east Africa and its overarching outcomes and frameworks.

## **Review of Literature**

Various economic outlook reports and publications underscore the significance of microfinance in east Africa, including the past and the future trends and projections. At the heart of these aspects is the benefit of trust on the microfinance to achieve their expected roles in the community development. The region's GDP has steadied over the past decades based on the emerging and expanding markets for the locally produced products and the informal sector. Besides, the microfinance sector has played significant role in advancing the needs and objectives of the economy and communities to instill the social change metrics and approaches (Kinya Mbaya, 2017). Consequently, it is possible to advance the current and future goals in the context of how the trust is a tool to facilitate transactions, mobile money transfers, and the performance of the economy. For instance, microfinance is reported to be one of the leading stimulators of the East African economy, who's GDP grew at the rate of 5.7% in 2011. However, this was a downward trend from the 2010 statistics, based on the global dynamics and frameworks (Epstein & Yuthas, 2011). Despite the dip in this period, the region's GDP has benefitted from the mushrooming microfinance sector, which has targeted social change interventions and financial sustainability for its users and clients.

The microfinance has become the mainstream aspect of the economic growth and development in east Africa through the limitless opportunities and digital lending platforms. The east African region boast one of the fastest growing market destinations, including the Rwandese information technology, Ugandan agricultural sector, and Kenyan financial and microfinance sectors, which drive the sustainable outcomes (Kipesha & Zhang, 2013). Besides, service and industry have been the main aspects of economic growth in Kenyan and Ethiopia, including tourism in Tanzania. These industries and sectors of the economy have benefitted from the microfinance services and products that target informal segments to drive growth especially in the rural settings. Communities in the informal sector have benefitted from the microfinance services, including loans and other products advanced to them through the trust and the economic and regulatory perspectives that promote the effective working relationships. Thus, trust stands the test of time and creates the framework for sustainable goals and objectives, which influence the set goals and objectives. These elements are central to the management practices and concepts in the management of the contemporary aspects (Kinya Mbaya, 2017). Trust in the rural settings and businesses to repay the loans without defaulting is crucial for advanced uniform economic growth in the rural and urban settings.

## **Problems and Solutions**

### *Benefits*

The trust among the stakeholders in the microfinance sector has advanced the mechanisms and strategies that improve the outcomes through compliance to the policies. Some of the benefits that this aspect has accrued include improvement in agricultural sector, which has been undergoing technological evolutions to achieve the smart farming goals. Therefore, the microfinance sector makes it possible to achieve the basic elements of sustainable marketing metrics and frameworks, which underline the significance of trust among the individual stakeholders to improve the common goals (Kinya Mbaya, 2017). The financial institutions have a shared economic model that is considered the benchmark for advancing the loans to the individual communities and other agencies. In this regard, the outcomes are predetermined on the shared goals about a given sector such as informal businesses, rural development blueprints, and agricultural sector in the context of sustainable development goals (Mehta et al., 2011). Trust is central to determining the behavior, dynamics, and the types of products and amount of loans that the clients get. Moreover, the history of banking and the securities involved, including the government policies are crucial ingredients in establishing trust in a country, project, or businesses that are supported through the microfinance interventions.

Trust is advanced through the mechanisms and strategies that such financial institutions as African Development Bank and World Bank, which have the guidelines for supporting various business ventures and their consistencies with the global sustainable development goals (Mori et al., 2015). Thus communities are part of the long-term goals and objectives and thus depend on trust to create and sustain the needs and objectives in the context of long-term development. The economic impacts of the presence of trust in the microfinance in east Africa is evident on the widening local market and investment portfolios as many communities join in advancing core aspects of their wellbeing and sustainability (Brown et al., 2011). Most MFIs target their clients through the structured economic considerations and how they influence the current and future outcomes, such as livestock investment (Mahmoud, 2008). However, trust forms the foundation of sustainable outcomes and expanding the use of the microfinance products such as loans to enhance economic growth and development. Trust means the loan officers and the clients can transact even on the online platforms without having to be physically present (Epstein & Yuthas, 2011). For instance, in such countries as Kenya, the growth of online banking apps and platforms and the mobile money companies have eased the processes of acquiring loans used to expand business practices and activities in the long run.

The improved microfinance success and management mechanisms underscore the metrics and approaches on the roles that trust and other features play in enhancing the improved management of financial resources advanced to the clients. Both the client and the MFIs need to trust each other for the sustainable relationship and effective economic development in the context of long-term goals and objectives (Murphy, 2003). In east Africa, the government has created the favorable policies and environment for the microfinance agencies to achieve the expected routines and mechanisms, hence the suitability of trust in the potential of the customers to repay and service the loans advanced. Additionally, the trust means the customers' business plans and proposals can be accepted by the MFIs on the perspective that they are feasible, sustainable, and valuable to the policies and mechanisms for the organization. Consequently, the prior history defines the current and future mechanisms of using the trust as the foundation of instilling the needed

perspective of financial produces that the MFIs advance to their esteemed clients on the context that they will have viable business activities that conform to the set standards.

The culture and the beliefs in east Africa is based on the context of the best interest between the parties involved, hence definite concept and framework in the understanding of the long-term investment outcomes. Trust makes it possible to ascertain the possibility of the market viability, feasibility of the investments, and the sustainability of the loans and other products advanced to change the lives of the communities. The focus is also based on the concepts of shared prosperities, especially on the social change and economic sustainability among the individual MFIs and their wide range of consumers and clients (Kipesha & Zhang, 2013). Thus, the microfinance has occupied the central part of the economic development and growth in the diverse sectorial frameworks in east Africa, courtesy of trust mechanisms and metrics (Epstein & Yuthas, 2011). Trust, therefore, is the foundation of the success of the east African economy on the metrics of structured engagement and mechanisms, which endear the MFIs to their clients' needs and to spur the economic growth in the long run. Consequently, trust creates the desire to take risk among the MFIs and also instill the potential of the lenders to get their financial products to explore the business opportunities, hence the growth in the informal sectors such as fashion and design, agriculture, and others.

### *Challenges*

Trust can be an instrument of destruction for the sustainable development of microfinance sector, including the ability of the individual lenders to recover their loans from the clients. Thus, trust can be deciding on the initial perspectives, especially when the business ventures are not feasible on the context of their relevance to the prevailing economic metrics (Murphy, 2003). Some of their business ventures that seek the loans for their startups or expansions have limited resources to understand the feasibility of the business ventures. However, they use the trust mechanism and strategies to get loans from the MFIs, hence defaulting in the long run. Moreover, the private sector has been targeted with poor economic metrics that can help the MIFs to understand the risks associated with trusting on the customers' business goals and objectives (Epstein & Yuthas, 2011). In the long run, the situation is anchored on the missteps associated with trusting a business proposal that do not have the significant goals that relate to the values and beliefs of the individual organizations. In the long run, the outcomes are determined by the demerits of the trust and the poor relationship between the lenders and the clients.

Trust is built on quick sand, especially on countries in east Africa that are heavily dependent on the subsistence agriculture and poor economic policies that can spur growth (Mehta et al., 2011). Many MIFs are obsessed with growth and competition amongst themselves, hence end up incurring losses when the loans are defaulted. For instance, the mobile lenders such as Safaricom in Kenya and other financial institutions have limited policies that can make them hold the defaulters accountable and recover their loans. Thus, issuance of loans are usually based on the mutual consent and goodwill between the lenders and the clients. The harsh economic realities can shade more light on the inconsistencies with this approach, hence highlighted the demerits and challenges associated with this mechanism (Epstein & Yuthas, 2011). It is necessary for the individual companies to understand the limitations of trust and how they limit the performance and effectiveness in the long run. The trust issues and the associated outcomes and mechanisms make it possible

for the organization to come up with set goals and objectives, which define current and future goals.

### **Recommendations and the Future Studies**

Microfinance agencies need to use more than just trust as the foundation of advancing the financial products and create the platforms for critical assessment of the business and investment viabilities. In this regard, organizations have the mechanisms and strategies that underscore the performance aspects and mechanisms, hence the use of current and future goals, through the framework of measured outcomes that limit the lending eligibility (Murphy, 2003). The main focus of the financial institutions that offer microfinance services is to diversify the economy and open opportunities for social and economic change towards sustainability. However, these institutions thrive on economic models that enhance the application of trust mechanisms and concepts in the perspective of the needed goals and objectives (Epstein & Yuthas, 2011). East Africa is an emerging economy that has the foundation of sustainable growth based on the target of informal sectors, hence the need to reduce the restrictions and other approaches that can hurt the progress of the individual organizations.

Consequently, the future study should address the current and future goals through the use of trust alongside other metrics and approaches that improve the sustainability of the ventures. Trust is necessary part of expansion, despite the challenges envisioned in the region. However, more mechanism should include the involvement of the government and other policymakers to instill more elements of trust on advancing the growth and development in the region (Mori et al., 2013). The outcomes envision the approaches and strategies that improve sustainable economic development and the benefits of trust in the growth of east African economy. Moreover, understanding the limits to trust and employing other eligibility mechanisms can be the onset of achieving the needed goals and objectives, which are part of the long-term goals (Epstein & Yuthas, 2011). These factors make it essential for the management practices to instill the valuable issues of trust and improving policing that set the effectiveness of the products and services that the MFIs advance their clients and to achieve the long-term goals.

It is necessary to have the diverse approaches of assessing the advancement criteria to reduce the challenges and demerits that are associated with this mechanism. In the long run, it is anticipated that the east African region is more benefiting from the MFI products and this is evident in the rural economic growth and other elements to ascertain the set outcomes and frameworks. The identified outcomes underline the needed changes and challenges associated with this product and service concept in the economic perspectives and frameworks.

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## **PUBLIC SECTOR/EXPENDITURE REFORMS AND DEVELOPMENT IN NIGERIA**

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**Abstract:** *This paper reviews Nigeria's experience with economic reforms and outlines major policy measures that have been implemented. The paper also addresses three main issues in the public sector of the Nigeria economy, namely, problems in the management of public expenditure, constraints in the implementation of policy reforms to overcome the management problems and prospects of successful implementation of policy reforms, it concludes that given the level of performance of the reform effort, its success may depend on the reform of the public sector financial reporting system by adopting an accounting system that is suitable for measuring performance.*

**Keywords:** *Public Sector Reforms, Public Expenditure Management, Responsibility Accounting, Development*

**JEL Classification:** *E24, M5, E53*

### **Introduction**

The second tenure of the administration of former president Olusegun Obasanjo witnessed the beginning of a comprehensive reform programme meant to strengthen economic development and improve the welfare of Nigeria citizens. The economic management reform, which is an integrated package of various economic reforms, started in 2004. The reform programme was based on the National economic empowerment and Development Strategy (NEEDS). NEEDS is a home grown' economic development strategy which focused on four main areas: improving the macro-economic environment pursuing structural reforms, strengthening public expenditure management, and implementing institutional and governance reforms (Okonjo-Iweala & Osafo-Kwaako, 2007). The implementation of the comprehensive economic reform programme is in four main areas: macroeconomic reforms; structural reforms governance and institutional reforms, and public sector reforms. The development of NEEDS at the federal level was complemented by individual state economic empowerment and development strategies (SEEDS), which were prepared by all 36 Nigerian states and the Federal capital territory (FCT). The NEEDS programme emphasized the importance of private sector development to support wealth creation, poverty reduction in the country; diversification of the economy; increased integration into regional and global economy; and highlights the asymmetry of the economic activities and their contribution to GDP growth.

It is the focus of this paper to critically evaluate this budget reforms in the light of the previous practices and its contributions/prospect for Nigeria's development. It is evident in the literature that the nature of budgeting is determined by the roles it performs. As noted by McNab and Melese (2003), a typical budget performs three different functions,

namely: planning functions, management, and control function, these functions roughly correspond to the four stages of the budget cycle: executive preparation and legislative review (planning), execution (management) and audit (control) (McCappery, 1999). Thus, as observed by Wall (2001), public sector managers rationally respond to negative incentives by ensuring that their appropriations are exhausted by the end of the current fiscal year and engage in defensive actions to preserve their current budgetary allocations. In all these, financial leakages become pervasive in the system with the consequent distortion and misappropriation of development funds, it has equally led to the defeat of efficiency in the implementation and management of government development plans in Nigeria.

However, as Diamond (2001) observed, it is not too difficult to design budget reform measures, and specify detailed implementation plans. Neither is it hard to convince the decision makers that the budgetary system needs to be reformed. In addition, designing the institutions and procedural changes required is not equally difficult. The real constraint to budgetary reforms in Nigeria is the human factor in institutional change. Enough attention has not been paid to this agent of change Adebayo (1969) observed that the Nigerian fiscal system evolved and operated on principles that negated the main features of public expenditure management, which include among others allocation, efficiency and equity guided by the principles of needs, stability and national interest. This has hampered the development of effective, development-oriented fiscal system. Rather, it has been an instrument of national conflict (Ademoklekun, 1983). Jaja (2000) identified inflexibility, improper coordination of budgetary process and proliferation of offices responsible for budgeting, non-professionalization of the system and government disregard for fiscal regulations, as the problem confronting Nigeria's public expenditure management system (PEM). Generally, Ukwu (2003) summarized the weakness of PEM in Nigeria as:

- Lack of rigour at the bureaucratic level
- Lack of clear vision and functional cooperation at the political levels
- Very little involvement of the civil social, except for formalistic consultation of or with the organized private sector, in the entire planning process
- Ill-equipped and inefficient bureaucratic institutions

In its contribution, DAI (2005) noted that Nigeria's PEM is structured after oil income such that in periods of boom, expenditure is ratcheted up while periods, of lower oil prices becomes one of crisis. Other problems of PEM in Nigeria include inefficiency in resource use, waste and misplaced priorities in government expenditure, high fiscal deficits at all tiers of government, weak institutional structure, a fiscal federal structure that places little or no premium on inter-temporal fiscal solvency and poor institutional mechanism for regulating actions of the different tiers of government and their agencies. The Fiscal Responsibility Bill was passed into law on July 30, 2007 by President Umaru Musa Yar'Adua and thus became an Act. The Act is to provide framework for the implementation of public sector reforms started by the Obasanjo administration. The act, which introduced the medium term expenditure framework (MTEF) and the medium term sector strategies (MTSS) budgeting approach, is also expected to strengthen Nigeria's economic growth and development.

## **Public Sector Reforms**

Weaknesses in budget implementation and monitoring have always resulted in low quality of government expenditures and many incomplete projects in Nigeria. The federal government of Nigeria under former president Olusegun Obasanjo embarked on far-reaching economic reforms designed to deliver sustainable economic growth, wealth creation and improve the quality of life of the Nigerian citizen. Various Nigerian governments had in the past, initiated economic policies and reforms that were supposed to address the economic problems confronting Nigeria; but most, if not all, failed. Some of such reforms include the under listed.

- The Economic Stabilization Act of 1982;
- Austerity Programme of 1984;
- Emergency Measures of 1985; and
- Structure Adjustment Programme of 1986.

In a bid to find solution to the poor economic management situation and other developmental challenges, the Obasanjo administration embarked on economic reforms. In pursuit of this, a number of sectoral reforms were package for implementation, the office of the honourable minister, economic matters (2000) records the following as some of the objectives of the various economic reforms, especially those of the Obasanjo regime:

- i) Curtailing excessive and extra-budgetary spending by government;
- ii) Adopting measures to achieve fiscal prudence, transparency, minimal deficits, and efficient resources use;
- iii) Establishing prudence and stability in macroeconomic management.

The same source, commenting on the performances of the above economic reforms, asserts that “their implementation suffered many weaknesses and consequently had negligible effects on the poverty situation”. The consequences of these developments on economic and social activities, the sources continue “were severe .... And it was no surprise that the poverty situation worsened, with the number of Nigerians in the poverty range rising from 39.2 million in 1992 to 671 million in 1996 to over 100 million Nigeria living below poverty line (Osinbajo, 2015). Part of the reason for this failure includes non-integration of a corresponding system with fiscal policies. This is because it may be difficult for a fiscal policy to yield intended objective without a commensurate accounting system to ensure efficiency, transparency, probity and accountability. Therefore, strengthening the budget preparation and execution process was urgently needed in order to improve the efficiency of government spending and improve service delivery to the Nigeria public (Okonjo-Iweala & Osafo-Kwaako, 2007).

A bane of Nigeria’s existence since the oil boom of the 1970s had been the reputation for corruption, largely justified, but also partly the result of perception. Corruption and poor governance affected growth and public service delivery in Nigeria in various ways. Corruption distorts the climate for doing business and serves as a tax on private investments. In a corrupt environment, resources for human capital and other needed investments, such as in infrastructure, health and education are often diverted. There are various ways in which this may occur, including procurement fraud, patronage for access to services, absenteeism and misuse of facilities. In particular, poor households are disproportionately hurt in communities where corruption is most prevalent. A key

tenant of the reform programme, therefore, was to prioritize anti-corruption measures as a central component of the reforms.

Tackling corruption under the recent economic reforms required two main elements: first, embedding anti-corruption measures in a comprehensive reform programme and second, conducting diagnostic studies to identify, specific areas in which corruption had a high negative impact on the public purse. By embedding anti-corruption programmes in the reform agenda, the battle against corruption was perceived to be an integral part of a broader exercise of economic reform needed to stimulate growth and address poverty in Nigeria, identifying areas of major corruption also enabled the administration to focus reform measures on high impact areas. As an example, public procurement in Nigeria was reviewed to determine the costs of corruption in government contracts. Although procurement fraud tends to be one of the most common avenues of corruption in most countries, its incidence in Nigeria was particularly severe. A federal government survey noted that prior to 1999 the government lost an average of about N40 billion (US \$ 300 million) each year from corrupt practices in public procurement, this occurred in various forms: inflation of contract costs, award of contract for non-existent project, over-invoicing, diversion of public funds to foreign banks, and low project quality because of the use of inexperienced contractors. Moreover, procurement cost in Nigeria was significantly higher with costs for similar project in neighboring countries such as Ghana and South Africa. The policy measure and progress made in four areas of governance reform, namely: public procurement, public expenditure management, the oil and gas sector, and the prosecution of corrupt practices are examined below:

*Public Procurement:* Following an extensive review of public procurement system, the government introduced a value for money audit, or due process mechanism in public contracts, the due process mechanism has promoted an open tenders process with competitive bidding for government contracts. Any projects exceeding N50 million (US \$ 400,000) also require approval (i.e a due process certification). To ensure competitive costing of contracts, a database of international prices was developed (from bonafide internet sources) to serve as a guide during the bidding process. The government also publishes a public tender's journal periodically as a means of reducing patronage in the award of contracts; finally, certification of completed government projects is also required before final payments are made (Okonjo-Iweala & Osafo Kwaako, 2007).

With the introduction of the due process mechanism, there has been a notable improvement in the efficiency of capital spending. Further, initial prices quoted by various government contractors have also declined significantly, the due process reforms, one of the most hated and resisted in the comprehensive reform package, has also been one of the most successful, bringing more sanity, transparency, and competition into a previously opaque area (Okonjo-Iweala & Osafo-Kwaako, 2007). Public expenditure management: poor public expenditure management in Nigeria greatly hampered the quality of government capital projects, resulting in poor service delivery to citizens. The Nigeria's PEM system under Obasanjo's administration was founded on the same philosophy and principles that guided that of his predecessors (Akpobash, 2004; Apampa & Tunde, 2005). Ademolekun (1983) also contended that procedurally, the process of information/data gathering, decision-making and its nature remain the same both during the military and civilian regimes, only that thing were treated with military dispatch under the military.

For Adebayo (1969) and Ademolekun (1983), the Nigeria's PEM system evolved and operated on principles that disregarded the main objectives of public financial management. These include allocations based on the principles of needs, equity stability and national interest. On the contrary, the entire PEM system that Nigeria has practiced, are generally guided by revenue derivation principle. The Obasanjo' "Due process PEM" has been guided by and has continued to battle with the crises of fiscal federalism structure by the derivation principle. The entire PEM equally lack in built adjustment process. Oversight of public expenditures was further made difficult due to fiscal decentralization in Nigeria, which allocated about half of total government revenues to states and local governments, with the remainder being allocated to the federal government. While increased resource allocation to states and local governments may potentially encourage more direct interventions in pro-poor programmes, capacity constrains and the lack of transparency at the sub-national level posed serious challenges.

To improve transparency at all levels of government, but particularly the sub-national level, a monthly publication of federal, state, and local government shares of revenue from the country's federation account was introduced in January 2004. The publication provides details of revenue allocations to all 36 state governments and the federal capital territory (FCT), as well as 774 local governments. The publication has increased transparency, particularly of sub-national finances, and opened up dialogue on public revenues and expenditures at all tiers of government.

*The Oil and gas sector and the N-EITI initiative:* The lack of transparency in the Nigerian oil and gas sector, particularly under previous military administrations, also presented major challenges for economic governance. In 2003, Nigeria was among the first countries to adopt the extractive industries transparency initiative (EITI) to help improve governance of the sector. One of the key acts of the EITI aimed at improving transparency was to commission an independent audit of the oil and gas sector from 1999 to 2004. This was an unprecedented exercise domestically, and Nigeria was the first country in the EITI initiative to commit to such an undertaking.

*The audit presented a number of instructive feelings.* Overall, 99.8 percent of revenues in the sector were accounted for about 0.02 percent of aggregate revenue was unaccounted for, although this remains within the conventional margin of error for such audits (Okonji-Iweala & Osafo-Kwaako, 2007). However, the audit showed a history of poor data keeping. In the financial audit only minor disparities were observed between revenues that oil companies reported as paid and the actual amounts received by the central bank. Coordination among government agencies was however found to be weak and government data-keeping was also poor such that reported revenues fluctuated: in some years reported income exceeded what the central bank received while in other years the reverse occurred. A physical audit also pointed to the systematic loss of crude oil between the wellhead and export metering terminals. Poor metering infrastructure also hampered proper data collection on gross volumes. Finally, the audit highlighted some concerns with the discretionary powers of the petroleum minister in oil block allocation arising from the petroleum Act of 1969. The findings of the study were subsequently disseminated to the public while various remediation measures are currently being implemented by the government.

*Prosecuting corrupt practices:* finally, the government also introduced two institutions to tackle corruption in the domestic business environment, the economic and financial crimes

commission (EFCC) and the independent corruption practices and other related offense commission (ICPC) are pursuing cases of corrupt practices such as internet fraud and corruption in public office, there have been a number of high profile convictions: many advance fee fraud ('419') kingpins have been denied, two judges have been sacked and two others suspended, several legislators (including a past senate president) have lost their legislative posts and are being prosecuted, three ministers have been dismissed a former inspector general of police- the top law enforcement official in the country has been tried, convicted and jailed for corruption, and three former state governors have been impeached by their state assemblies for corruption (Okonjo-Iweala & Osafo-Kwaako, 2007).

EFCC investigations have made good use of the monthly revenue share publications mentioned above, highlighting the importance of information and transparency in the fight against corruption. The EFCC and ICPC are gradually making effort in removing the concept of the untouchable "big man" in Nigeria and in re-establishing the rule of law for all. Overall, about 350 EFCC cases are at an advanced stage of prosecution. About 5,000 people have been arrested over the past three years. There have been about 91 convictions for various corruption crimes and assets worth over \$5billion have been seized, confiscated and refunded to the state and various victims of crime (Okonjo-Iweala & Osafo-Kwaako, 2007).

Despite existing challenges, recent government reforms appear to have yielded some concrete results. Recent survey data from Kaufman (2005) in Okonjo-Iweala and Osafo-Kwaako (2007), indicate that there has been a reduction in the perception of corruption by Nigerian firms in obtaining trade permits, in paying taxes, in procurement, in the judiciary, in the leakage of public funds, and in money laundering.

### **Current challenges**

Despite recent successes, Nigeria faces many challenges in sustaining economic growth and improving its broad development indicators. An historic opportunity exists for Nigerian policy makers to consolidate recent gains from reform and to address outstanding areas of reform in the future. Below are the key issues that Nigerian policy makers must address in future:

*External Reforms to the Sub-National Levels:* Thus far, the economic programme discussed in this paper has been implemented at the federal level. State government adopted various states Economic Empowerment and Development Strategies (SEEDS) together with the NEEDS programme implemented by the federal government. However, only a handful of states have adopted far-reaching economic reforms. Fiscal decentralization in Nigeria implies that state and local governments are responsible for nearly half of consolidated government expenditures. They also posed significant independence in their expenditure decisions, which are supposed to be targeted at the delivery of social services (such as in health and education). However, corruption, low capacity, and weak institutions at the sub-national level, hinder their ability to design and implement appropriate public policies. It is particularly important for state government to improve budget transparency, to strengthen public expenditure management, to adopt the due process mechanism and to focus on sectoral growth strategies. By extending reforms to the state level, the impact of the recent reform programme could be doubled (Okonjo-Iweala & Osafo-Kwaako, 2007).

*Focus on Non-oil Growth and Employment Generation:* The recent economic reform programme has stressed the importance of macro-economic stabilization and structural reforms, and much of this has been largely achieved. A second phase of reform must move from the macro to micro and implement various sectoral growth strategies. As Nigeria's oil sector exists as an enclave, emphasis must be placed on non-oil growth, which is needed for employment generation and poverty reduction. Although non-oil growth has been strong in recent years, the benefits of reform to ordinary Nigerians would remain limited unless growth is sustained, and also derived from sectors with high poverty-reducing impacts such as agriculture. Some sectoral reform programmes have begun in areas such as agriculture and solid minerals, and are already yielding modest results. However, more extensive sectoral strategies that address bottlenecks, such as access to financing, availability on inputs and technology and skills are urgently required. A number of non-oil sectors (including Agriculture, solid minerals mining, construction, tourism, cultural and entertainment services) could experience high growth if such bottlenecks were addressed. In addition, a future administration should also consider improving access to financing, particularly for young entrepreneurs, by introducing various innovative schemes such as venture capital and microfinance funds. The current high level of youth unemployment and underemployment in Nigeria is partly because access to financing is particularly difficult for small business and start-ups. By introducing targeted innovative financing schemes, this constraint could be partly addressed.

*Improve the Domestic Business Climate:* An uncoordinated and bureaucratic regulatory procedure often hinders private sector activities in Nigeria. The annual /FC/ World Bank Doing Business Survey identifies regulatory issues that affect the investment climate in various countries. The report examines various regulatory issues such as the time taken to start and close a business, the effectiveness of property registration, and the ease of obtaining licenses. Nigeria's performance in the survey rankings increased marginally from 109 out of 175 countries in 2005 to 108 out of 175 countries in 2006 and this may partly reflect limitations in obtaining more recent data. However, the business climate studies provide useful lessons and insight for policy makers in reforming countries. Recent efforts to establish a one-stop-shop investment centre and harmonize tax policies at the federal and state levels reflect the government's commitment. However, additional challenges remain, such as computerizing land registration titles in various states, accelerating customs and increasing the efficiency of the judicial system. Improving the domestic climate for doing business must remain a priority for Nigerian policy makers.

*Expand and Maintain Investments in Infrastructure:* The existing poor domestic infrastructure imposes large transaction costs on businesses and reduces the competitiveness of the Nigerian private sector. Major infrastructural bottlenecks exist in areas such as power, road and rail transportation, and ports. To address the infrastructure bottleneck in Nigeria, any future administration must focus on three main issues. First, it is important to increase the quantity of the governments infrastructure spending. Although they have been recent investments in infrastructure notably in power, roads and railways, Nigeria's current dearth of infrastructure implies that additional investments are needed in the medium term. In particular, progress must be maintained in implementing the federal government's power master plan and in the short-term, achieving the target of generating 20,000 megawatts of power in the country by the end of 2020. Second, the federal government must work more closely with state governments to jointly finance

infrastructure programmes. This may be particularly important in developing large-scale projects (for example, and irrigation dam), which may benefit a group of states, but may be too costly to be financed by a single state. Thirds private investments in infrastructure must be encouraged complementing the government's efforts. Any future administration must continue to promote public- private partnerships (PPP) in infrastructure projects such as power plants, toll roads and bridges. The infrastructure concession regulatory Act that was passed in November 2005 provides an appropriate legal framework for such partnerships. PPPs may be structured in diverse ways such as: the BOT (Build-Operate-and-Transfer), BOOT (Build-Own-Operate-and-Transfer), and the ROT (Rehabilitate-Operate- and –Transfer).

*Strengthen Domestic Institutions:* Ultimately, Nigeria's central challenge is one of building strong domestic institutions to support long-term growth and development. Following the work of Douglas North, economists have recognized the importance of strong institutions in supporting economic development. More recently, Rodrik, Acemoglu, and others have stressed the importance of institutions in explaining cross –country growth differences among developing countries (Rodrik, 2003; Acemoglu, 2001). Satyanath and Subramanian (2004) similarly note the importance of domestic institutions in supporting disciplined monetary policy and ensuring macroeconomic stability. When domestic institutions are strong and functional, day-to-day political configurations are less important for private sector investment decisions. It is essential that policy makers in Nigeria (now and in the future) focus on improving the effectiveness of domestic institutions.

*Tackle Unrest in the Niger Delta:* Unrest in the Niger Delta remains an important challenge for policy makers now and in the future. After 60 years of oil exploitation in the Delta, widespread poverty remains in the region, causing discontent and the breakdown of social capital. In a sense, residents of the Delta have been let down by their governments and oil companies alike. It is, however, important to separate the genuine concerns of Niger Delta residents from those of criminal gangs exploiting the prevailing situation. For example, vandalization of oil pipelines by militants is a counterproductive exercise. By disrupting total exports of crude, there is less revenue earned for the nation and consequently, less financial allocations to their states-the very situation which some militants claim they want to reverse. Kidnappings are also counterproductive, frightening away investment snot only from the oil sector but also from other potential sectors of the Nigerian economy.

The Federal Government is already supporting the Niger Delta with targeted investments by the Niger Delta Development Commission (NDDC), building a new university and supporting local schools and constructing the East-West high way linking various Niger Delta States. Youth employment opportunities are also being improved, with indigenes from the region being given preferential treatment for jobs in the military and police service. A broader long-term economic development programme is needed for the region; building on current efforts of the federal government such a programme must have two components. First, it must have a bottom-up strategy, and provide resources directly to local communities to enable them own, prioritize, and choose their social sector programmes. Second, the programme must stress skills training, employment generation and equity participation of local residents in the oil and gas sector. This is essential for long-term economic development and diversification in the Niger Delta region. An upward review of oil derivation revenues allocated to oil producing states may also be considered.

However, additional revenues must be provided directly to affected communities as discussed above, to support bottom-up development programmes.

### **Challenges of Implementing Public Sector Reforms**

These are the same as for most other countries. Public service is known for the following characteristics among others:

i) Tradition of Administration Orientation

The tradition of administration in the public service means working by laid-down rules even when such rules have become obsolete and are no longer relevant (Okaroafor, 2015). These rules are usually handed down from the top without inputs from the lower cadre of the workforce. Expectedly, there is no motivation among the workforce to work towards ensuring achievement of any set goal, if any, as they are not part of the goal-setting and therefore, cannot relate with such a goal. Moreover, there is no incentive to be creative as the only reward to be expected from the system is to be able to retire with pension at the appropriate retirement age. The only way to ensure this is to stick to the rules.

ii) Principle of Anonymity

The public sector assigns authority but no responsibility. This feature makes it impossible to hold any person responsible for the non-achievement of set goal (Okoroafor, 2015).

iii) Cash-base Accounting System

The public sector has traditionally been known to be cash-based (Wynne, 2003). The cash system is well suited to the annual appropriations and revenue allocation systems found in public sector administration whose main focus is parliamentary accountability (Boothe, 2008). Besides the above mentioned characteristics, there are other factors which also pose serious challenges to the implementation of performance-based budgeting in the public service.

These include:

- The problem of resistance to change;
- Lack of skilled manpower;
- Lack of opportunities for entrepreneurship skills
- Putting the cart before the horse syndrome

The last of the afore-mentioned factors has led to so many projects being abandoned because the frameworks for implementation are not in place (Okoroafor, 2015).

#### *Responsibility Accounting*

Australia's poor economic performance of the 1970s led to a reassessment of the role of the Australian public sector and its management (Ouda, 2004). The Australian public sector as suffering from the lack of a system of performance management, the absence of incentives to encourage greater-efficiency and the lack of competition as a pressure for improving performance (Mascarenhas, 1990). There was clamour for reform that should focus on improving efficiency, effectiveness, responsiveness and accountability. This led to the launch of the Financial Management Improvement Programme (FMIP) in 1984. FMIP was concerned as much with effectiveness as with efficiency. In fact, the major concern was to improve the links between programmes outcomes and the resources required for achieving them (Ouda, 2004).

The conditions that necessitated public sector accounting and budgeting systems reforms in Australia are no different from what obtains in Nigeria. statistics show that when the economic indicators in the Nigeria public sector for the past ten (10) year up to the year 2003 (before the commencement of the present public sector reform that necessitated the fiscal responsibility act 2007) are compared with those of subsequent years up to 2008, it does not seem to be much difference nor improvement. For example, the percentage increase of per capital income between 1994 and 2003 average 5.28% against those of annual expenditure which averages 23% for the same period (figures are results of calculations based on figure in table below)

**Per capital GDP Growth from 1994 to 2008**

Year	GDP (=N=Million)	Population	Per Capital GDP (=N=)	% Growth
1994	275450.53	96,763,496	2,847	(2.53)
1995	281407.4	99,501,903	2,828	(0.67)
1996	293745.36	102,317,807	2,871	1.52
1997	302022.54	105,213,401	2,871	0.00
1998	310890.6	108,190,940	2,874	0.10
1999	312183.47	11,252,744	2,806	2.37
2000	329178.71	114,401,196	2,877	2.53
2001	356994.26	117,638,750	2,010	30.14
2002	433203.5	120,967,927	3,581	78.16
2003	477532.99	125,620,213	3,801	6.14
2004	527576.3	129,175,262	4,084	7.45
2005	561931.4	132,830,925	4,256	3.57
2006	595821.61	104,003,542	4,256	0.61
2007	634251.1	144,483,655	4,390	3.15
2008	672202.55	149,107,132	4,508	2.69

Source: The figure for total federal government expenditures for the selected years has been extracted from the statistical Bulletin published by the central bank of Nigeria. The percentages have been generated by the researcher based on the expenditure figures for the selected years.

**Table 3: Percentage Increase (Decrease) in Expenditure and Per Capital for Selected Years**

Year	% Increase (Decreased) in Expenditure	% Increase (Decrease)
1994	(16)	(2.53)
1995	55	(0.67)
1996	36	1.52
1997	27	0.00
1998	14	0.10
1999	95	(2.37)
2000	(26)	2.53
2001	45	(30.14)
2002	0.01	78.16
2003	20.4	6.14
2004	16	7.45
2005	28	3.57
2006	6.5	0.61
2007	26	3.15
2008	32	2.69

Source: Researchers, 2020

The table above shows that the increased spending by the government has not brought about commensurate increase in the welfare of the people as represented by the percentage increases in the per capital GDP. The figure above shows that there is no relationship between expenditure levels and outputs and outcomes in the Nigerian economy: the economy has not recorded much improvement thereafter. The average percentage increases in per capital and federal government expenditure from 2004 to 2008 are 3.4% and 21.7% respectively. Indeed, whereas the annual expenditure increased by 26% in 2007 and 32% in 2008 against their respective previous years, the per capital GDP for the same periods increased marginally by 3.15% and 2.69% respectively. These statistics which are results of calculations based on figures in tables 1 and 2 shows that despite the marginal increase in welfare being far less than marginal increase in expenditure, there is actually a decline in welfare in 2008 in spite of the existence of the fiscal responsibility Act 2007. Inflation is also on the rise which is an indication that enough goods are available to meet demand. Also, there has not been much improvement in the quality and availability of healthcare delivery and services to the ordinary citizens.

Consequently, life expectancy of 54 years has indeed decline to 47 years according to World bank; and infant mortality rate of 114 per 1,000 live births has not recorded any appreciable improvement over the period in question, as it is still among the highest globally (central bank of Nigeria, 2008). These are evidences that the increases in budgetary allocations have not increased the welfare of the citizens nor have they translated to any appreciable improvement in the economic indices. And so it becomes obvious that more needs to be done so that the objectives of the economic and public sector reform can be achieved.

### **Due Process PEM and National Development**

In assessing the potentiality of the BMPIU fiscal operation to enhance national development, our first focus is on its features and or nature conventionally, due process is a procedural rule of orderliness wherein public activities comply with laid down procedures. It applies to all systematic phenomena, whether social, cultural, economic and political. In the context of the fiscal system, it refers to the mechanism guiding procedures, rules and phases governing the evolution of annual appropriation bills, its implementation, monitoring and evaluation.

However, BMPIU (2005:1) defines it as a mechanism for ensuring strict compliance with openness, corruption and cost accuracy rules and procedures that should guide contract award within the federal government of Nigeria. the defect of this BMPIU 'Due Process' lies in the restriction to contract award and the Federal Government only, leaving the state and local governments behind (Eze & Nnedum, 2013).

Contract award constitutes an infinitesimal aspect of budgetary practices. This 'Due processes' did not take into account the processes, rules and stages through which national appropriation bills emerge. It ignored also the procedures and rules governing revenue generation. Recurrent expenditure, which constitutes 70.9% of Nigeria's total expenditure from the year 2000 to 2004, was not provided for by the 'Due Processes. In essence, the bulk of what would have been allocated to development programmes/projects was spent without the application of 'Due process' mechanism. Thus, the existing corrupt practices and defective systematic mechanisms were consolidated under the 'Due processes'. It is

equally pertinent to observe that the reform that is not holistic cannot transform the society (Eze & Nnedum, 2013). The PEM reforms failed to meet up with this standard. Furthermore, the neglect of treasury organization rules and regulations by politicians and the BMPIU due process mechanism seriously undermines accountability. Receipts, deposits and safeguard or custody of state revenues are no more systematized. Cases of individual public office holders transforming their water tanks and private or official quarters to banks exist. The discovery by EFCC of the existence of such in the official quarter of the political adviser to the former Enugu State governor, Prince Sam Ejiofor in 2004 authenticates this point. Allocation of funds and choice of programmers are arbitrary, partisan and non-developmental. The new PEM has equally failed to depart from earlier practices wherein development variables or factors receive very low fiscal allocation.

## **Conclusion**

Viewed against the backdrop of its economic performance since the 1980s, Nigeria has clearly turned a corner. Owing to the recent programme has formed basis of a new non-borrowing instrument at the international monetary fund the policy support instrument (IMF, 2005). Public fiscal management is a tool that restructures, redirects and implements national development. The PEM reforms package did not provide any pre-active incentive structures that would have empowered the human elements in the system. It is equally a reform package that has neglected existing culture of checks and balances in the Nigeria public service. These and other observed weaknesses on the part of the reforms destroyed its potential to enhance national development. Nevertheless, by extending reforms to the state and local government levels, focusing on non-oil growth, improving the domestic business climate, increasing and maintaining infrastructure investments, strengthening domestic institutions, tackling current in the Niger Delta and increasing the quality of social sector spending, a progressive administration could place Nigeria on a path of sustained economic growth by 2020. The paper therefore recommends that, the reforms should be holistic, preserving the essential features of the old order and introduce pro-active incentive rewards for personnel that will adhere strictly to rules and procedures of improved performance.

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## CONSIDERATIONS ABOUT ENGAGING VOLUNTEERS IN CRISIS MANAGEMENT

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**Abstract:** *Deep crises seem to multiply and diversify, with recent examples such as the war refugee crisis and the COVID 19 pandemic. At the same time, in these crises, people tend to get involved through various forms of volunteering. However, these can prove useless when unorganised, without adequately trained people. This article, having a theoretical background, examines key aspects of crisis management through a specialised literature review, highlighting ways of involving volunteers effectively so that they can make a real contribution to solving the crisis. The results indicate ways volunteering can respond to the various needs of crisis management, emphasising the need for careful planning, appropriate role assignment, training, and coaching, without neglecting aspects of time management, working under pressure, task satisfaction and well-being.*

**Keywords:** *crises management, volunteer management, motivation for volunteering*

### Introduction

Crisis management has recently become a global focus, driven by the diversity and accelerated multiplication of unprecedented situations with a wide-ranging impact on daily life at social, political, and economic levels. With a high degree of novelty or already well-known, deep crises are challenging for those involved in their alleviation, especially in coordination and control processes. Although the impact is intended to be as low as possible, poor management can have significant negative consequences. Starting from the identification of the epicenter of the crisis, the management process has numerous needs, both for solving the crisis and for the effectiveness of its actions. Considering the resources needed in such situations of deep crisis, we can say that human resource is critical in the process, with high requirements of adaptability, motivation, and involvement. Although some of the effects of such situations can be difficult to manage, especially those with an impact on the health and safety of the population, there is a need for competent management, together with a collective involvement to cover all the needs without insisting on the superficial ones. Often, formal intervention proves to be insufficient, sometimes delayed by faulty chains of communication, and unable to meet the criteria of urgency and promptness. Thus, when formal intervention, often by public authorities, fails to provide immediate responses, there is a phenomenon of spontaneous volunteerism, of the whole community trying to provide answers where the state fails. This spontaneous volunteering, both in organized settings determined by NGOs and in uncontrolled environments, offers various much-needed opportunities in deep crises, covering diverse needs. However, although beneficial, it can have a negative impact when there is a lack of coordinated, specialized people and attempts to help do more harm than good. Therefore, starting from

the essential components of deep crisis, this paper will analyse ways to involve volunteers in safe contexts, considering their needs, assessing both their possibilities of evolution and those of the community to overcome difficult situations in an organized and efficient way

### **Method and data**

Starting from a defining structure of crisis management (Di Loreto, Mora and Divitini, 2012), this article outlines a perspective on the involvement of volunteers in crisis resolution. Thus, through a theoretical approach given by a literature review, a theoretical plan of volunteering as a potential solution in crises is outlined. The benefits and possible pragmatic threats are analysed, considering recent experiences such as the war or the Covid-19 pandemic, related to the theoretical aspects identified in the selected papers.

### **Discussions**

Volunteering becomes a viable method of immediate relief based on a spontaneous response, often as a reaction to the lack of proper management adapted to a deep crisis. However, besides the obvious benefits, such as speeding up the resolution of urgent issues, human intervention and promoting the essential role of the community, negative aspects resulting from a lack of specialists or organisation are also noticeable. Taking a few components of crisis management (Di Loreto, Mora and Divitini, 2012) as a starting point, we will discuss a mirror perspective on the involvement of volunteers in different crisis management processes.

Although complex, sometimes unprecedented, deep crises bring predictable and unpredictable elements to the management team's attention. The involvement of volunteers, taking into account these aspects, is a new type of activity, an episodic one, with higher unavailability and higher costs (Hyde et al., 2016). It is characterized by a continuous need for structure, autonomy, guidance, care and coordination (Simsa et al., 2019), requirements that make it difficult to react quickly in difficult situations, not allowing total focus on the task. However, an adequate response to these needs can make volunteers contribute to the predictability of events and actions, accepting the unexpected more easily through continuous preparation and care. Given the lack of availability and the high turnover rate of volunteers, certain unpredictable elements, surprising in their seriousness or novelty, can trigger a mechanism of immediate action, a desire to get involved that defines the episodic character as intense, complex, and action-packed. At the same time, some episodes of volunteering in crucial situations can be equivalent to constant activities but without a direct impact on the community.

Looking at the next component of crisis management, which is dissecting the problem, volunteers can be given the role of the least important, but often most urgent, issues. Thus, looking at recent deep crises, we have observed volunteers' involvement in humanitarian severe issues, successfully complementing the authorities' work. An example from Greece illustrates the work of volunteers, especially seniors, based on the professions they have or have had, simple activities from cooking to medical services (Chtouris and Miller, 2017). Although they may seem insignificant, the sum of their efforts is a natural step forward in solving any crisis.

Making plans, the third component of crisis management raises a significant issue in the NGO planning process: human resource allocation. Especially in the context of spontaneous volunteering, which may be motivated by a sense of responsibility towards the community, trying to help oneself in the fight against negative emotions (Yang, 2021), altruism that impacts all the motivational dimensions (Burns et al., 2006) or a desire to give something back to the community (Aguirre and Bolton, 2013), planning proves to be as challenging as identifying and providing an adequate response to these motivations. At the same time, given the unpredictability, formal planning is more problematic when it involves bureaucratic matters which, in non-profit organisations, should be carried out by paid employees. Thus, the role of these employees in volunteer management is greatly diminished by these activities, which involve time, effort, and energy, without valuing the relationship between management and volunteers (Nesbit, Christensen and Brudney, 2018). The next crisis management issue, local versus global reporting, has a profound significance, especially regarding recent events. Although the tendency to resolve issues that directly impact us is more significant (Baker and Grant Ludwig, 2018), global reporting ensures an in-depth understanding of the different courses of action without imposing a limited tendency to resolve them.

Regarding communication, an essential aspect in the crisis, in addition to cooperation and compatibility between members, digital volunteering networks stand out, characterized by secure and fast access to information (Chernobrov, 2018). Especially in humanitarian crises, this digital volunteering helps to ensure effective communication into a broader community, creating links between those who need help and those who can help, with significant involvement of those who get the message out where it is needed. Social media platforms actively contribute to strengthening civic engagement, becoming more than the sum of its parts (Kaun and Uldam, 2018).

Crisis management is defined through the characterization of organizational and individual roles. Lack of direction and support have become some of the most critical factors leading to people giving up volunteering, highlighting the importance of defining roles in which volunteers can be consistently supported (Yanay and Yanay, 2008). Therefore, in assigning roles, management must consider two essential issues: offering tasks commensurate with each person's skills and creating contexts in which volunteers can interact with each other and with the beneficiaries of the activities (Lorente-Ayala, Vila-Lopez and Kuster-Boluda, 2019). In this way, their roles, even in deep crises, will strengthen their commitment and satisfaction.

Making decisions in a limited time can also lead to problems related to burnout and stress. However, rapid intervention sometimes requires the presence of trained people, even from local authorities, and volunteers who may be specialised. In deep crises, this meeting of the two categories can be a blessing but also a negative thing because of their incompatibility, transforming the desire to do well into something that amplifies the crisis (Barsky et al., 2007).

Human resources management in deep crisis situations has an urgent need for coaching and training of volunteers. Besides improving their performance in emergencies, training also contributes to job satisfaction (Alexander, 2010). At the same time, the collective efforts of training and coaching activities are directed towards the cultivation of soft skills without emphasising the technical ones (Di Loreto, Mora and Divitini, 2012). One of the most important soft skills is effective communication in times of crisis, divided

into group communication and decision making (Haferkamp and Krämer, 2010). Referring to volunteering activities, in addition to training focused on personal development, these soft skills can be acquired through appropriate coaching and the power of the example of a leader able to inspire, not just lead (Schreiner et al., 2018). Volunteers need to produce cognitive and behavioural changes among beneficiaries (Gilat and Rosenau, 2011) and provide practical help so that the training process can be extremely costly.

However, in addition to the components of the deep crisis management process mentioned in this article, it is necessary to remember human predispositions to help in difficult situations, especially when these situations are relevant to them (Strandh, 2019). Volunteer activities are proving to be viable methods of concretizing helping tendencies, and crisis resolution desire; at the same time, the potential of volunteerism development by continuing activities after crisis resolution is proven in the USA, the number of volunteers has increased after such difficult situations, volunteers identifying themselves with potential victims (Rotolo, Wilson and Dietz, 2015). However, this is where the NGO's essential role comes in, retaining volunteers even after disasters through actual retention mechanisms.

## **Conclusions**

In an attempt to provide appropriate contexts for volunteering in situations of deep crisis, based on theoretical aspects presented in the literature, it can be concluded that there is a promising path for such activities. Moving away from emergencies and disasters, volunteering through the values it promotes is a foundation of a society based on empathy, trust, reciprocity and helping each other. Although managing crises can be challenging, with time pressure playing a crucial role in determining the success or failure of interventions, voluntary activities can prove useless when they are disorganised, without trained people and efficient coordination between them and public authorities. Therefore, the need for structure, planning and coordination is critical in crises, emphasizing high-level community involvement. Everyone should find their role through authorities and NGOs to contribute as effectively as possible to prevent harmful effects. Beyond the non-financial rewards, volunteering organized on any platform, both online and offline, starting from the simplest activities, represents a new perspective on community involvement, aiming at unity and the common good. Time management, training and coaching are priorities for NGOs in creating mechanisms to attract and retain volunteers, ensuring their satisfaction with the task, and contributing to their well-being at the same time.

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## QUALITATIVE RESEARCH ON THE PROMOTION OF FEMALE HUMAN RESOURCE MANAGERS TO SENIOR POSITIONS

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**Abstract:** *The qualitative research was conducted through personal interviews with female HR managers working in the high-tech industry in Israel. The questions are designed to understand the barriers to the career advancement of human resources females to senior positions in the organization. Women mostly staff the human resources field in Israel and the rest of the world. As women took a larger share in human resource management in high-tech companies, they remained at the rank of middle management, which did not correspond to the extensive scope of their positions. The question arises as to why the department responsible for human capital does not have enough representation at the top. The organization's management and are not part of the policymakers in the organization? This study examines socio-demographic factors such as age, motherhood, education, and professional factors such as years of seniority and experience in relevant tasks, as well as their perceptions regarding the importance of the human resources profession in the organization. The conclusion regarding motherhood and children in all age groups was unequivocal that they are not a barrier to career advancement but quite the opposite. In the professional aspect, human resources females advance to senior positions when their attitudes towards themselves are positive, and they are confident in their ability to fulfill the role of vice president in the best way.*

**Keywords:** *qualitative research, human resources, women's management, senior positions, career, mothers, COVID -19, human capital, inhibiting factors.*

### The background of the study

The field of human resources in Israel is staffed mainly by women in all branches of the economy, with 4.6 women compared to 1.1 men, according to Israeli Central Bureau of Statistics data 2018-1019 (Israel Central Bureau of Statistics, 2021). In Israel, before the 1990s, human resources positions were held mainly by men who were in charge of managing the status of employees in all existing aspects, such as recruitment, welfare, wages, rewards, and perks (DeLoatch, 2018). However, with the beginning of the high-tech era in Israel in the early 1990s, the field of human resources, which was then still young, accelerated when most of the human resources jobs in high-tech were already filled by women. Moreover, in other countries such as the United Kingdom, in 1997, 63% of all human resources employees were women, compared to 79% in 2007. However, in large organizations with an active and dominant workers' committee, men remained in human resources positions, and their ranks were senior, such as VP of Human Resources (Weissman, 2014).

As female managers took on a larger share of human resources management in high-tech companies (Sands, B. 2019), they still did not receive the rank corresponding to the scope of their work. Women received 66% of men's salaries in the same position. These

figures are despite female managers performing functions with great responsibility and professionalism that require presence in management and authority (Weissman, 2014).

The situation is such that the department responsible for human resources and human capital does not have enough managers who take part in the management of the organization (Oakley, 2000; Flippin, 2017). The question arises, why are female managers in the field of human resources not part of the policymakers in the organization? Why are so few female managers promoted to senior positions and only some taking part in executive management meetings? (Heliman, M. E. 2012)

### **Research questions**

This study examines why there are not enough female human resource managers in senior positions such as VP. Why is a field staffed mainly by women (CBS data 2019-2018) that is so important to an organization not given the status equal to other areas of management such as that for finance, production, and sales (Israel Central Bureau of Statistics, 2021)? Is the reason for this rooted in the fact that this is a female occupation? (Rerdon, J. 2015) Is there a glass ceiling? (Flippin, 2017). To understand this, we will delve into the influence of personal and environmental factors, such as sociodemographic (e.g., family composition) and professional (e.g., years of professional experience in management and other skills). Another topic examined is whether there are barriers based on gender background, such as wage differences between male and female workers (Rerdon, J. 2015). To this end, interviewees were asked questions about their career development and their stand about advancing to senior positions to understand why most female human resource managers do not advance to senior positions.

### **Methods**

Findings are based on questions asked of female HR managers in structured interviews. Questions covered the influence of sociodemographic factors, such as age, marital status, number and ages of children; those pertaining to formal and supplemental education; and those pertaining to career development, such as sector, tasks, responsibilities (including over employees), and external issues such as COVID-19.

In the qualitative portion of the study, 14 HR managers with a background in the high-tech industry were interviewed, some still working in high-tech and some having moved to classical industry. In order to examine the degree of influence of personal and environmental factors on female managers' career development toward the VP of Human Resources, they were asked to tell the story of their career development.

In the qualitative portion, in-depth questions were asked that rely on hypotheses testing claims made in previous studies, such as a barrier that female managers face due to being mothers to children.

### **Results**

#### *Part A: Sociodemographic factors. Promotion over the years according to age*

In this study, the human resources (HR) team members interviewed were between the ages of 32 and 62. They described their earlier as well as their current experiences:

when they were in the younger age range of 21-32, they were in the position of coordinators at a stage in which they acquired professional experience, received on-the-job training, participated in internal and external professional training such as professional conferences for HR, as well as mandatory courses such as sexual harassment prevention, first aid, and firefighting. They took part in management training only when the latter was on-site, such as intermediate management courses that they organized for employees wanting to advance to management in the organization. They could participate and listen to the lectures, which are not part of their training program.

According to the testimony of most of the respondents, as they advanced in age and accumulated years of work experience, they could climb the ladder of management ranks through an intermediate position called HR business partner (HRBP), and from there reach the position of vice president (VP). Most interviewees mentioned that experience and various skills acquired over the years were prerequisites for promotion in a career. At the same time, there were also exceptional cases in the promotion process according to the skills of the interviewed managers and the organization's needs at a particular time. One interviewee stated that at the age of 28, she had already received the position of VP, but this is not common. Most female managers up to the age of 48-50 remain in middle management levels. Only four of the 14 interviewees of this study nevertheless managed to reach the position of VP. In this study, it can be seen from the testimonies of the female managers that career development takes place in a linear fashion, whereby the acquisition of professional experience and knowledge can lead to a level of confidence that enables older female managers (i.e., aged 31-49) to fill advanced roles.

*Marital Status factor:*

Most of the interviewees (12/14, 85.7%) were married and reported having a partner in the process of raising the children and a more or less equal distribution of tasks, as well as the encouragement and support from their husbands when dealing with challenges in the workplace. Only two of the interviewees (2/14, 14.3%) were divorced. One of the divorced women had a new partner, and even though they were not married, she received help from him. The second woman did not remarry or have a partner, but stated that the need to provide for her two children actually pushed her to acquire an education after the divorce and to develop in her workplace, and that the children have become more independent, saying, "When mom is good, we are also good" .

*Number of children factor:*

All interviewees (14/14, 100%) had two or more children of various ages. All 14 reported having an active career and were at different stages of career development. According to their testimonies, the children were not a barrier to a career. The fact that they were mothers influenced the choice of jobs from those offered to them, including workplace location. Among other considerations, female managers took into account the need to pick up the children from their educational institutions on time. However, they felt these considerations belong to all genders because "everyone wants to spend part of the day with their children and partners." They noted that their organizations were aware of this and allowed men to get home at reasonable hours as well. In the background of these findings, there are expectations that a typical family will have at least 2-3 children. This expectation is part of Israeli society's culture, nature, and structure. Most people hold that

parenthood is an essential part of life that they will not miss, not even for self-fulfillment and career.

#### *Home and work balance*

Interviewees stated that in the past they had less balance between home and work, as they had to prove themselves in the early stages of their careers. All (14/14 100%) reported that because they were away from home for many hours, the children became more independent, and as a result, the ability to work more hours increased. However, women also reported that precisely with time it began to become clear that balance is very important, even more so than career development. Therefore, even though the children were older, the interviewees tended to leave work earlier and spend more time at home. During the early period of the COVID-19 crisis, many people of all genders and sectors of the economy embraced the importance of family and being close to the people they love. This had consequences for the workplace, and employees began to prefer to work at least part of the week from home (UNWomen., 2020). Today, the interviewees reported, it is possible for most employees in their companies to work from home and rely on video conferencing technology, and the resultant ability to be more available to children returning from school and at the same time be part of week in the office contributed to their well-being.

#### *Education*

According to the interviewees, an initial condition for career advancement was an academic education. Before or during their careers, female HR managers studied for at least a bachelor's degree. Female HR managers who aspire to advance to senior management positions are continuing to a master's degree. For the most part, the fields of study were in the social sciences: I.e., sociology or psychology, followed by business administration and economics. According to the managers, the reason for the connection between education and promotion to a senior position is that a master's degree prepares them with a background in HR and provides knowledge relevant to their profession. For example, one interviewee started her career only with a bachelor's degree and her work experience in Japan and was hired in the field of logistics. During her job, she progressed to HR management after earning a diploma in the field and then went on to study for a master's degree in order to advance to more senior positions in the organization. Among the career paths reported, there were exceptional cases. One of the interviewees stated that she came from a technical profession and moved to HR management since she did not find satisfaction in her work in the field. She remained in a technological environment, that is, in the high-tech industry, but in a field that tended more to the human side and less to technical aspects. Her understanding of the technical field helped her to recruit employees in this field effectively. Currently, she is a VP of an organization that deals with software. Another interviewee had been an accountant in her company's finance department and progressed there, simultaneously earning a bachelor's degree in business administration. She received the position of HR manager in addition to being promoted to the position of CFO in the company. Such cases are sporadic in the world of HR.

#### *Part B: Occupational background factors*

The occupational background data includes factors that directly affect promotion to a managerial position. Most interviewees in this study worked in high-tech ( or had

worked in the past). Most remained at the middle management level and did not reach a senior position.

*Number of employees in the company*

The company's size is determined by the number of employees at a national or global level. However, according to the interviewees, the seniority of the HR manager is measured by the number of employees under her responsibility as the HR manager. The number of employees indicates the responsibility and professionalism and the rank of the HR director. According to the interviewees, the larger the company, the more complex skills and knowledge are required in the professional field of HR. The capabilities and performance of the HR department can be learned from the number of the company's employees. The more employees they are responsible for, the more significant their roles and abilities are. The abilities required of her are both the emotional and cognitive fields.

*Number of employees in a company affects the the role of the HR manager*

According to the research findings, the number of employees in a company affects the organization's nature and the role of the HR manager in that company. For example, under 50 employees is usually a high-tech startup, while amounts of employees ranging from 300 to 900 is a company that is considered medium in Israel. Companies numbering over 900 and up to 2000 is a company with several sites throughout Israel and the world. (The largest companies in Israel have between 2000 and 5000 employees in Israel and up to hundreds of thousands of employees around the world). According to the research findings, managers who work in larger companies are the ones who acquired skills and experience during their work and also studied and trained throughout their career and reached a senior position. However, according to the testimony of two interviewees, huge international companies will not allow promotion to a senior position just because the senior officials who hold the HR position sit at the company's leading site in America or Europe.

*A chronicle of the careers of HR managers according to most of the evidence recorded from the interviews*

The first stage of the careers of respondents began with compulsory military service (Forces, 2022). Until the age of 20 or 21 (depending on gender), regular service continued; if the interviewee was an officer, service could also reach the age of 24. In this framework, between the final service year and the first three years of a career, the women acquired practical managerial skills after a managerial course within the army called an officers' course. Following military service and transitioning to civilian life, the interviewees began their careers, during which they sometimes also worked on their academic studies. According to the majority of the qualified, if there was no military service at a high managerial level, the beginning of work was usually in placement companies. Placement companies in Israel are offices for locating job candidates, employed directly by the ordering party and not through a third party. In the placement companies, talent acquires the necessary experience for recruiting employees and can, after a period of time in such work, be transferred to high-tech in a similar position. The difference is that the high-tech company recruits only for itself, and not for different companies as in placement services. The next stage of the career was a 4-6-year span during which the interviewees mostly worked as HR coordinators in companies in the high-tech industry. At this stage, they still

could not be managers because more experience and seniority in the company was required in order to obtain a managerial position, even if they had the required education in a relevant field, such as a master's degree in a social science. After 7-9 years when they had already completed their academic and/or certification studies, candidates could advance to a managerial position. However, some of them reported that they had internal barriers and a personal feeling that they were not prepared enough to accept so much responsibility, since it seemed to them that it required much more knowledge and experience than existed at such an early stage in their career.

In other cases, there are situations where at this stage they already had employees directly subordinate to them. Some interviewees reported that they managed an entire department themselves, but their rank was already a higher one of middle management. Of note, despite the reporting of employees subordinate to managers, most female HR managers are at a middle management level and do all the duties alone, without coordinators working on their department's team. Some of the interviewees stated that only when the amount of work increases, due to the growth of the company or due to the need to lead a change that requires the promotion of various projects related to the personnel system, the need for more employees arises. In this way, when new employees join the team, the original HR managers could take the helm and can also rise to the rank of HRBP.

After female HR managers reached seniority of 10-12 years, there was more of a tendency to give them more of the reins to lead processes from a place of knowledge and experience. They were more likely to attend board meetings and have a more significant role in the organization. They reported that they had more of a part in determining the policy and strategy of their department and that communication and collaboration with senior management were conducted on a daily basis. When the number of years of seniority of female HR managers exceeded 12, this was reported to be a stage at which they were ready and able in terms of experience and professionalism to be responsible for an entire department in their organization. According to two interviewees, they also received responsibility for departments at more distant sites of the company in Israel or abroad, already a position with a wide range of activities suitable for the rank of VP.

*The initial period of the COVID-19 crisis was a golden hour for female HR managers*

According to the interviewees, when the quarantine days began during the COVID-19 period, there was great uncertainty. Organizations did not know each day what should be done according to health authority instructions and how to continue their activities. This was actually an opportunity for the HR managers to be in a central position and to sit in executive meetings as members of the senior management team even if up to they participated in such meetings less often. The interviewees reported that the crisis and the need to provide an immediate response to directions that were renewed each day, allowed them to be more creative, resourceful, determined, and firm because they were more informed than other members of management (they were informed of their statements through communication in the various forums on social media). They also consulted one another regarding implementation of restrictions and regulations in accordance with the country's labor laws so that there would be no exposure of their companies to lawsuits at later stages after the end of the crisis. According to the HR managers, they knew what was allowed and what was not allowed in terms of layoffs and sending employees on unpaid leave, and knew how to protect and support employees who worked from home, including

helping them function and maintaining the relationship, morale, and formation of the employees. According to the interviewees, this was a great opportunity to prove their ability and also to be recognized for their importance in the organization, and those who knew how to harness this move for promotion were also able to climb the ladder to a higher position or receive reinforcements of employees for the HR department. There were also opposite cases in which the managers found themselves without work, e.g., when part of the recruitment team was laid off because there was no need to recruit for their services while entire teams remained on unpaid leave.

*Tasks of HR team members determine, among other things, the rank in the role in the organization*

As noted at the beginning of the article, according to most of the interviewees' reports, the beginning of the career for an HR team member was usually at the level of HR coordinator, with tasks including coordination of recruitment, welfare, and/or training. As part of the HR team, she reported to the HR manager, who herself was at an intermediate level, or in rare cases, directly subordinate to the VP of HR. In rare cases, the coordinator was directly subordinate to the chief executive officer (CEO) or the VP of Operations or Finance, in one instance from the beginning of her career (she served as an account manager and began to play an HR role while being subordinate to the chief financial officer [CFO]).

After more tasks were added to the coordinator's responsibilities and her skills in other areas were further improved and refined, she could move up to the middle management level as an HR manager and begin to engage in additional areas. As one of the interviewees said, in addition to recruiting, she also engaged in activities for welfare of the employees, organization of training, and cross-organizational projects such as training of managers for annual employee feedback. At this stage, the rank of HR manager is that of an intermediate manager, but this is reflected only in the salary aspect. According to them, the salary level was equal to that of a department manager in the organization, and the mere fact that she was at the salary level of an intermediate manager did not contradict the fact that she may report directly to the CEO and be subordinate to him/her, though without yet having a role or part in the management team and meetings.

The next advancement step according to experience and qualifications was reported to be the rank of HRBP. This meant being part of the management team, but not necessarily with the corresponding salary (Dagan-Buzaglo, N. et al., 2014), tasks, and responsibilities of a VP (possibly the next level above her). Managers who managed to rise to the rank of VP of HR in the organization managed to do so through a process of learning and training while working and acquiring additional skills and serving on multiple projects. Some of the interviewees stated that they could only advance to this rank outside their organization, because within that particular organization there was no such rank in the field of HR. The reason for this, according to them, was that there had never been someone senior at such a rank in a field considered relatively new and most people are unaware of the importance and need for senior positions. In traditional fields such as finance, legal, logistics, operations, and sales, it seems that a senior position is necessary and the company cannot be managed without it (this can be seen clearly in the report of the Central Bureau of Statistics regarding other fields (Statistics., 2021)). According to the interviewees, the senior management team did not understand the importance of the HR department, which

takes care of people in the organization. However, they qualify their words by saying that since the COVID-19 crisis, the situation has awakened senior management to realize that while if a single person is missing in a certain position, then the organization has a small problem, but if 70% of the employees are not at the workplace because of the epidemic, only 30% of workers were allowed to get to work. In that case, it was crucial to have someone operate this process or organization could be at risk. It was a big operation to coordinate workers when some were sick and in isolation, and some could work but not in 20-hour or 16-hour shifts.

One interviewee said that she knew how to leverage the situation in favor of her promotion. She asked the CEO if he was satisfied with her work and could therefore give her the title of VP, as she actually performed work beyond a normal HR manager in the organization. She did not demand that the salary be updated accordingly, and he agreed to her request and gave her the rank of VP. A year later, she told him that she had worked for an entire year as VP and asked him if he was satisfied with her performance at this senior level and whether she fulfilled the expectations of her position. When the CEO answered 'yes,' she then asked to receive the appropriate salary for the rank at which she works, after having proven her value to the organization. The CEO understood that if he did not upgrade her salary she would find another workplace that would give her a matching position and salary and he would lose her, so he agreed to raise her salary to that of the VPs in the organization.

*Is there a possibility of advancing to the rank of CEO?*

The question asked here is, to where can the female HR managers move forward at this stage? Is there a possibility of advancing to the rank of CEO?

There are few cases in Israel where a human resources team member became the entire organization's CEO. For the most part, this is a man who held the position of VP of Human Resources, as this is the reality in Israel today. For example, the VP of Human Resources was given the CEO position at El Al Airlines (Tsuk, N. 2008). When the interviewees were asked whether they aspire to reach the rank of CEO, few of them said that, in principle, they would be interested in becoming CEOs, but only in an organization whose essence is social and not business-oriented. Most interviewees stated that at this stage, they refrain from taking actions to bring themselves to this level. This is mainly due to reasons of needing to devote extra hours, as well as to the claim that the position of CEO has additional requirements such as technical knowledge specific to the position or general knowledge of marketing and sales in the organization's field of activity – and that this is knowledge that they lack and are not interested in learning. Another reason why they not want to reach such a position, lies in the fact that a CEO sometimes has to make difficult decisions regarding downsizing and layoffs. They do not want to deal with such complex moral issues, and they also stated that they do not want to enter areas of conflict or dispute. They are only interested in taking on the CEO role and entering the lion's den when there is a vital social goal, such as helping orphans or supporting disadvantaged populations. They emphasized that as CEOs of social organizations, they can bring the knowledge and experience from the business world to the non-profit world. The significant purpose of the organization will justify extra effort with much responsibility and be the reason for them to get up in the morning. However, when nearly the entire purpose of the organization is business and everything is for money and the enrichment of shareholders, the HR managers

have no interest in devoting themselves to the CEO position. Even today, when they work in a business company, Their focus is more on the human side than on the business side: they invest most of their energy in relationships and taking care of the people working in the company. Another response repeated in the interviews was that the HR manager is not interested in advancing to a senior position because she does not want to distance herself from the employees. She is mostly very proud of her relationships with people, where she finds satisfaction in her work. She is not interested in replacing this satisfaction with bureaucracy or strategic level tasks.

*Number of employees subordinate to a female HR manager*

Another parameter explored in this study is the number of employees subordinate to a female HR manager, in order to assess whether this is a significant factor determining her rank. Most of the interviewees stated that they are in a managerial position at the middle level and are not part of the company's executive team. It is possible that they are not in the position of VP since they do not manage employees under them. Even though she is responsible for all HR issues in the company, since she does all the work without asking for the help of additional employees or a higher salary or title, the management has no need to give her a more senior position. As the number of employees in the HR department increases, so too does its level of responsibility and therefore it should receive a commensurate rank. For interviewees who do manage employees, most of the latter are professional coordinators in the field of recruitment. In such a case, the superior rank is that of an intermediate manager, which is similar to that of a department manager in an organization. Her salary will be similarly higher, though she will not, for the most part, take part in management meetings except in emergencies such as during the COVID-19 crisis.

Subdivisions in the HR team, with coordinators in the fields of welfare, training, and recruitment, tend to occur in larger organization, in which there is a manager for each field. Interviewers opined that in an HR department with several managers and each of them with several coordinators – often teams of approximately 10 people – there should be a dedicated VP who manages these managers. Though the more employees there are under a manager's management, the more senior she can be, it is probable that she will conduct matrix management. The latter is simultaneous management with department managers and assistance from employees from offices involved in projects that are needed in the HR department. The parallel management with managers at her level and below her allows the promotion of projects without the need to provide a title and promote someone to a senior position.

*The stage in one's career affects career choices and ambitions*

Some HR managers had ambitions to reach one level above them when they were at the beginning of their professional journey. Since the work and the tasks appeared to them from the side as requiring professional knowledge and skills, they did not think that they could skip steps – including the learning process – and simply perform the tasks of a manager even if they were a manager at an intermediate level. As they progressed in their careers, ambitions progressed toward senior positions. This was especially the case for those who had already advanced part of the way to the position of manager or HRBP, and aspired to the next level and set their sights on a higher position already in the belief that

they are able to perform accordingly. Some of the female HR managers who had already reached the rank of VP felt that they are already at the most advanced stage that could be reached in the professional framework of HR. While men in the rank of VP may aspire to become CEO one day (Tsuk, 2008), the female managers who had acquired sufficient knowledge and skill in their field but did not want to distance themselves from the relationship they had with the employees in exchange for more bureaucracy or tasks at a strategic level, preferred to remain in the same position and not advance beyond it. This was especially the case for female managers who were older and preferred to maintain their comfort zone until retirement age.

## **Discussion and conclusions**

In this qualitative study, several parameters were examined that may influence the promotion of female HR managers to senior positions in workplaces, focusing on the high-tech industry in Israel. Interviews were conducted with HR managers in which topics examined comprised the influence of socioeconomic factors such as age, parentage (including number of children and their ages), and perceptions of the balance between home and work. Parameters related to the professional aspect of HR included the level of education required for the position and the effect of the size of the organization and number of subordinate employees on their actual rank. Interviewees were also asked about the stage at which they were in their career and its effect on the motivation for promotion. In addition, the study dealt with the perception of the place and importance of the field of HR in the eyes of senior management of the organization and in the eyes of the female HR managers themselves, and how this affected promotion. Finally, the study examined the reasons for the motivation of the managers to advance to a senior position of VP or even CEO.

The research conducted during the COVID-19 crisis showed that some boundaries and limitations were considered solid and were easily breached in a way that proved to everyone the importance of the HR field in the organization, and some of the female HR managers were able to leverage the situation in favor of their promotion. It was understood from statements that external parameters such as the workplace, the size of the organization, and effects such as the COVID-19 do not constitute a barrier to promotion, but sometimes the opposite. It has been seen that the managers' positions regarding their family status, whether they are married or divorced, mothers of young or older children, and the degree of balance found and desired between home and work do not constitute obstacles to their career, often also quite the opposite. The issue of children is one of the factors that must be taken into account when choosing a workplace, but not the main factor. Other factors that influence the promotion of a female HR manager to a senior position are the size of the company and the number of employees under the manager's responsibility for human capital.

The main reason for the existence of a senior position in the field of HR is the scope of the tasks for which the HR department is responsible. There is also a need for a significant and permanent team that performs many tasks. There is a high probability that a female manager will fill this position since the female gender dominates most jobs in HR.

However, according to the claim of the interviewees, the ambition of the HR manager is not necessarily to reach a senior position because most of them do not want to lose satisfaction from the connection and close relationships they have with employees.

From the responses of the female HR managers, it emerged that the only significant barriers they face stem from their own perceptions and attitudes regarding the position, its importance, and their ability to advance to a senior position. It appears that advancement is affected by several parameters that mainly depend on themselves. The degree of professionalism and experience acquired by a female HR manager in her field of activity in the company throughout her years of work and degree of her confidence in her abilities to perform professional tasks and take on responsibility as required of a senior position holder were crucial to advancement. The interviewees' conclusion regarding the aspiration for promotion is that there will be a more central place to realize their values. HR managers say that if there is a promotion, they want to devote their knowledge, experience, and energy to the social sector in non-profit ventures of high moral value. They would like to be a VP and even in the most senior position, e.g., a CEO, as long as it is in an organization intended for a significant social purpose such as helping the weaker sections of society and not just for business and money.

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# A CRITIQUE OF THE META-THEORETICAL EXPLANATIONS AND ANALYSES OF THE PRE-CONDITIONS FOR THE STIMULATION AND ATTRACTION OF FOREIGN DIRECT INVESTMENTS

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**Abstract:** *Is it correct to assert that Foreign Direct Investments (FDI) stimulation and attraction are based on certain preconditions? To what extent should the preconditions be allowed to determine the content, character and method of studying and analyzing FDI? Should research efforts be focused on these preconditions? Are the preconditions the necessary determinants of FDI stimulation and attraction? What are these preconditions, and to what extent are they fundamental and critical to the stimulation and attraction of FDI? Do the preconditions only exist in an economy? Do they exist in the polity as well? How can their existence and totality be explained, analyzed and interpreted? To what extent have existing efforts been able to accurately explain, analyze and interpret these preconditions? What conclusions that can be drawn from these existing efforts and initiatives? Finally, what are the implications for theory construction and formulation? Approached from the angle of critique as a method of social inquiry, the article interrogates these efforts and initiatives to reveal their bogus intellectual claims and logical inconsistencies. The methodology of research is rooted in the very eclectic sources in which these explanations and analyses are contained and accomplished within carefully formulated steps as indicated in the provided critique as a method of social inquiry. The overall objective is to determine the extent to which these explanations and analyses are able to sufficiently account for, and capture the critical forces, processes and factors that tend to shape the movement of capital globally. The paper concludes that the existing initiatives and efforts still remain inadequate in helping to concretely address how well the assumed preconditions are indeed the needed prerequisites for FDI stimulation and attraction. The paper recommends that the existing explanations on the subject matter of FDI stimulation and attraction still require careful formulation within established testable propositions.*

**Keywords:** *Meta-theoretical explanations and analyses. Foreign Direct Investments. Foreign Direct Investments Analyses. Foreign Direct Investments Preconditions.*

## Introduction

How is the knowledge of any subject matter advanced? Put in another way, what helps in the advancement of our knowledge of subject matters? How have the social sciences in particular approached the advancement of the knowledge of the embedded subject matters? With specific reference to the discourse of foreign direct investments (FDI), what is the scholarship on the subject matter like? What and what constitute the propelling force, and by what changing dynamics? What is the relationship between the discourse on the subject matter and other discourses in relation to the pursuit, enthronement and sustenance of development? The social sciences, notwithstanding the methodological

advancements of the 1960s, still lag behind in theoretical sophistication and yet still with certain defining and specific traits especially in relation to the understanding, patterning and projection of the accompanying scholarship. Just as theories are critical to the intellectual responsibility of advancing our knowledge of the universe, the field of social science is however quick at noting that these theories require certain degrees of sophistication to enable their deployment as tools of academic engagements. Theories in the social science consequently reflect their abilities to reliably describe, explain and predict social phenomena. The assessment of theories is further based on, and determined by, the extent to which they generate knowledge of critical consequences especially in relation to the sustenance of scholarship. This therefore explains the description and characterization of theories as meta-theoretical frameworks of explanations especially in relation to the understanding of social phenomena and their labeling as low-level, middle-level and over-arching. The subject matter of FDI is hence shaped and influenced by the existing treatises in extant literature on international political economy (IPE).

IPE is hence replete with contending explanations and analyses of the pre-conditions necessary for the stimulation and attraction of FDI leading to outpourings of different degrees of sophistication thus justifying the reference to them as meta-theories. To be specific, literature on the subject matter can be divided into two. The first group entails those works confirming the affinity of FDI to either democracy or authoritarianism and in the process develops the criteria and empirical indicators with which to measure the affinity. The second group looks at the extent to which efficient and functional physical infrastructure help to stimulate and attract FDI. Each group, it must be mentioned, has subsets and sub-divisions. Their different conclusions, it must be mentioned further, remain contradictory and confusing, yet provocative and stimulating. The works of Jensen (2003), Barrell and Pain (1999), Mello (1999), Feder and Lily (1985), Gaubatz (1996), Henisz (2000), Lee (1993), Leeds (1999), North (1990), among others, within the first group, confirm the affinity of FDI to democracy/political stability and emphasized the inseparability between economic performance and the stimulation of FDI. The work of Jensen (2003), it is instructive to note, stands out distinctly in the category of works that either support or confirm the affinity of FDI to democracy or democratic rule. The works of Li and Resnick (2003), Chan and Mason (1992), Crenshaw (1991), de Soysa and Oneal (1999), Feng (2001), Gastanaga, Nugent and Pashamova (1998), among others, support the affinity of FDI to authoritarianism or authoritarian rule. Mention must be made of the fact that the work of Choi and Samy (2008) holds quite remarkable findings. According to them: "Empirical results reveal that democratic institutions are, at least, weakly associated with increase in FDI flows (measured by FDI/GDP ratios). While multiple veto players (and, counter intuitively, democratic hindrance) may be positively associated with increases in FDI, audience costs are not linked to FDI activities" (Ibid: 83). The two findings, quite instructively, have their uniqueness expressed in the evolving new terminologies and concepts with respect to the understanding of the research relationship between democracy and FDI stimulation and attraction. The concepts of veto players, audience costs and democratic hindrance have no doubt added elegance and sophistication to the FDI debate and research.

The second group of works examined how the availability and functionality of physical infrastructure and other lubricating forces and processes of any domestic economy provide the necessary preconditions for the stimulation and attraction of FDI without

necessarily engaging themselves in polemics and debates. Standing out distinctly in this category are the works of Dunning (1977, 1981) and Obadan (2004). It must be emphasized that the two sets of literature have no doubt contributed immensely to the understanding of the movement of capital across borders and regions of the world. However, the understanding still remains sketchy, terrestrial, and stunted. The lacuna forms the focus and body of the present effort and initiative. It is apposite to ask: Of what importance are explanations and analyses to social science discourse, especially as the discourse relates to the preconditions necessary for the stimulation and attraction of FDI? Three things require immediate substantiation for the question to adequately serve its purpose and objective. They are: (1) explanations, (2) analyses and (3) social science discourse. To begin with, how are they related to the subject matter of research to the extent of shaping and influencing the accompanying title? Explanations, within the context of the broad and specific objectives of scholarship, hope to present integrated and coherent ideas with respect to the understanding of a subject matter. Explanations hence have the embedded elements and capabilities of pushing our understanding and knowledge of an event/subject matter to a higher level of cognition made possible by helping us to appreciate how the co-variables relate and interact to give detailed and comprehensive information about its existence, and help to appreciate further the effect of time and other changing dynamics. Analyses help to push further our understanding and knowledge of a subject matter in such a way that allows for the development of a pattern with which to make reliable predictions about social occurrences and phenomena. Analyses specifically provide the relevant academic framework and intuition with which to integrate the many dimensions of events and the contained changing dynamics in both time and space. Analyses finally allow for comparative knowledge and understanding of social events and occurrences made possible by enabling our cognition of the differences and similarities over time and of the various controlling circumstances exerting their influences. Social science discourse in relation to the subject matter of FDI, here accomplished, seeks the integration of explanations and analyses with the view to providing standard instructional knowledge and information about FID stimulation and attraction as they currently exist in literature.

With respect to the global movement of capital or FDI, what are the existing explanations and analyses that help to answer the fundamental question: What and what influence or shape investment decisions across the globe? In other words, what do foreign investors consider as fundamental to investment decisions? Fundamental and critical as the questions are, they are not all that totally new. This must be admitted. Ever since the birth of economics as a discipline/area of human inquiry, and since ages past, economists of different methodological persuasions have not only tried to provide answers to the questions, they have as well developed theories explaining investment decisions. There is however, a problem. And this relates to the assumptions of either perfect or imperfect markets in which such investment decisions were/are (being) taken. These assumptions, it must be pointed out, are at best heuristic and the claims that they develop from daily-life experiences can be easily faulted not only on the ground of daily-life diversity alone, but on the changing nature of life and the interpretation we give to it as well. The article is hence divided into four parts. Part one gives definitions and meanings to the concepts of meta-theoretical explanations and analyses, foreign direct investments, foreign direct investments analyses, and foreign direct investments preconditions within a perspective that helps to give the required and appropriate understandings to their applications in the

paper. Part two explores the purposes and objectives of critique in social science discourse and further helps to situate the paper within the intellectual contexts that informed its investigation and research. Part three focuses on methodology and related subject matters. Part four examines critically some of the meta-theoretical explanations and analyses of FDI in literature and provides as well their critiques. Part five serves as the conclusion.

### **Clarification of Concepts: Contextualizing the Definitional Indices and Parameters**

The concepts of meta-theoretical explanations and analyses (MTEA), foreign direct investments (FDI), foreign direct investments analysis (FDIA), and foreign direct investments preconditions (FDIP) need immediate amplifications and clarifications. First, what is meant by the preconditions for the stimulation and attraction of FDI? Preconditions, in the ordinary semantic parlance, are the basic requirements and fundamentals that are important for certain events to occur. In relation to the academic and intellectual discussion and analysis of the subject matter of FDI, preconditions are the basic infrastructures that help to promote the inflow of FDI into any domestic economy that desires it. In other words, preconditions are the totality of physical infrastructure (such as roads, telecommunications, electricity, etc.) legal framework (such as enabling laws, due process of law, independent judiciary, etc.), administrative framework (transparency, established bureaucratic procedures and processes, etc) and democratic/political framework (such as the legislature, existing policy on FDI stimulation and attraction, etc). Preconditions do not only emphasize the existence of these frameworks operating side-by-side, but the fact that they operate excellently well. The idea of preconditions also means that there exists in any domestic economy a 'system' of FDI stimulation and attraction. Finally, preconditions refer to the totality of the processes and procedures in which foreign investments are guaranteed and protected either by domestic laws or commitment to certain international obligations and treaties.

Foreign direct investments analysis (FDIA) is the sum total of the modes, means, and mechanisms of presenting FDI facts and information. The modes, means and mechanisms are in turn the outcomes of researches of both qualitative and quantitative bases. Jointly, they are patterned along the use of logic and testable propositions in the standard fashion of discovering the relationships between and among the coexistence of variables. Beyond the discovery and determination of the empirical relationships between variables, the modes, means and mechanisms of presenting FDI can as well be rooted in the specific and broad historical processes of the integration of the domestic economy into global capitalism through the activities of the multi-national enterprises (MNEs). Finally, FDIA can appear in the form of existing thoughts, ideas and theories that seek to offer cogent description, explanation and prediction of FDI in terms of volume, sectoral allocation and country of origin.

Foreign direct investments (FDI), as used in the paper, refers to the volume, form/character, region of the world/country of origin, of all investments in private hands that are imported into a country. It excludes grants, aid, assistance (technical and financial), loans and donations made by one government to the other. Putting it clearly, it is the summation of portfolio and other investments which individuals in their private capacities make through the activities of MNEs over a period of time. Consequently, FDI exhibits patterns and trends that reflect on the interacting forces, factors, and processes (both

domestic and international) shaping it at every point in time. As private investments, they are generally governed by the rule and logic of economic theory as profits are maximized and losses minimized in the standard fashion of the accounting system that is peculiar to it.

Meta-theoretical explanations and analyses (MTEA) are the whole body of ideas, thoughts and expressions which try to describe, explain and predict the movement and direction of FDI overtime and in space. Because of the fact that they await rigorous and established procedures and processes of scientific testing, the type of prediction that they provide fall short of the standards of theories and the contained functions. They therefore can be best characterized as hypotheses in the standard fashion of social science research rules and procedures. Their methodologies are incomplete and also fall short of the confirmed procedures and processes of scientific testing. As ideas and thoughts, they remain internally inconsistent in their abilities to offer description and explanation of social phenomena.

### **The Role of Critique in Social Science Discourse and in the Understanding of the FDI Debate**

Critique ordinarily helps in our understanding of a subject matter and especially in the understanding of the relationship between it and other subject matters. Critique provides most distinctly the required body of systematized knowledge necessary for thorough comprehension of subject matters. It is the hallmark of thorough and critical engagement with the academic profiles of subject matters. Critique, especially of the social science genre and classification, provides the much needed mental capability to rigorously interrogate subject matters with the view to identifying the differences and similarities between and among them in such a way as to formulate and develop further ideas with respect to the arrangement of our universe. Important and useful as critiques are to scholarship, their deployment and application particularly require special skills and procedures anchored in openness and objectivity of purpose. Undertaking a critique of the meta-theoretical explanations and analyses of the series of the factors, forces and processes shaping FDI without first engaging ourselves with the role which critique serves in social science discourse, it is here reasoned, might deride the paper its important place in the body of growing literature on IPE. It has become imperative to not only critically examine the role of critique in contemporary social science discourse, but to as well shed light on the link between the role and the advancement of the understanding of the FDI debate i.e. how the role can aid our understanding of the debate surrounding the affinity of FDI to either democracy or authoritarianism. The above two academic responsibilities as mentioned hereby compel our immediate attention/engagement.

The role of critique in the advancement and growth of knowledge in social science discourse is best exemplified in the works of Popper (1959), Lakatos (1968), Lakatos and Musgrave (1970), and Khun (1970). However, the work of Popper (1959) stands out distinctly. According to Adekanye (1993:43): “Popper’s discovery that knowledge is advanced by a critical discussion of alternative views, is one that is generally shared by even Popper’s own critics...”. He continues: “Discussion of alternatives means that the critic is not just engaged in mere refutation’s sake, but also interested in constructive criticism. Discussion of alternatives also gets the critic necessarily involved in comparative

(empirical) appraisal of a given theory vis-à-vis its rivals. Such comparative appraisals, “... are not a once-and-for-all task, but a series of continuous and never-ending processes” (Ibid: 43). Critique, as a method of social inquiry, practically involves the rigorous identification of the strengths and weakness of ideas and theories in relation to the subject of explanation, discussion and analysis. It is capped up by bringing out how the critic’s own ideas can help in overcoming the observed lacunae. Therefore, according to Meehan (1988: 133), “...developing some capacity for systematic criticism of theories and applications is an essential part of the intellectual training”.

Relating the role of critique to the advancement of the knowledge of FDI stimulation and attraction debate both compels and necessitates the question: What is the relationship between critique as a method of social inquiry and the understanding of the meta-theoretical explanations and analyses of FDI? In other words, how does the idea of critique as a method of social inquiry help in the understanding of the arguments and postulations in which FDI debates are anchored? The answers to the questions have relevance of meaning and application only within the basis of socio-scientific inquiries. Critique as a method of social inquiry enjoins clear, specific, objective and systematic process of the identification of the strengths and weaknesses of ideas in relation to the understanding of a subject matter and ensuring the presentation, arrangement and analysis of same within a template that seeks the advancement of knowledge most objectively. A critique of the meta-theories in which the FDI stimulation and attraction debate is anchored, consequently requires rigorous examination, discussion and analysis of individual meta-theories and placing them within the broad knowledge which they intend to provide. This has to because socio-scientific inquiries are generally directed at formulating and developing broad theories with which to accurately and suitably describe, explain and predict social phenomena. The emphasis on the discussion of alternatives is to help enhance the scientific cogency of the choice of method in such a way that its preferred supremacy over other methods is guaranteed at regular intervals. Therefore, the answer to the question: which of the explanations and analyses of the affinity of FDI to either democracy or authoritarianism best capture the critical forces, factors and processes of capital movement across international borders and boundaries should be approached carefully and by the regular testing of the contained logic and hypotheses in such a way that whatever is arrived at in turn provides basis for further testing now and in the future to come.

### **Methodology, Findings and Discussion**

The paper adopted the qualitative type of methodology that is specific to the study. This is unarguably analytical and focuses on careful scrutiny and perusal of the ideas represented by, and here labelled as, “meta-theoretical explanations and analyses” within the context of critique as a method of social inquiry. The meta-theories as further called are seven (7) in all with five (5) described as hypotheses and two (2) representing what the paper described as “protectionist policies” and “other factors”. Their reviews took the following essential steps: (a) re-arranging the discourse on the subject matter of the debates in relation to the stimulation and attraction of FDI along certain formulated themes to enable the identification of the specific forces, factors and processes of politics and economy in which the knowledge and understanding of the debates remain embedded; (b) further locating the themes as formulated within the epistemological assumptions that are

specific to each of the seven (7) identified meta-theories to enable the knowledge and understanding of their individual uniqueness and identity; (c) undertaking deep, critical and comparative study of the meta-theories and pinpointing the salient differences and similarities between and among them; and (d) using the knowledge and understanding of the accompanying differences and similarities to undertake the assessment and evaluation of the meta-theories as called in the paper. The methodology, as specified above, produced the following results and findings: (a) that the existing explanations in literature on the subject matter of investigation are indeed meta-theories; (b) that they individually and jointly provide further research on the subject matter under reference; (c) notwithstanding the fact that the explanations and meta-theories, they yet differ in degrees of sophistication and technicalities of knowledge; and (d) that relationships of knowledge and understanding still exist between and among them notwithstanding their known differences and similarities. What is the emerging discussion like? The critique of the meta-theories specifically took the pattern of (a) clear identification and articulation of the individual thrust and ensuring further amplification within the body of knowledge on the subject matter; (b) juxtaposing the individual thrust within the experiences gained from reality; and (c) engaging the embedded ideas and logic through the identification and articulation of the lacunae with special emphasis on both the accompanying strengths and weaknesses.

### **Meta-theoretical Explanations and Analyses of the Preconditions for FDI Stimulation and Attraction: A Critique**

Meta-theoretical explanations, here defined, captured the range of low-level, middle-level and high-level/over-arching ideas/arguments targeted at providing the required interrogation of the debates with respect to the stimulation and attraction of FDI. They are intellectually diverse and competitive in presentations and unarguably reflect the extent to which their embedded assumptions and thrusts derive cogency from empirical validity and testing. Largely labelled as hypothesis and further formulated around important public policies with respect to encouraging the inflow of FDI, these meta-theoretical explanations as called acquire the general characteristic of enabling the understanding of the debates and consequently point research direction to the comprehension of the specific forces, factors and processes within the interplay of politics and economy of any country just as governmental actions are initiated for the purpose of attracting and stimulating FDI. What really these meta-theoretical explanations are derive their scholarly relevance from the perspective of facilitating and sustaining the debates around the broad thematic concern especially in relation to aiding the existing expositions of the determinants of FDI. The explanations therefore represent in their individual and collective forms the existing academic issues in relation to the amplifications of what these determinants really are, and as differently presented and analyzed by authors using different indices of assessment and evaluation. The explanations include: (1) differential returns hypothesis, (2) size-of-market hypothesis, (3) growth hypothesis, (4) protectionist policies, (5) need-for-raw materials hypothesis, (6) investment climate and (7) other factors.

1.) The differential returns hypothesis: What really is this hypothesis all about, and to what extent is it indeed a meta-theoretical explanation with respect to the understanding of the discourse in relation to the stimulation and attraction of FDI? What are its fundamental

assumptions? And what is meant by “differential returns”? According to this hypothesis, the flow of FDI is affected where differential returns exist between investing abroad and at home. As the basis for investment is determined largely by the concern for profit or profit motivation desire, FDI inflow will respond to where the rates of differential returns are higher. According to Obadan (2004: 406) “Differential profit rates, which indicate differences in marginal production of capital, will create an inducement for foreign capital”. The assumption here is that the success of investible capital is measured largely by the amount of returns it has generated. Therefore, areas that tend to support further growth of capital in terms of large profit rates are usually sought for by the owners of capital all over the world. It is further assumed that capital has different areas of potential growth, and that areas of high growth potentials are areas of capital attraction.

To what extent, the question can now be asked, does the hypothesis capture the flow of FDI? First, is it always true that capital chases favourable and attractive areas? Some scholars will no doubt argue in favour of the logic. The logic is however, faulty. It is implicitly held, which is wrong, that equal factors exist in the invisible world, and that they jointly determine the returns on capital. The premise of the assumption is anti-reality. A factor or group of factors working in isolation cannot likely determine the rate of returns on capital. It is also unlikely that all the factors have equal weight and that the socio-economic and socio-political environment is also the same thing. Second, implicit in the assumption is also that investible capital enjoys equal access to market opportunities. This is also fallacious. The reality is the existence of unequal opportunities. The realities of some countries of the world puncture the central assumption of the hypothesis. For example, all the assumed factors that are held to have accounted for high returns on marginal productivity of capital exist in some countries, but without necessarily leading to inflow of FDI. What this experience has suggested is perhaps a reconstruction of some of the assumptions of the hypothesis. Accepted that the assumptions are not in themselves problematic, what value-free instruments best measure the rates of returns on capital. Related to this problem, are the differences in the values of national currencies. The value of money differs all over the world; these differences are in themselves hindrances to the evolution of a common standard of assessment or measurement. That the rate of returns on capital is higher in country A than B might not have provided sufficient and adequate information because country B might turn out to have a highly valued national currency in the international market. This type of a situation is least accommodated in the hypothesis. The parameters and indices for the calculation of marginal productivity of capital lend themselves to multiple means of calculation which are bound to provide all kinds of results. Countries of the world differ in accounting procedures and practices. For example, interest rates are charged differently and perhaps according to national laws. A capital that is secured through borrowing and has not any interest is most likely to yield higher profits than that which attracts rates, especially very high interest rates. Such comparison is important if the differential return hypothesis is to serve a meaningful explanation of the flow of FDI. Third, the hypothesis tends to reduce the value of corporate social responsibility which is now being increasingly recognized outside the bourgeois logic of capital investment. The interconnections which the problems of the environment pose for global peace, security and development require that initiatives at resolving them should go beyond governmental interventions, either regional or continental. As we now speak of

growing inter-linkages and interconnections, emerging theoretical and hypothetical formulations should be such that advance and reflect the new thinking and mentality.

2.) The size-of-market hypothesis: The understanding of the hypothesis is built around the idea of “size-of-market”. Consequently, how does the idea of “size-of-market” help in its understanding and in the amplification of the accompanying theoretical thrust? Size-of-market indicates the existence and availability of potentialities which, from economic term, provide the instant impetus for the attraction of FDI. According to Obadan (2004:406) “...this hypothesis states that foreign investment will take place as soon as the market size is large enough to permit the reaping of economies of scale”. The assumption here is that the existence of a market stimulates the inflow of FDI. A market is no doubt an essential precondition for economic activity to be so described. Capital can only multiply and grow where it is assured that products from an investment undertaking are regularly purchased so as to be able to stimulate the rate of turn-over, which is in turn facilitated by the economics of scale of production.

The hypothesis, it is here observed, requires a detailed critique. To begin with, how cogent is it? First, for the purpose of stimulating FDI, the hypothesis is silent on the appropriate market size. Second, market size, whether appropriate or not, is difficult to determine. The question can be asked: what constitutes or make a market size? More seriously, what is a market size? What seems to be important in real life is not the market size per se but the purchasing power of the market. Market, in the real sense, can be taken to be in existence only in relation to the preparedness of economic actors to always wanting to purchase goods and services. This, again, is a function of standard of living of the people. The size-of-market is therefore a relative term. This relativity makes the testing of the hypothesis difficult thereby compounding the epistemological utility of the idea. The essence of hypothesis and by extension hypothesis-testing is to enable the building of a generalization. However, where the properties and assumptions of hypotheses are inimical to scientific advancement and attainment, their essence for the purpose of advancing knowledge becomes questionable.

Furthermore, the expression “...as soon as the market is large enough to permit the reaping of economies of scale”, is vague (Ibid: 406). One condition or requirement of a good hypothesis is the fact that it should not be vaguely formulated or expressed. When do we for instance, know that the market size is large enough? This essentially requires some econometrics. But the good question remains: What are those things that should and should not be calculated? And what are the problems involved in the selection of choices of items for the purpose of the exercise? What do we lose by the inclusion or non-inclusion of some items? All these are important to any statistical calculation. Market size, it is important to also emphasize, is as well determined by factors internal and external to an economy. Related to this is also the issue of the value of currencies. These two points play significant roles in how for instance a market size is determined. The quoted expression suggests crudely that there is a minimum market size situation or condition, and that it can be linearly expressed. The properties of the linear equation, it is here noted, are not implied or explicitly stated. When do we for instance know that the minimum market size is already in place and for how long should we wait to be able to know that the market size can “permit the reaping of economies of scale”?

Finally, “market size” either as econometric expression for the purpose of building or generating reliable statistical bases, or as value preferences, cannot be determined alone

unless in relation to some other factors and processes which, interestingly, might exist beyond the geographical coverage of an area. It is practically wrong for instance to restrict the market size indices of Nigeria to its geographical area. The entire West African region plays a significant role in Nigeria's market size. The point here is that regional integrative efforts have helped to increase market size and therefore tend to extend the definition of market size beyond a political boundary or country. All the issues raised tend to compound the utility of the hypothesis as a plausible explanation of the inflow of FDI.

3.) The growth hypotheses: What is its kernel point? What is the relationship between it and other similar hypotheses? How does the knowledge of the relationship enhance its uniqueness and identity? According to Obadan (2004), the hypothesis is: "...closely related to the market's rate of growth" (Ibid: 406). The hypothesis, according to him: "...emanates from the relation between the level of aggregate demand and the stock of capital requires to satisfy it" (Ibid: 406). He continues: "As aggregate demand increases, a higher level of FDI will be stimulated to support a higher level of output" (Ibid: 406). The assumption of the hypothesis is that as aggregate demand increases, there will be a corresponding increase in capital to be able to meet the required output for the purpose of satisfying the increase in aggregate demand. The logic is however, doubtful. Increase in capital is most likely to depend on the establishment of correlation between the factors and forces that brought about the increased demand in the first instance. In other words, increased in capital is most likely where the factors and forces that brought it about correlate with those that brought about the increase in aggregate demand. Where no relationship or correlation exists, the probability is either way. In real life situation, remarkable distinctions can be made in the composition of aggregate demand i.e. aggregate demand for civilian goods and aggregate demand for capital goods. A much more sustainable FDI inflow is most likely that which is brought about as a result of increase in aggregate demand for civilian goods. This is because increase in aggregate demand for capital goods heightens insecurity, and security, we know, is an important determinant of the flow of FDI.

There is also the problem of determining statistically the composition of the aggregate demand. Countries differ in the processes and procedures of estimating their gross domestic and gross national products (GDP and GNP). Not only that, they also differ in sophistication, especially with respect to the gathering and generation of data. Data dependability is another problem. What the above suggests is that data on increase in aggregate demand might be overestimated or underestimated, and either result produced might be sending information which might prove to be undependable. Finally, the utility of the growth hypothesis is further compounded by the simple fact that increased in aggregate demand as basis for capital response is in itself misleading. More study needs be done on the identification of the causes of the increase in aggregate demand, and determine whether or not they can be sustained. A focus on the likely hypothesis that should be able to identify what these factors are and how they co-relate, should rather serve as the likely explanation of FDI inflow. In its present form, the growth hypothesis is poorly focused.

4.) Protectionist policies: The assumption here is that a protected market naturally attracts FDI. Foreign investors, it is generally believed, respond favourably to protected markets. Market protections take different focus and are sustained by different policies. According to Obadan (2004:406), "these policies, which take the form of a variety of tariff and non-tariff barriers, are expected to encourage foreign investors to undertake direct investments in the protected market to which they earlier exported their products". He

concludes "...increasing custom duties thus constitute a major factor in FDI flows" (Ibid: 406). This form of explanation seems to be at variance with what operates in reality. It is hard to find protected markets for the purpose of attracting FDI only. What exists is usually a protected market against foreign imports. It is both practiced by developed and developing economies irrespective of economic ideologies for the purpose of achieving different and competing political and economic objectives. The developing nations usually protect their economies so as to keep in business the home-grown, infant industries and bring about employment. The developed economies as well protect their markets largely as a retaliatory measure to prosecute political goals in foreign policy actions or for health reasons, among others. The argument of this form of explanation might also not have a place in this era of globalization. Protectionist policies, save on health grounds and other emergency measures, are fast becoming outmoded and archaic. Efficiency is the watchword and is to be encouraged through openness and competitive (not protectionist) practices. As hindrances induced boundaries are discouraged, and as restrictions are discouraged too, globalization seeks to integrate every aspect of the world together and create a "global village". Protectionist policies will hinder electronic-mail (e-mail) trading, stir up retaliatory actions and reactions, inject insecurity, panic and confusion into the global economy with attendant negative implications on the stimulation of FDI.

5.) The need-for-raw-materials hypothesis: The argument here is that foreign investors seek to invest in areas of the world that have the needed raw materials for the home industries. Stern (1973) reported that the emphasis of United States direct investment had been in extractive industries –mining, smelting and petroleum. The hypothesis is historically supported. The "Scrambled for Africa" was associated with the growth and development of FDI in the extractive industries. Foreign investment then was facilitated by the need for raw-materials to help sustain the tempo of the industrial revolution in Europe. This hypothesis is however, not without its problems. The first problem has to do with the fact that the conceptualization that has informed its formulation suggests some elements of obsolescence. The fact that it tends to reinforce the division of the world into two, the developed and the developing, limits its contemporary utility given the ongoing globalization and its associated implications. Globalization, from an epistemological view point, seeks to develop an all-encompassing, integrated framework for the purpose of describing, explaining and predicting social phenomena of which the flow of FDI is a part. Finally, the hypothesis conceals the genuine intention and real motive of FDI. Foreign Investment exists for the purpose of profit.

6.) The investment climate hypothesis: As a term, investment climate, according to the World Bank (2002:59), "...refers to the numerous ways in which government policies affect the productivity of investment by fostering openness to trade and FDI, macro-economic stability, fair and efficient public sector administration, low corruption and effective law enforcement, strong financial institutions, the provision of effective infrastructure, sound regulation, and measures to ensure the health and education of the work force." In the opinion of Obadan (2004:407): "In empirical studies, the elements of the investment climate covered include macro-economic policy, the legal framework, political instability, infrastructure and health and education services". He asserts that: "Poor macro-economic policies resulting in, for example, inflation, uncertainty, real exchange rate volatility etc, have a negative impact on the level of investment while an appropriate legal framework and its fair enforcement have an important positive impact

(Ibid: 407). He concludes thus: “Political instability has a significant negative effect on investment. Inadequate infrastructure constitutes one of the major obstacles to doing business”. (Ibid: 407).

As a factor accounting for the explanation of the inflow of FDI, the “investment climate” argument is premised on the logic that the inflow of FDI is basically determined, positively or negatively, by the presence or absence of certain requirements. These requirements are considered vital to the movement of international capital across borders and continents. These basic requirements are further considered important not only for the attraction of FDI, but also in the maximization of the benefits that are usually associated with FDI. Pools of empirical evidence have either confirmed or refuted the logic of the argument. Under high dictatorship and authoritarianism, countries of the world have successfully attracted FDI, while less authoritarian and dictatorial ones have not been able to attract meaningful FDI in spite of the fact that the necessary socio-economic infrastructure are also in place. What this evidence suggests is that all the basic requirements and ingredients are at different levels of importance. The question then becomes: How can they be so rated in such a way as to be accorded necessary policy priorities? In other words, what percentage of policy priority attention should a requirement enjoy in the implementation of the entire policy package?

Apart from the above, there is also the problem of being able to establish the necessary theoretical and pragmatic linkages among the requirements. What theory, for instance, should connect political stability with the existence of either sound legal framework or sound financial institutions regulations? This question has become important in view of the fact that what the factors seek to analyze and hope to achieve are the development of an holistic and integrated approach to the attraction of FDI. Knowing the point of theoretical connection will no doubt help in the formulation of appropriate policies and other policy stimulating mechanisms for the achievement of the overall policy objectives. Because the above is difficult, the argument of “investment climate” is again weakened. Finally, because these requirements enjoy different levels of importance, and because the theoretical and pragmatic linkages among them might be difficult to determine, there is the problem of determining how best they can be sustained either singularly or in a relationship. This is a major policy problem.

7.) Other factors: Some of these other factors according to Obadan (2004:407), “...are international product differential domestic investment, low labour and production costs abroad, need to maintain supplier relationships with customers and adequacy of information about opportunities in foreign markets”. The argument here is that beyond protectionist policies, the “investment climate”, and the various hypotheses explained above, FDI inflow can also be stimulated by some of the other factors mentioned above. These “other factors”, are critical and crucial to the analysis and investigation of the forces and factors that do propel FDI. To try to belittle them or present them as if they do not matter or that they acquire only very insignificant percentage contribution, is to run the risk of scientific reductionism. What the study of the factors and forces that determine FDI inflow has revealed, either in the present hypotheses or as an explanatory point of reference is that they will only be useful if their claimed validity can be tested empirically over a period of time in different economies. This will no doubt form the basis for generalization and theory development.

## **Conclusion**

How have the meta-theoretical explanations and analyses accounted for the flow of FDI across regions and international borders of the world? Pre-occupying itself with concepts that are important to the understanding of the growing literature on FDI component of IPE, the article goes further to situate the understanding of the concepts in social science discourse and in the understanding of FDI debate as well. Useful as these meta-theoretical explanations and analyses are in terms of helping to develop in the future testable propositions and ideas on the movement of international capital, they still remain inadequate in helping to concretely address how well the assumed preconditions are indeed the needed prerequisites for FDI stimulation and attraction.

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# **INFLUENCE OF ORGANIZATION COMMUNICATION ON EMPLOYEE'S JOB MOTIVATION AND JOB PERFORMANCE IN THE BROADCAST ORGANIZATIONS IN NIGERIA**

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**Abstract:** *The core of this study was to examine via inferential and descriptive statistics, the statistical correlation between organization communication on employee's job motivation and job performance in the broadcast organizations in Delta State, Nigeria. This study was anchored on the unitary theory of industrial relations due to its relevance to the scope of this study. To achieve the general and specific objective of this study, the descriptive survey research design was adopted and primary data were obtained from questionnaire responses administered to one hundred and seventy-one staff of the seven broadcast organizations used for the study. Hypotheses were formulated and tested and findings emerged. This chapter therefore presents the summary of this study's findings, conclusion, contribution to knowledge and recommendations. The findings revealed that, job motivation indicators has no significant linear relationship with employee job motivation in broadcast organizations in Delta State; job performance indicators has a significant positive linear relationship with employee job performance in broadcast organizations in Delta State; Organizational communication has a significant positive linear relationship with employee job motivation in broadcast organizations in Delta State and that Organizational communication has no significant linear relationship with employee job performance in broadcast organizations in Delta State. The study recommends amongst others that, pay policies and procedures that will enable employers to attract, motivate, retain and satisfy their employees should be developed; employers and management of different industries must find the most crucial factors before implementing their motivational policies; employees that are duly appreciated for satisfactory performance should not take it for granted as it will project their intentions to the employer whether to repeat such good gesture or not.*

**Keyword:** *Communication, employee, employer, motivation, performance*

## **Introduction**

Organization communication is a source of power and means for applying the optimal legal and administrative actions that are vital in the organization's hierarchy. Effective communication is important for management in every organization for several reasons. Organizational communication can be seen as a process by which management achieves planning structure, leadership, and control. Also, organizational communication is an activity in which management spends much of their time as the top management staff rarely think or plan alone. Hence, communication flows from top to bottom in the organization chain (Stoner and Freeman, 1992). Today, organizational communication has become an indispensable part of any organization which aims at achieving set goals. Hence, to manage the existing performance of the employees and to motivate them for better

performance, efficient communication practices have become more important in all organizations. Communication is a very important skill and the need for efficient management; through which managers establish and maintain interactions between employees to perform daily tasks (Abbas poor and Barootian, 2010). According to Osifo (2012), organizational communication is the coordination of relationships that exist in an organization. In today's organizations, information should be transferred faster than at any other time (Moshabaki, 2001). Communication is necessary to advance the goals of the institution, because this task, relates other management tasks together. Communication also links institutions to the external environment. Effective and proper communication within an organization has always been an essential part of management success. Poor organizational communication usually results in defects and flaws in the mandate of an organization. Hence, coordination, planning, organization, control, and other functions in the absence of an effective communication system are not realized and the possibility of managing organizations will not be possible (Mirabi, 2001).

Effective communication is the inevitable and binding activity of individuals, groups, organizations and communities in all human societies. The way the organization communicates with its employees is reflected in the motivation of the employees. Hence, there is an interrelationship between organizational communication and employee motivation (Rahjans, 2009). (Habibur, Rinu and Hazrat, 2019). Motivation in the workplace creates a congenial working environment which helps to ensure performance efficiency. The term motivation is a psychological feature capable of influencing to action towards a desired objective. On the other hand, motivation is referred to as a condition that influences the arousal, direction, and maintenance of behavior (Ekundayo, 2018). The current development of organizational communication sees communication as a dominant activity and important to the organization (Sary and Handy, 2016). The relationship grows through communication as a motivational factor, and then the function and survival of the organization which is based on an effective relationship between organizational management and employees (Harris and Nelson, 2008). Organizational communication is the dissemination of information that is relevant to the daily performance of an employee concerning an employee's job performance and also important if the worker is expected to perform effectively. Effective communication is needed for the management to develop and sustain a competitive advantage for employees' performance and organizational improvement (Rowe, 2001). Improvements in supervisor-subordinate communication will assist organizations toward the goal of managing diversity by promoting equality and integration in the workplace.

Communication acts to control member behaviour in several ways. When employees, for instance, are expected to first communicate any job-related grievances to their immediate boss, on clarification of their job description or compliance with company policies, the control function that enables the employee to maximize performance is communication (Abiodun and Abrifor, 2015). The relationship between organizational communication, employee job motivation and employee job performance are vital in projecting the organization to a higher pedestal, hence employees tend to perform much better when they are positively and consistently motivated (Ekundayo, 2018). Management maintains employees productive relationship by assisting and guiding employees in their work and progress, and recommending them for carrier development programmes within

and outside the organization. These are communication strategies aimed at motivating employees to stimulate them for effective job performance.

Delta State is a custodian of several television and radio stations, they 8 are owned by the federal government, state government as well as private individuals, they include the Nigerian Television Authority (NTA), Delta Broadcasting Service (DBS), Quest FM, Ray Power Station and DELSU FM among others. These broadcasting houses operates as private media houses while some are owned by the State government. These media houses employ the services of both skilled and unskilled labour, employed to meet the goal and objectives of the broadcasting station. However, with the 3large number of broadcasting houses in the state, it is agreed that such number will trigger competition between this media houses, and broadcasting houses that have adequate and well-motivated employees will thrive in this competitive business. This in turn shows the level of motivation that will be projected and subsequently the job performance which will be achieved in return. Hence, it is crucial to say that job motivation and performance have been linked to organizational commitment and turnover intentions (Koh and El'Fred, 2001).

### **Statement of the Problem**

Sustaining organizations all over the world today is very challenging since all the factors of production need to be harmonized for optimal productivity. Globally, human resource in every organization constitutes a major challenge, this is because, it deals with management of employees required for skillful handling of thoughts, feelings and emotions to secure the highest productivity in the organization unlike other inputs. Hence, according to Karimi (2012), organizational communication holds a significant part in handling the challenges of human resource problems in the organization. However, communication among employees and management is a principal and essential endeavor in organizations as stated by Harris and Nelson (2008). Many employees lack motivation and often end up complaining about how the organization is not treating them well on several issues such as promotions, rewards, placement, praise, recognition, and enhancement of teamwork which makes them seek alternatives to experience a higher degree of motivation. Such actions have adversely affected employees' ability to perform optimally over an extended period. It's clear that management has been charged with a big responsibility and therefore the organization needs a motivated workforce for employees that can adequately serve in all the capacities. Thus, it is very important that employees be well motivated, have a clear idea of how their motivation levels fit into the larger organizational vision and mission. It is therefore this study focus to fill the gap in literature on the 1role of motivation and organizational communication on job performance in broadcast stations in Delta State.

### **Objective of the Study**

The objectives of this study are to:

1. Ascertain the influence of organizational communication on employee job motivation in broadcast stations in Delta State; and
2. Ascertain the influence of organizational communication on employee job performance in broadcast stations in Delta State

Hypotheses of the Study

The null hypotheses of this study are;

H01 There is no significant relationship between organizational communication and employees' job motivation in broadcast stations in Delta State

H02 There is no significant relationship between organizational communication and employee's job performance in broadcast stations in Delta State

Scope of the study

This study tends to cover the relationship between organizational communication, employee job motivation, and performance in broadcasting stations in Delta State. The State has four (4) television stations; namely the Nigerian Television Authority (NTA), a federal-owned station, Delta State Broadcasting Service (DBS) Warri and Asaba, a state government-owned broadcasting station and Quest TV, Ughelli. The state also has twelve (12) radio broadcasting stations which include Bridge radio, Crown FM, Charity FM, DELSU FM, Hot FM, Melody FM, Mega FM, Quest FM, Ray Power FM, Rize FM, Trend FM, and Kpoko FM.

### **Significance of the Study**

This research work will equip the management of various broadcast stations in Delta State to make decisions that could be beneficial to the organizations and the employees. The study would also provide an alternative motivational strategy to the management of both private and public enterprises, managers, and others who use human resources as an important input in their operational activities. Finally, the study will provide a building block and therefore serve as a strong reference point for future researchers, academia, and students of management and social sciences who may deem it fit to carry out further studies on the subject matter.

### **Literature review**

This section reviews literatures on organizational communication, job motivation, job performance among employees of broadcast organizations in Delta State.

#### **Organizational Communication and Employee's Job Motivation**

Employee commitment has been a matter of focus for companies to be successful and the committed employees are considered as the most important factors of organizational effectiveness. However, retaining committed employees within organization is not an easy task. The employees of modern era work to satisfy the needs as well as achieve their individual goals. Daly, Teague and Kitchen, (2003) pointed out the increasing trend of employees doing many jobs at a time in their career and have become more mobile. Employees are no more working in organizations for a long-term basis. Thus, it needs a proper understanding of what motivates and satisfies them at work to generate such commitments. As they pointed out, communication is an interchange of thought or information that brings about mutual understanding, trust, confidence and harmony in an organization. Through communication behavior is modified, change is affected, information is made productive and eventually goals are achieved. Good communication is mandatory in any organization in order for the organization to survive and sustain its competitive advantage. Some employee communications functions add a formal feedback mechanism to their strategies.

Today, organizations worldwide have a wide choice of different communication strategies and tools for communicating at all levels within an organization. Communication technique or tools selected would depend on the subject matter that needs to be communicated to employees. It is clear from the available sources on organizational communication that an organization's internal communication system is an important contributing factor to staff morale and productivity. Employees tend to have higher morale and are more motivated in the workplace if all the channels of communication are open. Some messages contain general information about the organization; while others, are intended to motivate staff or to boost the organization's general morale. A modern organization, therefore, cannot function effectively without a positive internal climate and well-functioning channels of internal communication. To reach these goals, an organization's internal communication strategy should be responsive to employee needs and concerns. Sim and Wright (2000) states that in the new information era, managers have realized that the assets of the institution lie very much in the hands of the employees. When organizations commit themselves to effective communication with their employees, a number of important benefits can result. Well-informed employees are usually satisfied employees. Organizational Communication and Employee's Job Performance Study has shown that organizational communication system has a positive and significant effect on employee's job performance (Ramadanty and Martinus, 2016). Rajhans (2012) stated that to manage the present performance of employees towards better performance, efficient communication practices are needed in all organizations. Organizational communication can affect employee performance depending on the work environment (Simamora et al., 2016).

Employee performance indicates the effectiveness of employees' specific actions that contribute to attaining organizational communication goals. It is defined as the way to perform job tasks according to the prescribed job description (Iqbal et al., 2015; Simamora, 2013). If a staff is appreciated for his/her hard work, he/she is more likely to be motivated to high performance. In the current competitive environment, the need for better management of all organizational resources, specifically human resource management has become a concern for most of the organizations. Hence, to manage the existing performance of the employees and to motivate them for better performance, efficient communication practices have become more important in all organizations. However, most scholars assert that there are additional factors that influence the level of employee performance other than skills, competence and expertise or professionalism, effective communication in an organization is among the most essential factors that influence employee performance and productivity levels. Fuertes et al. (2020) discusses that for high quality services creation both for customers and higher profitability for the organization, excellent employee performance is essential. With the assurance of these benefits, employee performance will be enhanced thereby leading to sustained competitive advantage in the long run. Again, the zeal and commitment of employees is boosted when managers and superiors undertake their jobs effectively. In the same vein, Otoo (2016), reported that most effective managers are those who clearly understand the various aspects of communication and its impact on organization's setting or structure. The acquisition of knowledge on the relevance of communication by the manager enables them to improve the nature of communication in the organization which in the long run yields positive results most especially concerning employees productivity.

Odine (2015) showed that effective communication serves as a reliable vehicle helping employees fulfil their organizational obligation. However, managers must be willing to promote free-flow communication across the existing different department/units in the organization to enhance employee productivity. Jiang, Du, Zhuo and Cui, (2020) again emphasized that effective communication helps in building trust among employees and top management officials of the organization which will encourage the employees to perform effectively on the job. Otoo (2016) suggests that a good information flow within staff in an organization will help achieve the diverse strategic objectives of the organization.

### **Review of Empirical Studies**

Harris and Nelson, (2008) studied the impact of organizational communication on employee's motivation and performance at Putri Panda company, Indonesia and how organizational communication directly or indirectly on the employee's performance through employee's motivation at using questionnaire that covered the instrument, interview, and observation. Based on the analysis, the study found that: (1) Condition organizational communication in the category of obvious, employee motivation in the high category, and employee performance in the high category; (2) There is a positive effect of organizational communication directly or indirectly to the performance of employees through employee motivation. Based on the results of the study, researchers suggest: (1) Increase or improve organizational communication by organizing joint activities outside working hours, i.e. by holding recreational and outbound.; (2) The employees expected willingly to improve feedback when communicating with the leaders. Recognition for the importance of communication to the management process can be attributed largely to the work of Gamble and Gamble (2002) who maintained that communication was the very "heart" of the management process. The human relationships movement of the 1940's contributed significantly to the notion that communication in organizations should be a two-way process. Communication audit methodologies advanced a general systems approach to the study of organizational communication (Sim and Wright, 2000). The study concludes and recommends that communication is very important for employees who work in any organization anywhere in the world, such as communication gives the feeling of belonging and sense of partnership with employees working in the organization. When employees feel they have been heard and that they can communicate with their supervisors at any time they feel more a part of a group and are more motivated to work. Vercueil (2001) stated that many companies are now realizing that an employee's attitude and performance cannot be separated. When employees have negative attitudes about their work, their job performance and productivity inevitably suffer. When they have positive attitudes, job performance and productivity are likely to improve. If employers want to count on a productive workforce in changing times, they have to understand why employees will work for an organization and give the commitment they desire. In today's global business environment effective organizational communication--internal and external--has a significant impact on an organization's success. Therefore, the internal communication strategy of an organization should ask: It is a self-evident fact that organizational communication plays a vital role in employee motivation and performance as real changes are taking place in modern organizations.

Employee communications have a crucial role to play in the management effort to reorient employees perplexed by changes, or inform and motivate those who adapt more readily. Within this general need to communicate there exists the specialized requirement for effective communication as an outcome of managing an organization's employee relations. Today's organizations are run by multi and cross-functional teams which show little tolerance for unquestioned authority. Chukuma (2020) examined the effect of communication on organizational performance in Nigerian bottling company, Abuja, Nigeria. Survey research design was adopted for the study. 6,026 participants comprising all staff of Nigerian bottling company, Abuja, Nigeria was used for the study. 488 participants were selected using Taro Yamane sampling size formula.

### **Theoretical Framework**

The Unitary theory of Industrial Relations According to unitary, the emphasis on the organization as a coherent team united by a common purpose, where the organization is perceived as an integral and harmonious whole with an ideal of one happy family. Fredrick Taylor falls under this perspective because of its emphasis on work study or one best way in working hence uniformity. It also stresses on establishment of work rules. Another approach within unitarism is human relations by Elton Mayo. This approach emphasizes on work groups and social relations at work. Bray (2009) observes that where industrial conflict exists temporarily or the product of aberrant behavior, induced by trouble makers, poor management or bad communication. Trade unions are deemed to be unnecessary, divisive, and compete with management for the loyalty of the employees (Armstrong, 2009). To this perspective, loyalty between organization and employees is considered to be mutually beneficial. The role of the employees is to be loyal to the organization and management, recognizing their common objectives. Therefore, it is argued that there cannot be two groups of employees to the same industry one for and the other against the organizational objectives. For the employees, the emphasis is on good relationships and sound terms and conditions of employment being agreed with the individual, collective bargaining as a way of determining the elements of work-place relationship is too distant and removed from the individual; the organization needs to demonstrate its appreciation and recognition of their efforts and individuals and groups needed to be rewarded clearly for their particular contributions; and the unitary approach to the employees also means that staff participation in workplace decisions is enabled (Beardwell and claydon, 2007), and this empowers individuals in their roles and emphasizes teamwork, innovation, creativity discretion in problem-solving, quality and improvement groups.

Accordingly, the unitary theory posed that managers must be visible and lead by example. The aspirations of participative leadership and the human relations school are achieved by sound management. It supports strong leadership by management to gain commitment of employees. As the purpose of the businesses is to succeed and be sustained in its endeavors, every employee must appreciate the business competitive problem and take ownership of their contribution to performance and quality being totally customer service focused (Budd, 2006). According to Thompson and Harley (2007), conflict between employees and employer is seen as arising from lack of information, inadequate presentation of management policies. Through good, communication, training and briefing

and team activities, those individuals become integrated in company norms and ways of doing things. The personal objectives of every individual employed in the business should be discussed with them and integrated with the organization's needs (Thompson and Harley, 2007). Therefore, trade unions should be denied a presence within the organization. In reality, however, the management may be forced to accept a trade union presence for the purposes of determination of pay and conditions of employment which is the market relations.

Unitary perspective is applied in workplace employment relation and this article evaluates its applicability in contemporary employment relations. Communication is of great importance in the unitarist perspective. Not only must employees be given feedback about their performance, they must also be kept informed about the organization aims and objectives. Communication enhances mutual understanding and trust. In addition, some human resource practices like performance management require continuous dialogue and feedback. In modern organizations, information technology has made it possible to communicate freely in the organization (Cole, 1995). Technology has also enhanced decision making in terms of quality and ability to involve others in decision making process, for example, teleconferencing and through email services. Unitarist approach can also be observed in the current emphasis on psychological contract between employer and employees which differs from a written employment contract in that it is concerned with implicit expectations, obligations and promises that individual and organizations believe have been made, about what each owes and expects to receive from the other. When the psychological contract is well managed, organizational commitment is enhanced which is the one of the tenets of unitarist approach (Armstrong, 2009).

Employee involvement practices that are evident in modern organizations aim at capturing the ideas of employees and securing their commitment. Beardwell et al. (2007) observes that the concept of employee involvement is strongly grounded in unitarist perspective. Employee involvement initiatives are promoted by management with a view to mobilizing the support and tacit knowledge of employees towards corporate goals. Mechanisms for employee involvement include quality circles suggestion schemes and team-working (Waiganjo and Ngethe, 2012). Employee involvement enhances employee creativity and innovation which are crucial in the modern business environment.

Individualization of the employment relationship instead of collective bargaining is means that employers consult individual employees on one on one basis, this is common especially in small and medium size companies that have sprung up in the current business environment. These are also characterized by such practices as individual based pay and performance related pay and individually negotiated contracts. This scenario negates the presence of unions as advocated by the unitarist perspective, Allan fox (1966) and Ed Rose (2008) argues that the unitary perspective where it exists is found primarily among managers and is therefore often regarded as a managerial ideology. The ideology still exists today for the following reasons: - It enables management to legitimize its authority by regarding the interests of management and employees as being the same and that managers manage in the best interest of the entire organization. For example, when management makes decisions without involving employees it can use this perspective to justify its legitimacy to take such actions. This is because it sometimes becomes necessary for management to act swiftly on an issue without involving the employees. Managers' right to manage emphasizes managers acting in the interests of all in the organization because

they know best. Through the unitarist perspective management is able to assert itself (Waiganjo and Ngethe, 2012). The performance of any business organization is affected by the strategies in place within that organization. Therefore, the practice of strategic management is justified in terms of its ability to improve organizations' performance. This literature provides in-depth knowledge on the subject under study; however, most of the studies were not completely directed towards organizational communication in relation to employee job motivation and job performance and more specifically in the broadcasting industries. Therefore, this study is further situated in selected broadcasting stations in Delta State. It is believed by the researcher that there has been consistent neglect in research in this area especially in the broadcasting industries. Hence, the study will be based on the premise that probably there are not many studies in the field.

## **Methodology**

The research design adopted for this study is descriptive survey method. This is because the method was deemed appropriate, as the study collected information on impact of organizational communication on employee motivation and employee job performance in an organization. Oniye (1997), states that the descriptive survey deals with systematic description of an event in a very factual and accurate manner. Descriptive survey allows both implicit and explicit hypothesis to be tested. It is used as a needs assessment tool to provide information on which to base sound decisions and to prepare the background for more constructive programme of educational research. It also serves as a foundation for more vigorous and precise investigation. The data gathered in a survey are usually responses to predetermined questions that are asked of respondents. The population of the study comprises of all management and non-management staff of all broadcast stations in Delta State, Nigeria. There are four (4) television stations in the state namely: Nigerian Television Authority (NTA), Asaba, Delta State Broadcasting Service (DBS), Asaba and DBS, Warri, the two DBS stations are owned by the Delta State Government. There are twelve (12) radio broadcast stations in the state which they are Bridge FM, Asaba, Crown FM, Warri, Charity FM, Asaba, DELSU FM, Abraka, Hot FM, Asaba, Melody FM, Warri, Mega FM, Warri, Quest FM, Ughelli, Ray Power FM, Oghara, Rize FM, Warri, Trend FM, Asaba and Kpoko FM, Warri.

The sample size for this study comprises of seven broadcasting station three (3) television stations and four (4) radio stations will be selected for the study. The study will adopt the stratified sampling technique. A stratified sampling is a fair representation of the various strata within a given population of interest. Stratified sampling is where the population is divided into strata (or subgroups) and a random sample is taken from each subgroup. To test the theoretical expectations of any relationship, a wide range of different groups is needed to include all the various categories of people as far as possible (Opoku-Amankwa, 2009). The sample forms a good representation of the population since it was impossible to interview everybody to solicit their views for the study. There are 363 members of staff in the selected broadcast stations. Employees of each broadcast stations was divided into two strata: Management Staff and Non-Management Staff. A card drawing simple random sampling was used to select a total of 171 employees as the sample size for the study. 171 out of about 363 staff members who picked YES cards was put together as the sample size while those who picked NO cards was left out of the study.

The data collection method used in this study is a well-structured self-administered questionnaire. The reason for structuring the questionnaire is to reduce variability in the meanings possessed by the questions as a way of ensuring comparability of responses. The questionnaires will be administered to employees of the selected broadcast stations at different job levels (management and non-management) and functions within their office metropolis with the help of research assistants. The instrument comprises three different sections; Section One: seeking information on staff biodata; Section Two: information on management and staff channel of communication; Section Three: comprising of open-end questions which are structured to determine the role of organizational communication and its impact on employee job motivation and job performance. The study face validity and content validity were used to ascertain the validity of the research instrument in relation to the research work. The face validity of the instrument was affirmed by the supervisor. This was done to ascertain if the instrument is well formatted and the sections well structured. The content validity was evaluated by subjecting the research questionnaire to two experts in the field of measurement and evaluation. This was carried out to determine the relevance of the instrument to the research questions and hypotheses.

The information contained in the research instrument were restructured and amended to suit collection of data relevant for assessing the impact of organizational communication and employee job motivation and employee job performance. The reliability of the instrument was evaluated using a pre-test survey. Twenty (20) copies of the questionnaires were administered to the staff of Independent Television Authority ITV, Benin and Edo Broadcasting Service, Benin in Edo State to pre-test the research instrument. The data collected from the retrieved questionnaire were tested using the Cronbach Alpha reliability test to determine the internal consistency of the questionnaire items yielding a Cronbach Alpha value of 0.859. The questionnaires titled "Influence of Organizational Communication on Employees Job Motivation and Job Performance in the Broadcast Organizations in Delta State, Nigeria" was administered to management and non-management staff within a period of two weeks for participants to respond to the questions in the questionnaires. Furthermore, in the event where the respondents' educational level was not adequate, assistance will be given to answer the questions. The completed questionnaires will be retrieved and used for the study. Questionnaires with improper information or those not completely responded to will be discarded and the total completed questionnaire will be used to determine the response rate. Data collected using the questionnaire will be subjected to descriptive statistics and simple regression analysis. The Statistical Packages for the Social Sciences (SPSS) was used to analyze the response based on the formulated hypotheses to know whether the independent variables highlighted in the study has a statistically significant positive effect on the dependent variable.

## **Results**

Data were analyzed to identify, evaluate and describe the influence of organizational communication on employees' job motivation and job performance in the broadcast organizations in Delta State, Nigeria. In presenting primary data generated in the field in this study, the researcher chooses to apply simple percentage tabular presentation mode. This is for convenience, clarity and better understanding.

**Table 1: Distribution of Respondents based on their Sex**

Sex	Frequency	Percent (%)
Male	58	33.9
Female	113	66.1
<b>Total</b>	<b>171</b>	<b>100.0</b>

From the Table 1 above it shows that 58(33.9%) of the respondents are males while 113 (66.1%) of the respondents are female. This implies that majority of the respondents who dominate the broadcast organizations are female.

**Table 2: Age of Respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 61 and Above	38	22.2	22.2	22.2
51-60years	33	19.3	19.3	41.5
41-50years	17	9.9	9.9	51.5
31-40years	47	27.5	27.5	78.9
21-30years	36	21.1	21.1	100.0
<b>Total</b>	<b>171</b>	<b>100.0</b>	<b>100.0</b>	

From table 2, it is evident that participants within the age range of 61 and above 36 (22.2%), 51-60 years had 33(19.3%), 41-50 years had 17(9.9%), 31-40 years 47(27.5%) while 21-30years had 36(21.1%). The result implies that majority of the respondents are between the age range of 21-30 years. This can be attributed to the quest for young and vibrant individuals in the broadcast station as they are believed to have maximum energy to carryout the demanding task of broadcast.

**Table 3: Marital Status of Respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Widowed	3	1.8	1.8	1.8
Divorced	3	1.8	1.8	3.5
Married	120	70.2	70.2	73.7
Single	45	26.3	26.3	100.0
<b>Total</b>	<b>171</b>	<b>100.0</b>	<b>100.0</b>	

From the table 3 result it is clear that widowed participants had 3(1.8%), divorced had 3(1.8%), married had 120(70.2%) while single respondents were 45(26.3%). This implies that majority of the respondents were married.

**Table 4: Educational Qualification of Respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid M.Sc/Professional	73	42.7	42.7	42.7
B.Sc	69	40.4	40.4	83.0
HND	24	14.0	14.0	97.1
OND	3	1.8	1.8	98.8
College	2	1.2	1.2	100.0
<b>Total</b>	<b>171</b>	<b>100.0</b>	<b>100.0</b>	

From table 4, 73(42.7%) of the respondents are M.Sc/Professional certificate holders, 69(40.4%) of the respondents are B.Sc degree holders, 24(14.0%) of the respondents are HND holders, 3(1.8%) of the respondents have OND while 2(1.2%) of the respondents have college certificate. This implies that the vast majority of staff are M.Sc/Professional certificate holders.

**Table 5: Job Status of Respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Head of department	36	21.1	21.1	21.1
Head of section	62	36.3	36.3	57.3
Supervisory cadre	40	23.4	23.4	80.7
Junior Staff	33	19.3	19.3	100.0
Total	171	100.0	100.0	

From the table 5, 36(21.1%) of respondents are heads of department, 62(36.3%) of the respondents are head of section, 40(23.4%) of the respondents are supervisory cadre while 33(19.3%) of the respondents are junior staff. This implies that majority of the respondents are head of sections and management staff.

*Hypotheses One: There is no significant relationship between organizational communication and employee job motivation in broadcast organizations in Delta State.*

**Table 5: Linear regression analysis of relationship between organizational communication and employee job motivation in broadcast organizations in Delta State**

	SS	Df	Ms	F	Sig
<b>Regression</b>	.165	1	.165	.953	.330
<b>Residual</b>	29.310	169	.173		
<b>Total</b>	29.476	170			
<b>Variable in the equation</b>					
	B	S.EB	R	R <sup>2</sup>	r <sup>2</sup> adjustment
<b>(Constant)</b>	3.734	.910			
<b>Employee Job Motivation</b>	.194	.198	.075	.006	.000

N=171, p<.05 level of significance; Dependent variable – Organizational Communication, Predictor (Constant), Employee Job Motivation

As shown in table 5 the computed r value is .075 which indicates that there is a positive linear relationship between organizational communication and employee job motivation in broadcast organizations in Delta State. The r<sup>2</sup> value is .006 while the adjusted r<sup>2</sup> is .000. This shows that organizational communication explains 0.6% amount of variance in the employee job motivation in broadcast organizations in Delta State. The computed F-ratio is, F(1, 169) = .953, p<.05 level of significance. Therefore, the null hypothesis which states that there is no significant relationship between organizational

communication and employee job motivation in broadcast organizations in Delta State was rejected. The conclusion was drawn that organizational communication has a significant positive linear relationship with employee job motivation in broadcast organizations in Delta State.

*Hypotheses Two: There is no significant relationship between organizational communication and employee job performance in broadcast organizations in Delta State*

**Table 6: Linear regression analysis of relationship between organizational communication and employee job performance in broadcast organizations in Delta State**

	SS	Df	Ms	F	Sig
<b>Regression</b>	.589	1	.589	3.444	.065
<b>Residual</b>	28.887	169	.171		
<b>Total</b>	29.476	170			
<b>Variable in the equation</b>					
	B	S.EB	R	R <sup>2</sup>	r <sup>2</sup> adjustment
<b>(Constant)</b>	6.052	.771			
<b>Employee Job Performance</b>	-.311	.168	.141	.020	.014

N=171, p<.05 level of significance; Dependent variable – organizational communication, Predictor (Constant), Employee Job Performance

As shown in table 6, the computed r value is .141 which indicates that there is a weak insignificant linear relationship between organizational communication and employee job performance in broadcast organizations in Delta State. The r<sup>2</sup> value is .020 while the adjusted r<sup>2</sup> is .014. This shows that organizational communication explain 2.0% amount of variance in the employee job performance in broadcast organizations in Delta State. The computed F-ratio is, F(1, 169) = 3.444, p<.05 level of significance. Therefore, the null hypothesis which states that there is no significant relationship between organizational communication and employee job performance in broadcast organizations in Delta State was accepted. The conclusion was drawn that organizational communication has no significant linear relationship with employee job performance in broadcast organizations in Delta State.

### Discussion of Findings

This study focused on the influence of organizational communication on employee’s job motivation and Job performance in the broadcast organizations in Delta State, Nigeria. The following findings emerged in the course of the analysis and they are reported as follows: From the result of the study, it was found that job motivation indicators has no significant linear relationship with employee job motivation in broadcast organizations in Delta State. This was revealed in the computed r value of .233 which indicates that there is a weak insignificant linear relationship between indicators of job motivation and employee job motivation in broadcast organizations in Delta State. This

finding is in agreement with that obtained by Osborne and Hammoud (2017) that interacting and sharing ideas with the most experienced and qualified managers or superiors motivate employees to perform better in an organization. It is also in agreement with the findings of Judge and Ilies (2001) that when employees are seen working hard at some activities, conclusion could be drawn that they are driven by a desire to achieve the goal that they value. For instance, an achievement-oriented person is driven by the desire to succeed and is motivated by a desire for promotion and/or accomplishment in order to satisfy the need.

From hypotheses one, the result revealed that job performance indicators has a significant positive linear relationship with employee job performance in broadcast organizations in Delta State. It was further revealed through the computed  $r$  value of .058 which indicates that there is a positive linear relationship between job performance indicators and employee job performance in broadcast organizations in Delta State.

Hypotheses two revealed that organizational communication has a significant positive linear relationship with employee job motivation in broadcast organizations in Delta State. This was also buttressed with the computed  $r$  value is .075 which indicates a positive linear relationship between organizational communication and employee job motivation in broadcast organizations in Delta State. This finding is in agreement with that of Odine (2015) indicates that effective communication is a very reliable vehicle that helps employees to fulfill their organizational obligations. It also agrees with Jiang, Du, Zhuo and Cui, (2020) that effective communication helps to build trust between employees and the top leadership of the organization which encourages the former to perform efficiently on the job. From research question four and hypotheses four the findings revealed that organizational communication has no significant linear relationship with employee job performance in broadcast organizations in Delta State. This was further buttressed by the computed  $r$  value is .141 which indicates a weak insignificant linear relationship between organizational communication and employee job performance in broadcast organizations in Delta State. This finding is supported by Jian et al., (2020), who emphasized that the nature in which the organization interacts or communicates with the employees plays a key role in improving employee performances since it acts as a source of motivation and new knowledge, or skills.

## **Conclusions**

Against the backdrop of the results of several empirical studies, this study sought to examine the extent of correlation between organizational communication on one hand and job motivation and job performance. The study found that job motivation indices such as job environment, pay, bonuses, promotion policy, loans and participating in organization decision making process is not a significant correlate of both job motivation and job performance among broadcast organization employees. However, the study also found that organizational communication has a significant positive linear relationship with employee job motivation in broadcast organizations in Delta State.

## **Recommendations**

Flowing from this finding, the following recommendations were made:

1. Employers and management of different industries must find the most crucial factors before implementing their motivational policies
2. Employees that are duly appreciated for satisfactory performance should not take it for granted as it will project their intentions to the employer whether to repeat such good gesture or not.

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## **ERP IMPLEMENTATION IN A RESEARCH-DEVELOPMENT INSTITUTE IN ROMANIA - PERCEPTION CASE STUDY**

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**Abstract:** *This study aims to analyze the perception of the users of an Enterprise Resources Planning (ERP) system implemented in a research and development (R&D) institute in Romania regarding the achievement of the objectives proposed by this implementation but also the factors that contributed to the successful implementation of this ERP system. To study the perception, a questionnaire was sent for completion, to which 54 users, employees of the R&D institute, replied. The results obtained show that the users' perception is favorable to the achievement of the implementation objectives and the factors that have contributed the most to the success of the implementation are the support offered by the implementation team in the implementation of the ERP System Microsoft Dynamics NAV and the involvement of the management team in defining and following the objectives.*

**Keywords:** *ERP, organizational performance, accounting and finances, efficiency, business model.*

### **Introduction**

In Romania, through the National Strategy for Research, Development and Innovation 2014-2020, the main objective was to develop the national research and development system. Thus, the main instrument for the implementation of the strategy was the National Plan for Research, Development, and Innovation for the period 2015-2020 (PNCDI III). The subprogram 1.2. Institutional performance was developed to increase the performance of research and development organizations. Within this subprogram, the national research and development institutes have set themselves objectives that will lead

to an increase in the performance of the research teams. This is also the case of the R&D institute that is the subject of this study and which has proposed the implementation of an ERP (Enterprise Resources Planning) system in order to obtain the increase of the productivity of the R&D personnel by simplifying the auxiliary processes and increasing the volume of time allocated exclusively to research and development activities.

ERP systems are modular systems that integrate all the databases in an organization. By implementing ERP systems, all the workflows of operations in the company are transposed so as to obtain a transparent and easy to analyze image of the activity. Most ERPs contain basic modules, which include data about customers, suppliers, employees (Davenport, 1998), accounting data, but the most complex ERP systems integrate data related to the production process, services, acquisitions, analysis and complex data modelling through Business Intelligence modules and others. All the analyses and reports obtained with the help of ERP systems use as decision tools for top management.

The benefits of integrating ERP systems are analyzed by the specialized literature and two types of results are revealed, one is an increase in performance, revenues, profitability, improved productivity, and the other is an increase in expenses, low productivity, etc. Therefore, through this study we aim to analyze through the perception of users of an ERP system implemented in a R&D institute in Romania, whether the objectives that led to the implementation of this system have been achieved and whether there are factors that have contributed to the successful implementation of the ERP system in the research organization.

Our paper is structured as follows: Section 2 summarizes the literature review. Section 3 describes the data and methodology employed, Section 4 reports the empirical findings, while Section 5 presents the concluding remarks.

## **Literature review**

In the literature there are results that show that a successful ERP implementation in an organization can generate important benefits. The providers of ERP systems promise benefits from the Go-Live phases, but most of the time, the post-implementation phases are the ones that ensure the obtaining of the benefits. ERP implementation is a complex, long-lasting process, and can generate besides benefits, dissatisfaction among employees. From the point of view of complexity, implementing an ERP is a difficult process that involves employees from all business processes of the organization. These implementations can fail from the very first stages of implementation if organizations do not have adequate financial and human resources. The costs of implementing an ERP are very high and include infrastructure costs, licenses, consulting, training, system maintenance costs, subscription costs, costs for further development and personnel costs. Also, due to the fact that the implementation is a complex process, which especially in the testing phase but also in the Go-Live phase, which overlaps the initial flow to test the correctness and accuracy of the data, can make the staff's activity difficult, it is necessary to have a mindset open to change to be embraced by all the staff involved. The literature has identified 4 phases in the implementation of an ERP: planning, implementing, stabilizing and improving the ERP system and their success depends on some critical success factors (Shadi AboAbdoa, 2019). The long-term vision of the managers of the organizations that implement ERP must include the post-implementation process, the

development and improvement of the ERP system, in order to obtain benefits at the level of the organization (Esteves, 2009). In the implementation process, organizations meet with challenges and risks (Sumner, 2000). There is a risk of reconfiguring the business flows to match them in the ERP system but also the risk of hiring new personnel who can operate in the implemented system. These risks can be avoided if the business analysis prior to the implementation of the ERP system is a detailed one and suitable for the type of ERP system purchased. At this stage, it is essential that the expertise and knowledge of the external team are perfectly intertwined with those of the organization's implementation teams. Major risks in ERP implementation can also arise from the lack of management support, inefficient communication and insufficient training of teams. But if there is support of the top-management team in implementation, if the planning of the processes and the training of the teams are carefully and rigorously carried out, then these factors (success factors) can be decisive for obtaining the desired effects after the ERP implementation (Chung B, 2009). The human factor and financial resources are the most important resources when it comes to digital transformation that involves a long, laborious and expensive project for any organization. For this reason, only 30% of digital transformation projects really reach a successful implementation (BCG, 2021). The main reasons why companies decide to integrate ERP solutions as tools to optimize efficiency in their business flow are the simplification of processes to obtain superior productivity and the facilitation of fast and correct decisions of the top-management. For the correct analysis of the benefits, it is essential that they be evaluated in relation to the motivation of ERP implementation (Markus, 2000) but also in relation to the moment when the benefits are evaluated (Esteves, 2009).

### **Data and methodology used**

To analyse the perception of the development of R&D institute staff in relation to the benefits obtained from the implementation of ERP but also in relation to the success factors of the implementation, we developed a questionnaire structured in three parts. Respondents were asked to rate the importance of the factors that determined the success of ERP implementation, but also the perception of the benefits of ERP implementation using a Likert scale, with 5 response options (1-very low, 2-low, 3-medium, 4-high, 5- very large). Out of the total of 162 employees of the R&D institute, only a third use the ERP system and all the 54 employees who use the ERP computer system completed the questionnaire. Therefore, all the respondents use the ERP system and have played various roles in the implementation of ERP. The responsiveness rate was 100%, as all the target employees were previously notified about the research, and they agreed to be part of the target group.

The R&D institute implemented the integrated ERP system, Microsoft Dynamics NAV, through an institutional development project financed by the Ministry of Research and Innovation. The motivation for the system implementation was mainly to increase the productivity of R&D staff by simplifying auxiliary processes and increasing the volume of time allocated exclusively to research-development activities. The ERP system, Microsoft Dynamics NAV, was implemented in the R&D institute with the financing support offered by Program 1 - Development of the national research-development system, Subprogram

1.2 - Institutional performance, Institutional development projects - Projects to finance excellence in RDI, and the implementation period lasted over two years (2019-2020).

There was also a post-basic implementation period. In 2021, the R&D institute initiated the implementation of an additional functionality, RD Laboratory Activity. This development was intended to relieve R&D staff of certain administrative tasks that would save time and increase their productivity. Therefore, during the testing of user perception (May 2022), the ERP system implemented in the R&D institute was in the consolidation phase (first three years of implementation) after the SAP classification (Nolan and Norton Institute, 2000), when it is expected that the benefits targeted by the motivation of ERP implementation in the institute start being visible. The implementation of this ERP system aimed at simplifying and de-bureaucratising the administrative and research flows existing at the level of the R&D institute. The implemented ERP system is like an integrated resource management system, having both the role of simplifying administrative processes and streamlining flows at the level of research departments, contributing to improving the institutional performance of the R&D institute, increasing the amount of time allocated to research and innovation activities, as well as the performance of research teams.

The questionnaire distributed to the employees of the R&D institute was structured in three parts as shown in Table 1:

**Table 1. The structure of the questionnaire used for carrying out the empirical research**

No.	Section	Number of items	Types of items	Objective
1.	Section 1 – Level of contribution regarding the implementation of the ERP system	3	Multiple choice questions	Assessing the employees' activity in the R&D institute and the role played in the implementation of the ERP system
2.	Section 2 – Assessing the employees' perception about the system implementation	8	Multiple choice questions	Assessing the employees' perception of the benefits of implementing the ERP system
3.	Section 3 – Assessing the employees' perception of the factors that determined the success of the implementation	5	Multiple choice questions	Assessing whether the success factors of the implementation correspond to the ones identified in the consecrated literature

The main characteristics of the users describing their profile are presented in Table 2.

**Table 2. Profile issues of the target group**

Role in the ERP implementation		(%)
I designed the functionalities requirements/ modules	4%	
I tested the functionalities/modules	74%	
I did both	22%	
Structure/ respondent position		(%)
R&D staff	52%	
Staff with auxiliary functions	48%	
Modules defined or tested by the respondent		(%)
Assets	3,70%	
Project Management	22,22%	
Accounting	16,67%	
Stocks	5,56%	

Sales	20,37%
Salaries	7,41%
Staff administration	3,70%
Payroll	1,85%
Staf Timesheet	16,67%
Document administration	20,37%
Debt tracking	9,26%
Registry	9,26%
CRM	22,22%
Laboratory activities	57,41%
Acquisitions	38,89%

Considering the previous studies, we anticipate that there are benefits of ERP implementation in the process flow of the R&D institute, so we decided upon the following hypotheses that essentially highlight whether in the respondents' perception, ERP implementation has led to an increase in the productivity of R&D staff:

Hypothesis 1: Using the ERP system Microsoft Dynamics NAV does not make the activity difficult.

Hypothesis 2: With the help of the ERP Microsoft Dynamics NAV, the automation of the activity was successful.

Hypothesis 3: The ERP will provide you with all the tools necessary to carry out the activity.

Hypothesis 4: The performance of the ERP is good.

Hypothesis 5: By implementing the ERP, it was obtained the simplification and efficiency of the activity flows.

Hypothesis 6: By implementing the ERP, it was possible to increase the volume of time allocated to research and innovation activities and increase the performance of research teams.

Hypothesis 7: The implementation of ERP system has reduced the time in which I perform the current service tasks.

Hypothesis 8: The implementation of the ERP system has reduced errors in the activity I am running.

Also, considering the previous studies, we anticipate that there are factors that influenced the successful implementation of the ERP system in the R&D institute, so we decided upon the following hypotheses to highlight whether or not, in the perception of respondents, the implementation of the ERP system in the R&D institute had the result of the same success factors circulated in the literature:

Hypothesis 1: The support provided by the management team contributed to the successful implementation of the Microsoft Dynamics NAV ERP system within the R&D institute.

Hypothesis 2: The support provided by the implementation team contributed to the successful implementation of the Microsoft Dynamics NAV ERP system within the R&D institute.

Hypothesis 3: The efficient assignment of tasks by the project manager contributed to the successful implementation of the Microsoft Dynamics NAV ERP system within the R&D institute.

Hypothesis 4: The involvement of the management team in defining and pursuing the objectives contributed to the successful implementation of the Microsoft

Dynamics NAV ERP system within the R&D institute.

Hypothesis 5: The efficient training of the teams contributed to the successful implementation of the Microsoft Dynamics NAV ERP system within the R&D institute.

## **Results**

In the first part of the questionnaire, the respondents provided information about their activity in the R&D institute and the role played in the implementation of the ERP system. The results obtained indicate a higher completion rate for people who had the role of testing the modules and functionalities implemented (74%) than those who had both roles (22%) or those who defined only the ERP requirements (4%) (Table 2). In the second part of the questionnaire, respondents provided information on their perception of the benefits of implementing ERP. The assumptions made may or may not indicate an increase in the productivity of R&D personnel. Although productivity in the R&D institute is on an upward trend, the determinants of its growth cannot be quantified by econometric models. Therefore, testing the perception of staff who have implemented the ERP system can be a good indicator of these results.

Since most modules and functionalities, especially those that serve the activity of R&D staff were developed on the flows of the R&D institute on the ERP platform and were not taken as standard functionalities, the first statutory hypothesis was meant to determine whether ERP integrated workflow has hampered staff activity. Most of the answers (41%) agreed with the statutory hypothesis by ticking in the questionnaire the 5-very high answer option, and 15% of the respondents ticked the 4-high answer option. Therefore, at the level of the R&D institute, employees perceive the implementation of the ERP system as a system that does not hinder the activity.

By implementing the ERP system, automatization was the goal to achieve, especially for those activities which were auxiliary to the R&D field and were carried out by the R&D staff. In the perception of the respondents to the questionnaire, this benefit was obtained, the majority being in great agreement with the hypothesis formulated (50%). The implementation of the ERP system within the R&D institute aimed at de-bureaucratisation the activities so that it would provide the necessary support to all the flows carried out. The results of the study show that most respondents agree with the hypothesis (44% - ticked 5-very high; 19% - ticked 4-high). The analysis of the answers for the perception related to the performance of the implemented system shows that most respondents agree very much with this hypothesis (44% - 5 very high, 22% - 4 high). In the respondents' perception, the implementation of the ERP type information system in the R&D institute produced the simplification and efficiency of the activity flows (43% - 5 very high; 26% - 4 high). Therefore, this aspect is an important indicator that leads to the conclusion that the implementation of ERP can generate an increase in productivity for employees.

Through the implementation of ERP, the management of the R&D institute aimed at relieving the administrative activities of the R&D staff in order to increase the time allocated to the R&D activities. 43% of the respondents strongly agree with the achievement of this objective and 15% ticked 4-high. Therefore, most respondents perceive

the implementation of ERP as a tool that indirectly resulted in an increase in the performance of research teams, and therefore an increase in productivity.

Another indicator that suggests an increase in productivity would be a reduction in the time in which employees perform their duties. Most respondents perceive this goal as achieved following the implementation of ERP, most being in very high agreement with the statutory assumption (44% - 5 very high; 15% - 4 high). Also, the employees' perception of the reduction of errors in the activity carried out is a good one, 48% of the respondents ticking 5-very high, and 19% of the respondents ticked 4-average. The weighted average scores for this part of the study in which we wanted to test the perception of users of the ERP system implemented in the R&D institute show a general perception of average to good (3-medium to 4-high) of respondents in relation to all statutory assumptions (Table 3). For hypotheses 2 and 4 that reflect the performance of the implemented system, the weighted average score is 4, so respondents have a good perception of these issues.

**Table 3- Respondents' perception- ERP implementation has led to an increase in the productivity of R&D staff**

Hypothesis	Respondents' perception					Weighted average score
	1- very low	2-low	3-medium	4-high	5-very high	
H1	7	1	16	8	22	3.7
H2	3	5	10	9	27	4
H3	2	7	11	10	24	3.9
H4	3	1	14	12	24	4
H5	2	7	8	14	23	3.9
H6	3	10	10	8	23	3.7
H7	2	8	12	8	24	3.8
H8	2	10	6	10	26	3.8

Therefore, correlating the fact that the implementation of ERP is in the phase of improvement / consolidation both with the records from the financial reports of the R&D institute and with the result of this study we can consider that the implementation of ERP helps by increasing the productivity of R&D staff. In the third part of the questionnaire, the respondents provided information on their perception of the factors that determined the success of the ERP implementation in the R&D institute. Studies show that the support provided by the management team in implementation projects is a determining factor for the success or failure of the project. In the perception of most respondents (46% -5 very high; 30% -4 high), the management team of the R&D institute provided support in implementation.

In the respondents' perception, a slightly higher score is given for the support provided by the implementation team, as a determining factor of the success of the implementation project (48% -5 very high; 30% -4 high). The efficient assignment of tasks by the project manager in ERP implementations is another factor that contributes to the success of the implementations. Respondents' perception confirms that this factor was also a determinant in the ERP implementation project in the R&D institute (44% of respondents ticked 5-very high; 31% of respondents ticked 4-high). The involvement of the management team in defining and pursuing objectives is another determining factor for the

success of ERP implementation projects. According to the respondents, this was a success factor in the ERP implementation project of the R&D institute (48% of the respondents ticked 5-very high; 26% of the respondents ticked 4-high).

Another determining factor for the success of ERP implementation projects is the efficient training of the teams. And in the R&D institute that is the subject of the case study, the respondents give a high score for this factor (46% - 5 very high; 28% - 4 high). Therefore, the statutory hypothesis is confirmed. Therefore, from the analysis we can deduce the conclusion that in the perception of the respondents, the successful implementation of the ERP project in the R&D institute is largely due to the success factors revealed and the literature. In this case study, the highest weighted average score was given for the support provided by the implementation team in implementing the Microsoft Dynamics NAV ERP system in the R&D institute and for the involvement of the management team in defining and pursuing objectives (Table 4).

**Table 4- Respondents' perception- the factors that determined the success of the ERP implementation in the R&D institute**

Hypothesis	Respondents' perception					Weighted average score	Hypothesis -rank
	1- very low	2-low	3-medium	4-high	5-very high		
H1	3	2	8	16	25	4.07	2
H2	3	3	6	16	26	4.09	1
H3	3	1	9	17	24	4.07	2
H4	3	1	10	14	26	4.09	1
H5	3	5	6	15	25	4	3

## Conclusions

The results obtained by analysing the users' perception in relation to the benefits and the performance obtained is in agreement with the results obtained for the determinants of the implementation success.

Although the implementation is in the improvement / consolidation phase, the users' perception indicates a good performance in the sense of increasing the productivity of the R&D staff in the institute. The users' perception correlates with the results of specialized studies. The cause of this correlation may be the fact that the users of the ERP system from the R&D institute are people with digital skills well above the national average, having scientific researcher titles and higher education degrees.

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***LAW***



## MORAL DAMAGES IN ROMANIAN ADMINISTRATIVE CONTENTIOUS: A FATA MORGANA?

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**Abstract:** *The study analyses the way compensations are granted in the case moral damages were caused to the victim, if the action is settled according to the Law no. 554/2004 on administrative litigations of assimilated administrative acts. Ab initio, there are presented the principle of legality and minimum general notions on administrative litigations. Later, the paper approaches the notions of "damages", "loss" and "compensation". The author then provides further clarification on "material damages"- "moral damages" dichotomy which may be found in the law on administrative litigations. Consequently, jurisprudential elements which denote a practice which lacks unity in approaching compensations given to damaged persons are emphasized.*

**Keywords:** *administrative litigations, moral damages, compensations, loss, principle of legality, principle of availability*

### Prolegomena

The principle of legality represents a general principle of the law, expressively established by the Romanian Constitution and it rules over the entire theory of the administrative acts, being made of two elements:

1. obligation to comply with the law and
2. obligation of initiative to enforce the law (M. T. Oroveanu, 1998).

The first element denotes the fact that public administration cannot take any measures which are contrary to the law, having to obey the rules of law, and according to the second element, public administration must take measures so that the rules of law are obeyed and they must make sure that the law does not fail to be applied, respectively it is not a dead letter. According to this principle, which represents one of the essential elements of the classic liberal doctrine, individuals as well as public administration must obey the law, the legality in general. The famous pyramid of Hans Kelsen described in „The Pure Theory of Law” („Reine Rechtslehre”, 1934), expresses the idea of legal positivism and defines the notions of legitimacy and legality. At the top of the pyramid the Constitution is situated, followed by international treaties, law texts or administrative acts issued at central or local levels. The principle of hierarchization of these acts refers to the fact that the rules settled by acts issued by a level hierarchically superior must be obeyed when issuing acts at inferior levels.

According to the doctrine, the legality is analysed as a dimension of the rule of law, related to the fact that the Constitution of Romania proclaims, at article 1 paragraph 3, that Romania is a democratic and social state, governed by the rule of law (R-A Lazăr, 2004).

In order to understand the notion of legality, we show that the administrative acts are issued on the basis of the law, in order to enforce or organise the enforcing of the laws and the other legislative acts issued by superior authorities, feature which represents the consequence of the hierarchy of legal norms (due to the hierarchic pyramid, administrative acts at inferior level have to comply with those at superior level, the laws and the Constitution of the country). In the case of the Romanian legal system, at the top of the pyramid is the fundamental law – the Constitution, followed by international treaties, organic laws, ordinary laws, Government orders – legislative acts of the Government with power of law, legislative acts issued by other central government (normative/individual), legislative acts issued by the local government bodies (normative/individual). In this regard, by the legality of an administrative act we understand that the act must comply with the Constitution, the laws and legislative acts in force, and with other legal norms which take the form of administrative acts with superior legal force to whose enforcing they were issued (A. Trăilescu, 2019).

To comply with the hierarchy principle of the rules of law and individual acts of government bodies implies the following consequences:

- \* general rules of law established by superior authorities must be obeyed by every administrative authority when issuing individual acts;
- \* according to the principle *tu patere legem quam facesti* ("Don't ignore the rules you have yourself defined."), any administrative authority is bound by its own rules;
- \* in the case a subordinated administrative authority legally issued a rule of law, the administrative authority hierarchically superior cannot make an opposite individual decision;
- \* the administrative act must comply the dispositions which directly refer to it (competence, form), and at the same time, it must comply with the superior rules of law specific to the topic.

Based on these general principles the institution of Romanian administrative litigation was created, which can be found in the Constitution of Romania, republished in 2003, more precisely at article 52, marginally entitled "Right of a person aggrieved by a public authority", as well as in the Law No 554/2004 on administrative litigations which regulates in article 1 "litigation cases within the scope of this law", and in article 8 "the object/subject of the judicial action". Concretely, according to article 52 paragraph (1) of the Constitution of Romania "any person aggrieved in his/her legitimate rights or interests by a public authority, by means of an administrative act or by the failure of a public authority to solve his/her application within the lawful time limit, is entitled to the acknowledgement of his/her claimed right or legitimate interest, the annulment of the act and reparation for the damage", and according to paragraph (2) of the same constitutional article "the conditions and limits on the exercise of this right shall be regulated by an organic law". Additionally, according to article 126 paragraph 6 of the fundamental law: "The judicial control of administrative acts of the public authorities, by way of the contentious business falling within the competence of administrative courts, is guaranteed, except for those regarding relations with the Parliament, as well as the military command acts. The administrative courts, judging contentious business have jurisdiction to solve the applications filed by persons aggrieved by statutory orders or, as the case may be, by provisions in statutory orders declared unconstitutional", thus introducing a control that has the legal status of constitutional protector of the citizens legitimate rights and interests.

This text from the supreme law represents, according to great Professor Antonie Iorgovan, father of the Constitution, "the constitutional basis to protect citizens against the abuses of public authorities and, implicitly, their liability for the damages caused to citizens" (A. Iorgovan, 2005). According to administrative litigation, we mention that it represents a legal notion legally defined in article 2 paragraph (1) letter f) of the Law No 554/2004, respectively "administrative litigation represents the resolution, by administrative litigation courts designated under the organic law, of disputes where at least one of the parties is a public authority and the dispute arose from the issuance or rescinding, as the case may be, of an administrative decision, as defined herein, or from the failure on the part of such authority to resolve, within the legal timeframe, a petition related to a legitimate right or interest, or the unjustified refusal to do so".

In our scientific approach article 1 of the Law on administrative litigations is also important and it states that: "Any natural or legal person that deems him/herself aggrieved in a legitimate right or interest by a public authority, through administrative action, or as a consequence of such authority's failure to resolve such person's petition within the timeframe provided by law may approach the jurisdictional Administrative Litigations Court with a request for the rescinding of the contested action, or the recognition of the claimed right or of the legitimate interest, and for the reparation of the loss sustained as a consequence thereof. The legitimate interest may be both private and public".

In this regard, we can also mention that the etymology of the word contentious comes from the Latin "contendo, contendis, contedere" which means "to try your best, to make an effort, to fight", because it evokes the existence of contradictory interests, a fight "in a metaphorical sense, between two parties, from which one will be the winner" (V. Vedinaş, 2018). Reported to these provisions, in recent doctrine, administrative litigations was defined as "a procedure used by the courts of law according to some special rules of public law to resolve disputes, which arise in the executive activity between administration and individuals or between public authorities" (Trăilescu, 2019).

On another topic, according to the criterion of judge's recognised limits, administrative litigation is classified in the following categories:

1. Administrative litigation to rescind, when the instance, in the case the lawfulness of an administrative-jurisdictional decision is raised, rescinds the decision;
2. administrative litigation of full jurisdiction which grants full competence to the court of law, reported to the fact that the court can rescind the unlawfull decision, make the administrative organ take some administrative measures and give compensation for damages, if it is claimed by the plaintiff.

### **The concepts of "damages", "loss" and "compensation"**

Related to the frequency the legislator of administrative litigations used the concept of "damages", as well as the terms similar from a linguistic point of view of "loss" and "compensation", in the following paragraphs, it is suitable to make some observations meant to bring some clarifications regarding the theme which represents the subject of the research. Searching for the regulation reason, a first revelation is the one according to which the legal concept of „DAMAGES" can be found in the Law 554 of 2004 on Administrative Litigations in three distinctive paragraphs, respectively article 8, article 18 paragraph 3 and article 18 paragraph 4:

- According to the provisions of article 8 of the Law 554 of 2004 on Administrative Litigations, marginally entitled The Object of the Action at Law, A person aggrieved with respect to a right or a legitimate interest acknowledged by law, by a unilateral administrative decision, who is dissatisfied with the response received to his/her preliminary complaint, or who has received no response within the legal timeframe referred to in article 2, paragraph (1), letter h), may take legal action before the jurisdictional Administrative Litigations Court, requesting the rescinding of all or part of the administrative decision in contention, reparations for the loss sustained and, eventually, reparations for moral damages.

- According to article 18 paragraph 3, which regulates the solutions the court law may give, When the plaintiff's petition is favorably resolved upon, the court shall also decide on the compensations for material and moral damages due to the plaintiff, if the plaintiff has so requested.

- Paragraph 4 of article 18 defines the possibility to grant material and moral damages in the case the object of the action of administrative litigation is represented by an administrative contract, the text of the law mentioning the following: When the object of the litigation is an administrative contract, the court, depending on the facts of the case, may:

- a) rule rescinding of all or part of such document;
- b) obligate the public authority to close the contract to which the plaintiff is entitled;
- c) compel one of the parties to fulfill a certain obligation;
- d) express consent on behalf of one of the parties, when public interest so requires;
- e) rule payment of material and moral damages.

Thenceforward, the law on administrative litigation includes a series of norms regarding "compensation", respectively:

- Article 9 Actions at Law Against Government Orders, paragraph 5 The action stipulated in this Article can be a claim for compensation for damage caused through Government Orders, cancellation of administrative acts issued on the basis of such Orders and, as the case may be, compelling a given public authority to issue an administrative act or to perform a specific administrative operation.

- Article 16 Actions Brought Against a Civil Servant, paragraph 1 Legal actions taken hereunder may also be brought against the individual who contributed to the drafting, issuing, adopting or signing the challenged administrative act or, as the case may be, who is responsible for the refusal to examine the petition related to a subjective right or a legitimate interest, if reparations are demanded for the loss sustained or for delay. If such action is admitted by court, the individual against whom charges are pressed as above may be obligated to pay compensation, jointly with the public authority concerned.

- Article 18 Solutions Available to the Court, paragraph 4 When the plaintiff's petition is favorably resolved upon, the court shall also decide on the compensation for the material and moral damages due to the plaintiff, if the plaintiff has so requested.

- Article 18 Solutions Available to the Court, paragraph 4 When the object of the litigation is an administrative contract, the court, depending on the facts of the case, may:  
e) rule payment of compensation of material and moral damages.

- Article 19 The Statute of Limitations for Compensations, paragraph 1 If the aggrieved person files request for the rescinding of the administrative decision in contention, without demanding compensation, the time bar for claiming compensation

shall run from the date when the plaintiff became aware or should have become aware of the extent of the loss or damage.

- Article 24 The Obligation to Do, paragraph 4 If within 3 months from the date the decision to apply the fine or pay the fees was noticed, the debtor, guiltily, fails to execute the obligation set in the writ of execution, the execution court, at the creditor's demand, shall fix the sum due to the state and the sum due to him/her as penalties, by decision made with the citation of the parties. Also, by the same decision, the court shall decide, according to article 892 of the Code of civil procedure, the compensation the debtor owes to the creditor for failure to perform the obligation in kind.

Finally, we present the norms where we identified the term "loss":

- Article 1 Litigation Cases within the Scope of This Law Any person that deems him/herself aggrieved in a legitimate right or interest by a public authority, through administrative action, or as a consequence of such authority's failure to resolve such person's petition within the timeframe provided by law may approach the jurisdictional Administrative Litigations Court with a request for the rescinding of the contested action, or the recognition of the claimed right or of the legitimate interest, and for the reparation of the loss sustained as a consequence thereof. The legitimate interest may be both private and public.

- Article 2 Terminology, paragraph 1 For the purposes hereof, the words and phrases herein below shall mean as follows: impending loss – a future but predictable material loss or, as the case may be, the grave and predictable disturbance of the operation of a public authority or a public service;

- Article 8 The Object of the Action at Law, paragraph 1 A person aggrieved with respect to a right or a legitimate interest acknowledged by law, by a unilateral administrative decision, who is dissatisfied with the response received to his/her preliminary complaint, or who has received no response within the legal timeframe referred to in article 2, paragraph (1), letter h), may take legal action before the jurisdictional Administrative Litigations Court, requesting the rescinding of all or part of the administrative decision in contention, reparations for the loss sustained and, eventually, reparations for moral damages. Such legal action before an Administrative Litigations Court may be also taken by the party that feels aggrieved with respect to a legitimate right through the failure of the administration to provide resolution of his/her case within the legal deadline or through the unjustified refusal to have his/her petition resolved, as well as through the refusal to perform a certain administrative operation needed for the exercise or protection of a right or legitimate interest. The reasons invoked in the petition requesting the rescinding of the decision are not limited to those invoked in the preliminary complaint.

- Article 11 Legal Action Filing Terms, paragraph 1 Petitions requesting the rescinding of an individual administrative decision, of an administrative act or the recognition of the right claimed and the reparation of the loss sustained may be filed within 6 months of:

- a) the date of notice of the reply to the preliminary complaint;
- b) the date of notice of the unjustified refusal to settle the petition;
- c) the date of expiry of the legal timeframe for the resolution of the preliminary complaint, or the date when the legal deadline for settling the petition runs out;
- d) the date of expiry of the deadline stipulated in article 2, paragraph 1, letter h), calculated as of the date of notice of the administrative act issued for a favorable settlement of the petition or, as the case may be, of the preliminary complaint.

- Article 14 Stay of Execution paragraph 1 For well grounded reasons and for the purpose of avoiding impending loss, the aggrieved person may, on the date of notifying the superior authority to the issuing public authority, subject to article 7, request the jurisdictional court to rule the stay of execution of the challenged unilateral administrative decision, pending a decision on the merits of the case is reached by the first-instance Court. In case the aggrieved person fails to file action for rescinding within 60 days the suspension shall end lawfully and without any formality.

- Article 19 The Statute of Limitations for Reparations, paragraph 1 If the aggrieved person files request for the rescinding of the administrative decision in contention, without demanding reparations, the time bar for claiming reparations shall run from the date when the plaintiff became aware or should have become aware of the extent of the loss.

Consistent with those above mentioned, we think that the normative text which complies with the norms of legal technique imposed by the Law no. 24 of 2000 is represented by article 18 of the Law on Administrative Litigations, marginally entitled Solutions Available to the Court, which stipulates at article 3 that When the plaintiff's petition is favorably resolved upon, the court shall also decide on the compensations for material and moral damages due to the plaintiff, if the plaintiff has so requested. Through a teleological interpretation, the quoted text envisages that any person that deems him/herself aggrieved may request (monetary) compensation, for the material and moral damages caused by the public authority, the legislator making an adequate distinction between material damages and moral damages, institutions which, in our opinion, are included in the constitutional notion of "loss". Finally, we state that in the Constitution of Romania, the term "compensation" is used at article 44 marginally entitled "Right of private property", the term of "loss" being mentioned only at article 52 which regulates the "Right of a person aggrieved by a public authority".

### **Material damages – moral damages dichotomy**

The source of the research regarding material damages – moral damages dichotomy should reside in the analysis of the provisions of article 18 of the Law on Administrative Litigations, article marginally entitled Solutions Available to the Court, which disposes at article 3 that in the case the petition is favorably resolved upon, the court shall also decide on the material and moral damages due to the plaintiff, if the plaintiff has so requested. This normative text corroborates the other articles where the term "damages", respectively "loss" can be found. In such conditions, strictly in the virtue of the principle of availability, the Administrative Litigations Court is requested to obligate the public authority, in the meaning given by the same normative document, to pay compensations which have the legal nature of material and moral damages. The manner the solutions available to the Administrative Litigations Court are regulated is to be regarded in correlation with article 8 of the Law 554 of 2004 on Administrative Litigations, which offers a normative framework of the action in administrative litigation, the different measures that may be imposed by decisions of the court which represent specific ways through which the supposed right or legitimate interest of an aggrieved person by a public authority is recognised and through which the right guaranteed by article 52 of the Constitution is effectively realised (Constitutional Court, Decision no. 1239/18.11.2008, published in the Official Journal of Romania no. 841/15.12.2008).

In the article regarding the Object of the Action at Law, more precisely article 8 paragraph 1 of the Law on Administrative Litigation, it is largely presented the fact that the aggrieved person may take legal action before the jurisdictional Administrative Litigations Court, requesting the rescinding of all or part of the administrative decision in contention, reparations for the loss sustained and, eventually reparations for moral damages. After reading this legal text we notice that the legislator makes a just distinction between the term of "material damages", which they identify by the term of "loss" and "moral damages", which they define in the same way, respectively "moral damages". From a literary point of view, according to the Romanian Explanatory Dictionary, the meaning of the word "damage" is that of loss, injury, (material or moral) damage, compensation. To support our conclusion, we also present the provisions of article 2 of the same normative document, the authentic dictionary of terms of the Law on Administrative Litigation, which stipulates that the impending loss means a future material (our note and not moral) but predictable loss or, as the case may be, the grave and predictable disturbance of the operation of a public authority or a public service.

Although certainly the legislator wanted to make a clear distinction between the possibility to request the reparation of the loss sustained, respectively material damages, as well as reparations for moral damages, in article 1 paragraph 1 of the law entitled Litigation Cases within the Scope of This Law, the organic legislator gets us to understand that the aggrieved person may approach the jurisdictional Administrative Litigations Court with a request for the rescinding of the contested action, or the recognition of the claimed right or of the legitimate interest, and for the reparation of the loss sustained as a consequence thereof, respectively only for requesting material damages (for the reparation of the loss sustained as a consequence thereof), omitting to mention the possibility of the justice seeker to approach the court for the reparation of moral damages, possibility they however present later, in the text of articles 8 - The Object of the Action at Law and 18 - Solutions Available to the Court. Ad absurdum, through a literary interpretation of the text which regulates the subjects of seisin we should accept the fact that the aggrieved person may approach the jurisdictional Administrative Litigations Court strictly to request, besides the recognition of the claimed right, compensations for the material damages caused by the public authority, by eluding constitutional and legal norms. *Dis bene iuantibus*, the analysed text is open to criticism because it does not make a distinction between the material damages and moral damages that can be requested, respectively be granted by the Administrative Litigations Court, in the hypothesis the plaintiff requests them, and at a first analysis of the text, the aggrieved person could think that the term loss represents damages, no matter their nature, material or moral.

This interpretation is also given by corroborating the constitutional provisions, because the constituent legislator shows in article 52 paragraph (1) that "any person aggrieved in his/her legitimate rights or interests by a public authority, by means of an administrative act or by the failure of a public authority to solve his/her application within the lawful time limit, is entitled to the acknowledgement of his/her claimed right or legitimate interest, the annulment of the act and reparation for the loss", failing to make a distinction between the type of loss, material or moral, and *ubi lex non distinguit, nec nos distinguere debemus*. *De lege ferenda*, it would be necessary to change article 1 of the Law on Administrative Litigations no. 554/2004, in order to harmonize the norm with the legal text identified in the entire normative document, respectively to mention *expressis verbis*

the fact that the aggrieved person may also approach the court for reparations for moral damages and not only for the reparation of the loss sustained as a consequence thereof, respectively material damages. The main argument to support this proposal resides in the observation of the elements of direct action on administrative litigation, respectively:

1. Parties of the actions - considerations regarding the provisions of article 2 paragraph 1 letter a) and b) of the Law on Administrative Litigation no. 554/2004;
2. Object of the action – protection of the civil subjective right and the object of the request to file legal action – the tangible claim on which the court must make a decision;
3. Cause of the action - *causa petendi* and the cause of the request to file legal action - *cauza debendi*.

In concrete terms, in order to have the administrative litigation court analyse the object of the action promoted by the justice seeker in the administrative litigation, respectively to request the rescinding of the contested action, the recognition of the claimed right or of the legitimate interest, and the reparation of the loss sustained as a consequence thereof (our note: to grant compensation for material and moral damages), as a matter of priority the court must note if the justice seeker is a subject who has the right to approach the court. Coming back to recent doctrinaire opinions (Vedinaş, 2018), we specify that depending on the object of the request, respectively in the hypothesis it is represented by a unilateral administrative decision, issued for specific purposes or for regulatory purposes, the following categories of actions are identified:

- a) Actions in administrative litigations that have as an object to rescind the decision, being possible to request the rescinding of all or part of the unilateral administrative decision, issued for specific purposes or for regulatory purposes, as it is stipulated at article 8 paragraph 1 of the law which shows that the aggrieved person may approach the administrative litigation court designated under the organic law of disputes, to request the rescinding of all or part of the decision;
- b) Actions through which, besides the rescinding of the decision, in the subsidiary claim, material damages, moral damages, material and moral damages are requested, the doctrine considering that the following may be requested:
  - material damages,
  - moral damages,
  - material and moral damages,

reported to the provision that can be found in article 8 paragraph 1 of the law, which states that the aggrieved person may approach the administrative litigation court designated under the organic law of disputes, to request the rescinding of all or part of the decision, reparations for the loss sustained and, eventually, reparations for moral damages. In this situation, the doctrine considers that the aggrieved person may request material damages and/or moral damages, which can be exclusively material, exclusively moral or material as well as moral damages (Vedinaş, 2018). By exception from the stipulations in paragraph 1, paragraph 1 index 2, action grounded on the violation of a legitimate public interest can only address the rescinding of the act or the compelling of the defendant authority to issue an act or another document, respectively perform another administrative operation.

Taking into consideration the express text of the legislator, which grants the plaintiff, in the virtue of the principle of availability, the possibility to request reparations for the loss sustained and, eventually, reparations for moral damages, because the

conjunction "and" cannot be equal to the conjunction "or", we think that the plaintiff may require, based on article 8 paragraph 1 of the law:

- material damages,
- material and moral damages,

with the remark that the legislator thought that in all the cases the administrative litigation court observed the unlawfulness of the decision, or the unjustified refusal to resolve a petition, the aggrieved person suffers a material prejudice which causes some material damages, being also possible to suffer a moral prejudice, which gives the aggrieved person the right to request moral damages too.

c) Actions which have as an object to obligate the public authority to issue a new administrative act, issue a new document or perform a certain administrative operation, according to article 18 paragraph 1 of the law.

d) Actions which have as an object to obligate the public authority to issue an administrative act, issue a new document or perform a certain administrative operation, accompanied by the request for material and/or moral damages (Vedinaş, 2018)

We reiterate within this classification the fact that, in our opinion, in the hypothesis the court identifies the unjustified character of the refusal to respond to a petition, article 2 letter i) of the law defining the unjustified refusal to respond to a petition as the explicit statement, by excess of power, of the will to not resolve a petition and assimilating to this unjustified refusal the failure to enforce an administrative decision resulting from a favorable resolution of a petition or, as the case may be, a preliminary complaint, the legislator presumes the fact that the plaintiff suffers a material prejudice, fact which allows them to request "reparations for the loss sustained", and in the hypothesis the non-patrimonial suffering is also proved, he/she may request for "and eventually, reparations for moral damages". Regarded from a schematic point of view, article 8 regulates the object of the action at law in administrative litigation is presented in the following formula:

a person aggrieved with respect to a right or a legitimate interest acknowledged by law, by a unilateral administrative decision

a) who is dissatisfied with the response received to his/her preliminary complaint (article 2 letter j) preliminary complaint – a complaint whereby the issuing public authority or, as the case may be, the next in rank authority, is requested to review an administrative decision specific to a case or with a regulatory power, in the sense of having it rescinded or amended);

b) who has received no response within the legal timeframe referred to in article 2, paragraph 1, letter h) (failure to resolve a petition within the legal timeframe – a public authority's failure of responding to a petitioner within thirty (30) days of the submission date, unless the law provides otherwise);

c) who considers him/herself aggrieved with respect to a right or a legitimate interest acknowledged by law by

- failure to resolve the petition within the timeframe (failure to resolve a petition within the legal timeframe – a public authority's failure of responding to a petitioner within thirty (30) days of the submission date, unless the law provides otherwise);
- unjustified refusal to respond to a petition (article 2, letter i) unjustified refusal to respond to a petition - the explicit statement, by excess of power, of the will to not resolve a petition; it is assimilated to the unjustified refusal and failure to enforce an administrative

decision resulting from a favorable resolution of a petition or, as the case may be, a preliminary complaint);

- the refusal to perform a certain administrative operation needed for the exercise or protection of a right or legitimate interest (although article 2 letter 1 already assimilates to the unjustified refusal to respond to a petition the failure to enforce an administrative decision resulting from a favorable resolution of a petition or, as the case may be, a preliminary complaint) may take legal action before the jurisdictional Administrative Litigations Court in order to request:

1. the rescinding of all or part of the administrative decision in contention,
2. reparations for the loss sustained
3. and, eventually, reparations for moral damages.

Correlatively, this text of law must be corroborated with the provisions of article 18 paragraph 1 – paragraph 3, which mention the solutions available to the court

The court, examining a petition, may, as the case may be,

1. rescind of all or part of an administrative act,
2. obligate the public authority to issue a new administrative act,
3. obligate the public authority to issue a new document,
4. obligate the public authority to perform a certain administrative operation,
5. rule on the lawfulness of the administrative operations based on which the challenged act was issued,
6. decide on the compensations for material and moral damages due to the plaintiff, if the plaintiff has so requested.

### **Moral damages in the particular case of the failure to enforce an administrative decision resulting from a favorable resolution of a petition**

In the present study we also aim to approach the soundness of granting moral damages for tergiversating the solution to the plaintiffs request, respectively the failure to enforce an administrative decision resulting from a favorable resolution to a petition, and to try to understand the major reason of the court according to which, in the particular case of the failure to enforce a decision of the local council which approves to grant the land for free use based on the Law no. 15/2003 regarding the support given to young people to build their house, "to grant to the plaintiffs the land represents a sufficient and equitable satisfaction".

Thus, in the Decision no. 1181/23 September 2021 given by the Court of Appeal of Timișoara, the administrative disputes and fiscal court, the Court of Appeal appreciates that the plaintiffs' petition to receive moral damages for the refusal of the public authority to enforce the decision of the local council no. 301/2019, because the refusal to respond to a petition cannot be considered in itself and in any conditions, an unlawful deed which generates a moral prejudice. In order to pronounce such a decision, the Court notes that the request for damages filed by the plaintiffs is not grounded because the refusal to respond to a petition cannot be considered in itself and in any condition an unlawful deed which generates a moral prejudice; because the tergiversation of the solution to the plaintiffs request cannot be totally imputed to the defendants, and to allocate to the plaintiffs the land represent a sufficient and equitable reparation. It is also stated that the conditions necessary

to lead to criminal civil liability had to be cumulatively proved, resulting from the economy of dispositions of articles 1349 and 1357 of the Civil Code, respectively:

- the existence of an unlawful deed committed by the defendants;
- the guilt of the defendants;
- the production of a prejudice by the unlawful deed of the defendants and
- the presence of a connection of causality between the deed and the prejudice.

The Court considered that, in this case, the plaintiffs did not manage to prove the extrapatrimonial prejudice they had suffered as consequence of the deeds imputed to the defendants, not being enough to theoretically appeal to the attributes of the human personality, and being necessary to show and prove, concretely, the elements which attest the existence and the extent of the prejudice. The simple discomfort cannot represent the basis for granting moral damages, because there is no sign that such a discomfort (thus inherent to any limitation of a right) would have been materialized, in the case of the plaintiffs, into a suffering of a certain gravity and duration, which would justify its compensation through a monetary equivalent. Besides, as the first-instance court noticed, to allocate the land represents a sufficient and equitable reparation.

The other similar panels in similar cases pronounced in the same way, respectively in the Decision no. 140 as of February 16th, 2021 pronounced by the Court of Appeal of Timișoara, although the first-instance court, regarding the plaintiffs' obligation to pay moral damages, starting from the provisions of the Civil Code – article 1357 and the following, notices, firstly, the presence of an injuring unlawful deed – the refusal of the defendants to enforce their own decision, refusal qualified as unjustified, and, due to this culpable behaviour, the plaintiff suffered a moral prejudice. Similar decisions of the first-instance court in administrative litigation, with identical arguments, are represented by the Sentence no 162 dated February 18th, 2021, Sentence no. 328 dated March 18th, 2021 and Sentence no. 61 dated January 26th, 2022, pronounced by Timiș General Court. In the content of these decisions it is clearly expressed the fact that the passage of a long period from the moment the selection request was approved, the documentation was handed over by the plaintiff, represents sufficient elements to appreciate the soundness of a request for moral damages, the requested sum being a reasonable one. In this context, the court appreciates that to ascertain the violation of the plaintiff's right to benefit of the land allocation does not represent a sufficient equitable reparation for the moral prejudice the plaintiff suffered. On the other side, the first-instance court mentions that it cannot be appreciated that to obligate the defendants to allocate the land to the plaintiff represents a sufficient and equitable reparation, under the condition that the accused authorities themselves recognised this right to the plaintiff, but, in spite all these, they did not enforce their own decisions, and, as Decision no. 451 dated October 28th, 2020 of the Local Council certifies (decision through which the allocation decision is suspended), they do not have the intention to apply it. We state that through the pending legal approach it was not required the obligation to allocate the land to the plaintiff, but it was required the obligation of the defendant, the Mayor of Timișoara city, to enforce the unilateral administrative decision issued for specific purposes which is represented by a decision of the local council through which it was approved to allocate the land for free use, and it also were requiring material damages as well as especially moral damages (in value of Euro 5,000), taking into consideration the provisions of the special law which impose to the mayor an imperative term of 15 days to enforce such an administrative decision. After noticing the unlawfulness

of the refusal to enforce their own decision as an unlawful deed, the first-instance courts admitted the request for compensation of euro 5,000 and jointly obligated the defendants to pay the sum of euro 5,000, or to pay the sum of euro 3,000 for the suffered prejudice. In one of the cases, Timiș General Court certifies the fact that the moral prejudice was proved, and when judging the request for moral damages, they admitted that in order to appreciate the soundness of a request for moral damages, they took into account the passage of a long period of time from the moment the selection criteria were approved to the moment the Decision of the local council no.301 dated June 14th 2019 was enforced, which made the plaintiffs experience a period of emotional discomfort, frustration and uncertainty.

The moral prejudice suffered by the plaintiffs as consequence of the long lack of action of the defendants was also proved by the oral testimony given in the case. From the declaration of the witness, friend of the plaintiff, it results that they were affected by the lack of the land, having to hire a house and live together with his wife and the two minor children. The witness also states that the lack of the land the plaintiff was expecting to get two years ago generated an additional stress, given the fact that their daughter had serious health problems, respectively a brain tumour, suffering several surgical interventions – the last fact being certified by the medical records included in the file of the case. The first-instance court appreciated that it is obvious that long-term uncertainty regarding the possibility to acquire their own house had a negative impact on the family, adding up to the hard attempts the plaintiffs went through. Consequently, the first-instance court adds that to simply notice the violation of the plaintiffs' right to benefit of the land allocation cannot represent a sufficient and equitable reparation for the moral prejudice they suffered. In order to reach to this conclusion, the court also takes into account the fact that the defendant authorities themselves recognised this right of the plaintiffs, thus without enforcing for a long period of time their own decisions. The first-instance court accepted our arguments, according to which the tergiversation in enforcing the law by a representative of the public authority lead to frustration and uncertainty, a status of legal uncertainty, the impossibility to allow the plaintiffs to adequately adapt their behaviour. The sum required does not lead to an unjustified income in the case of the victim of the prejudice, neither to an excessive penalty for the administration which caused the damage, being proved the fact that in this case the honesty, dignity and love for the family, the pillar of society, were harmed.

Rhetorically we asked ourselves why the Court of Appeal of Cluj (Court of Appeal of Cluj, Administrative and Tax Litigation Chamber, decision no. 2963 dated July 6th, 2011 [https://www.curteadeapelcluj.ro/cacj\\_vechi/Jurisprudenta/sectia%20comerciala/Comercial%20%20trim%203%202011.pdf](https://www.curteadeapelcluj.ro/cacj_vechi/Jurisprudenta/sectia%20comerciala/Comercial%20%20trim%203%202011.pdf)) can grant moral damages in value of lei 10,000 to a developer for the administration guilt which produced mistrust, suspicion and frustration (by issuing an unlawful certificate of urbanism) and the Court of Appeal of Timișoara does not grant moral damages to a family that since 2016 has been waiting that local administration obeys the law, law which obligates the Mayor to enforce a decision of the local council in 15 days, not in several years, the obligation certified by an irrevocable decision being partially willingly fulfilled, reported to the fact that only after filing some actions to amend the Mayor of the City, the young people were summoned to sign the bailment contract and the delivery and acceptance report. According to the Methodological norm to apply the Law no. 15/2003 regarding the support given to young people to build

their house dated July 29th, 2003, article 5 paragraph 2, The Mayor has to enforce the decision of the local council to grant for free use the land to build a house, within 15 days from its approval by the local council, on the basis of a delivery and acceptance report. By the mention "to allocate the land to the plaintiffs represents a sufficient and equitable satisfaction", allocation which was made in March 2019, indubitably results the fact that the court of appeal, more precisely the Court of Appeal of Timișoara, agrees to a certain extent to the Mayor's attitude to defy the law which imperatively imposes a term of thirty (30) days, which they enforced it several years later, with tergiversation.

Coming back to the reasons used to prove the moral prejudice, we also presented the fact that this psychic discomfort may be characterised, according to the psychological doctrine, as stress, this being a psychosocial phenomenon characterised by tension, strain and psychic discomfort caused by the external factors which are perceived as being aggressive, difficult or painful. According to researches, in stressful moments, cortisol is released in the body, a substance which, in the case of prolonged stress, attacks nervous cells, more exactly the region responsible for the well-being and positive thoughts. The moment the stress becomes cronic, it results a background favourable for depression and anxiety, affections which also affect the quality of sleep.

In this context, even the fact of noticing the violation of the plaintiffs right to benefit of the allocation of land does not represent in any case a sufficient and equitable reparation for the moral prejudice they suffered. On the other hand, it cannot be stated that to obligate the defendants to allocate the land to the plaintiffs represents a sufficient and equitable reparation, when the defendant authorities themselves recognised this right of the plaintiffs, but, in spite of all these, they did not enforce their own decisions, and, as the Decision of the Local Council no. 451 dated October 28th, 2020 stated (a decision of the local council which approved the stay of the allocation decision, later successfully attacked in court), they don't have the slightest intention to enforce them, only as a consequence of other filed actions.

In older jurisprudence, it is stated that the full reparation of the prejudice means to eliminate all the harmful consequences of an unlawful and culpable action, patrimonial or non-patrimonial, as the case may be, in order to place the victim in the previous situation, according to the principle *resoluto iure dantis, resolvitur ius accipientis*, and in the hypothesis the request for recognition is accepted, the court shall also decide on the material and moral damages (The High Court of Cassation and Justice, Administrative and Tax Litigation Chamber, Decision no. 2037 dated March 29th, 2005, in the Bulletin of Cassation no. 3/2005). In the same sense, it becomes clear that the moral damages correspond to harming honesty, dignity, honor, public image or professional prestige of the person, their goal being a compensatory one, which clearly must neither represent any excessive penalty for the one that caused damages, nor a personal enrichment without just cause for the victim under the form of an unjustified income. Precisely because of that, regarding the moral damages, material proves to quantify the suffered loss cannot be used, the court having the right to decide, taking into account all the circumstances of the cause, on the global amount which represents an equitable reparation compared to the effects of the deed which caused the prejudice (The High Court of Cassation and Justice, Administrative and Tax Litigation Chamber, Decision no. 608 dated February 5th, 2010). In another case, the Court of Appeal of Timișoara grants damages in amount of euro 1,000, noticing the existence of a prejudice independent of the fact that the documents contested

by the plaintiff, as a consequence of the appeal, were not canceled, and noticing that they are lawful, the court of appeal notices the production of the so-called moral prejudice.

When evaluating the prejudice, the court paid attention to the jurisprudence of the supreme court, respectively the fact that through Decision no. 153 dated January 27th, 2016, given in appeal by Civil Section I of the High Court of Cassation and Justice, it was decided that in order to decide the existence of a moral prejudice, defined in the legal doctrine and in jurisprudence as any harm brought to one of the prerogatives which represent the attribute of the human personality and which is expressed by physical or moral pain, experienced by the victim, the character and importance of the non-patrimonial harmed values must be taken into consideration, taking into account the social environment the victim lives in, education, culture, morality standard, personality and psychology of the victim, circumstances in which the deed was committed, the social status etc. Because it is about harming some values without economic value and about the protection of some rights which are mentioned, as elements of the private life, at article 8 of the Convention for the Protection of Human Rights, but also of values protected by the Constitution and national laws, the existence of the prejudice is subject to a reasonable evaluation, on an equitable basis which corresponds to the real and effective prejudice caused to the victim. Regarding the proof of the moral prejudice, it is shown that the High Court of Cassation and Justice stated that the proof of the unlawful deed is enough, following that the prejudice and the report of causality shall be presumed, the courts having to deduce the production of the moral prejudice from the simple presence of the unlawful deed able to cause such a prejudice and the circumstances in which it was committed, the solution being influenced by the subjective, internal character of the moral prejudice, its direct proof being practically impossible.

The first-instance court rejected this head of claim, motivated by the fact that proof of the suffered loss was not made, and admitting the head of claim regarding the payment of the difference in wage relating to the rank and position of the job for which the plaintiff run, respectively the differences resulted from the received wage and the wage due to the new position, the moral damages no longer being justified.

Following the cancellation of the decision of the first-instance court and the rejection of the heads of claim regarding the obligation of the defendants to appoint the plaintiff as police officer and grant the professional rank of police subinspector, the Court of Appeal notices that they must be compensated for the suffered moral prejudice. Thus, the recurrent plaintiff prepared for the exam, allocating a part of their time for study, in order to get the desired result. It is well-known the fact that in order to take part to an exam each competitor must make some supplementary effort to enlarge and acquire the knowledge necessary to get a certain job. Then, the stress caused by the failure to be appointed on the job, inevitably influenced the psychic of the plaintiff, fact which was declared by the witness who appeared before the first-instance court. Also, the prejudice caused by the loss of a real and serious chance must be repaired, as long as the contest was organised by an institution of the state. There is a link of causality between the prejudice caused by the loss of the chance to get an advantage and the deed which generated it. The failure to issue the administrative act to appoint on the job, from reasons which do not depend on the plaintiff, the failure to get the job of police officer, the failure to get the appropriate wage although they prepared for this exam and they were declared admitted, they all are sufficient reasons to grant some moral damages.

According to article 1385 of the Civil Code: (1) Damages shall be fully compensated, unless otherwise provided by law. (2) Compensation may also be awarded for future damage if its occurrence is not in doubt. (3) The compensation must include the loss suffered by the injured party, the gain which he could have made under normal circumstances and which he has been deprived of, and the expenses he has incurred in order to avoid or limit the damage. (4) If the tort/delict also caused the loss of the opportunity to obtain an advantage or to avoid damage, the compensation shall be proportionate to the likelihood of obtaining the advantage or, as the case may be, avoiding the damage, taking into account the circumstances and the specific situation of the victim.

The prejudice suffered by the recurrent plaintiff is certain and still not repaired, the existence of the prejudice being sure and not in doubt. Summa summarum, regarding the extent of the prejudice, it is noticed that the recurrent plaintiff claimed with title of moral damages, the sum of euro 10,000, sum which is appreciated by the court to be an exaggerated one, as long as the recurrent plaintiff did not correctly reported when evaluating the prejudice. Thus, the court considers that the sum of euro 1,000, respectively the equivalent in lei of this sum, calculated at the NBR rate in the payment day, is enough to repair the moral prejudice, taking into account that the recurrent plaintiff may try to get the job they competed for, when the competition will be legally organised (Court of Appeal of Timișoara, Administrative and Tax Litigation Chamber, Decision no. 1806 dated September 26th, 2018, irrevocable).

## **Conclusions**

The action in subjective administrative litigation, the way it is regulated in article 1, paragraph 1 correlated with article 8 paragraph 1 of the Law no. 554/2004 on Administrative Litigation, also implies the incidence of administrative and patrimonial liability of the public authority which has to enforce an administrative act issued following the favourable resolution, in order to effectively and efficiently protect the legitimate rights and interests of the aggrieved person and repair the loss caused by the unlawfull administrative behaviour. The incontestable conclusion to be emphasized is that according to which the unilateral administrative decision issued following a favourable resolution of the petition must not turn into a dead letter, by the passiveness of the public authority which issued or adopted it, respectively by the tergiversation to obey the letter and the spirit of the law.

De lege ferenda, it is necessary to harmonize the entire normative architecture so that the aggrieved person that suffered a material loss or a moral prejudice should be lawfully and seriously compensated for, and the moral damages claimed by an action in administrative litigation should not represent a real *Fata Morgana*.

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## THE NEXUS BETWEEN CRIME AND WAR: THE PREMISES FOR UNDERSTANDING THEIR INTRICATE RELATION

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**Abstract:** *Although there was almost always a war going on somewhere on the planet, Europe has known relatively peaceful times, since the end of the World War II. All this period, in Europe, we have mainly seen crime (in its different shapes) as a main menace to societal prosperity. However, a war has the potential to produce considerably more profound effects. This is why it seems important to analyse the relation between crime and war, to see how these two factors interact, to see if they influence each other, and, if possible, to find out if there are common traits in addressing both issues. This paper analyses the relation between crime and war, starting from the observation that both crime and war have a deep impact on societies. In our quest, we will take into account different perspectives on crime and war. As regards crime and, at a larger scale, organised crime, often fighting against them has been deemed as a true war, and this adds a new dimension to the nexus between crime and war. We will analyse as well if there is a variation in the type and number of certain crimes in times of war. Overall, in this paper we will try to clarify some aspects regarding the nexus between crime and war, as a clear image on their relation is extremely important in order to identify some methods which can be used to prevent or, at least, to mitigate the effects of these two seriously impairing factors.*

**Keywords** *crime, war, World War II, organised crime, war on drugs.*

### The Necessity to Make a Comparison Between Crime and War

After World War II, with few exceptions, Europe has known peaceful times. All this period, the main menace for individuals has been represented by crime, in its various shapes. However, we can never take for granted the idea that humanity has learned from its past mistakes and that bad things will not happen again. This is why we must pay attention to something that a large part of the Europeans considered to be long-forgotten: large-scale armed conflicts, or, in a simple word, war. Among all confused feelings and thoughts which arise towards war, we emphasize the need to understand the nature of war, regarding the structure of the menace it represents to people. Somehow, war is a kind of crime, or at least the actions which define war, taken individually, are some sort of crimes. However, war has another “texture” than “simple” crime. All the components of war lead to such a conclusion: its huge scale, its cruelty, its victims caused indiscriminately, the power of the weapons being used, the dimension of the damage it causes, its social and political implications, the persistence in time of its consequences and so on. In order to understand war, it is useful to draw comparison between war and something which is better known for people who have not directly known war, namely crime.

We emphasize the fact that our quest is inspired by our belief that, in order to prevent crime and large-scale armed conflicts, we must have a good understanding of their causes and their effects. For this, history provides us, for sure, with the right tools in order

to reach pertinent conclusions. It depends on us if we want to apply or not these conclusions, in order to bring a significant contribution to preventing crime and war.

We can argue that crime can also be seen as a type of war, as between the various meanings of the word “war” we find that “war” also means “any situation in which there is strong competition between opposing sides or a great fight against something harmful” (Cambridge Business English Dictionary, 2011). And what is crime, if not a battle between people’s rights and those who want to break them, a battle between good and evil, a battle against the extraordinary harm caused by those who do not respect societal rules?

Given the above-mentioned, it is obvious that between war and crime there is a strong connection. Both seriously influence the existence of a climate where people can develop a normal life. The difference between them resides mainly in the scale of their consequences. Generally, war affects more than one people or a small group of people, while crime usually affects one or a few people. However, this is not always the case, because it is possible that war affects only a small number of people, while a certain crime can have consequences on a large number of people. For example, we can imagine a situation when a war is declared between two countries and it only lasts for a few days and actually no person is killed or injured and no severe damage occurs. At the same time, we can imagine a situation when a person commits murder over a large number of people (for example, in a terrorist attack or in another context). In these examples, the “classical” image of war and crime is altered, but this does not change the category where we include these two activities, although each of them seems to bear the characteristics of the activities generally included in the other category.

Another interesting approach refers to determining what effect does war have on crime. In other words, we should try to see how crime varies in times of war. This quest has criminological implications, because it reveals the criminogenic factors which act in peaceful times, but no longer act during war.

It results that war and crime have enough similarities and connections that it is worth to analyse them in relation with each other. In the following lines, we will try to explore the premises of the nexus between war and crime and see what conclusions we can draw. Mainly, our interest is focused on finding possible ways to prevent these two phenomena or, at least, to mitigate their impact, although we acknowledge that their scale is too big to be able to easily find solutions, especially regarding these two issues, which humanity has constantly tried to prevent. But the fact that no absolute solution has yet been found means that it is still place for further research. This is why we want to undergo this study, which explores the intricate relation between crime and war. We specify that we do not intend to exhaust the subject, at its huge dimension cannot be comprised in a single paper. This is why we will not take into consideration some aspects regarding the connection between war and crime, for example war crimes. In this paper, we will try to understand some basic elements which define the nexus between crime and war.

### **How Crime Varies in Times of War. A Historical Approach**

As we have pointed out before, one of the connections between war and crime which should be analysed refers to the effect that war has on the so-called “ordinary” crime. The best way we can do such a study is to see how real wars influenced crime. This means that we are looking for statistical information, which contains the data we need.

We have found such information in a study made in the United States of America during World War II (Sellin, 1946). This study shows that, in that time-frame, in the United States of America, generally, crime rate decreased. An exception refers to crimes against life. The explanation for such a situation resides in the fact that a great number of men (especially young men) had been conscripted into the army. As the perpetrators were mainly a part of this category of population, the lower number of young men in the United States of America has naturally led to a smaller number of crimes. The above-mentioned study shows that, in the United States of America, before World War II, over 90% of crimes had been committed by men, especially young men, aged 18-35 years old. In the World War II, it is estimated that about ten million young men from the United States of America have been recruited in the army, with a maximum age of 45 years old. This means that there were fewer circumstances in which they could commit the usual crimes.

As regards the men who stayed at home, they were mainly involved in economic activities, as there was a shortage of labour force, especially in the fields where men were usually employed. This means that these men managed to obtain a decent salary, which provided them a good economic situation. The result was that there were fewer crimes against property (as economic precarity is an important factor for this kind of crimes). The economic prosperity has led, though, to an increase in the number of crimes against life, mainly committed under the influence of alcohol. This was due to the fact that men had enough money to buy alcohol (Sellin, 1946). Also, there has been an increase in the number of crimes related to black market, as black market supplied population with products which were hard to find, like different categories of food, fuel or alcohol. The committing of crimes related to black market ceased after war (Sellin, 1946).

As regards the number of crimes committed by women in the United States of America during World War II, in the study it is mentioned that there is not enough data in order to reach a relevant conclusion indicating if it varied. However, the authors of the study emphasize that it is possible that the crimes committed by women increased. This could have been a consequence of the new role that women played in society, including in the economic field, as they had been employed in great number in war plants and other factories, in order to replace the men who were in the army. This led to a change of the “classical” role of women and this had the potential to put women in situations where they could have been involved in criminal activities (Sellin, 1946).

World War II has brought in an increase in juvenile delinquency in the United States of America. The main cause was that children did no longer benefit from the supervision of their fathers or other male relatives, who could have prevented them from involving in illegal activities. As regards the mothers, as we have shown before, they were forced to seek for work in factories or to do other activities in order to obtain money to raise their children; this led to the decrease of their possibilities to supervise the activities of their children. Another cause for the increase in juvenile delinquency comes from the fact that many children left school and worked in factories, where they gained decent wages (Sellin, 1946). This gave children a sort of independence, which encouraged them to involve in activities which emphasised their feeling of *maturity* they have reached, including illegal activities. The data shows an increase in juvenile delinquency for both boys and girls, with the number of boys committing delinquency being about four times higher than the number of girls. It is important to mention that the data takes into account not only the children who actually committed delinquent acts, but also those who were

considered being *at risk* for this kind of activities. An explanation for the quite high number of girls registered as juvenile delinquents is the fact that public opinion reacted toward the sexual behaviour of girls, which was considered scandalous (Sellin, 1946). It is possible that the war context has drawn society's attention towards actions which would have not been considered so serious in peaceful times. As we have pointed out in another paper, it seems that, when societies pass through some sort of crisis (and war is, for sure, a kind of crisis), it appears the tendency to cling on to moral principles, understood in a very strict sense (Frant, 2013).

Overall, it is pointed out that war brings a major psychological shift for population, with people experiencing attitudes which are almost opposed to those met in peaceful times. In war, citizens are urged to make a great effort, while they are asked to accept all sorts of shortages and restrictions (Bromberg, 1943). Also, they are stimulated to bring out an aggressive behaviour, while in peace people are required to inhibit aggressiveness. For example, in the United States of America, during World War II, the slogan "Pay Your Taxes, Smash the Axis" was being used in order to stimulate citizens to financially contribute to war efforts (Bromberg, 1943). War brings people an acute perception of the ephemerality of life, which makes them decrease their interest for things and activities which are normal in peaceful times, like childcare. The menace of war takes over people's minds, making them less responsible. This lack of the sense of responsibility is even more severe in young people, which is a cause for the increase of juvenile delinquency during war (Bromberg, 1943; Sellin, 1946).

The information presented above refers only to the situation in the United States of America, during World War II. But, although the United States of America was a country actively involved in the war, which had a decisive influence, its situation its sensible different than that of other countries, because the war did not take place on the territory of the United States of America (with few exceptions, namely Pearl Harbour in Hawaii and the territories of Guam, the Philippines, Kiska and Attu in the Aleutian Island of Alaska, and Wake Atoll - Domenech, 2020). This means that the impact of the war on civilians, although great, was *different in nature* that the impact which war had on civilians who actually lived from one day to another under the direct threat of being killed or injured. Also, the specific situation in the United States of America made it possible for analysts to gather information and make statistical analyses on crime. In countries where the war was being fought, the concern for immediate vital necessities made it hard for specialists to focus on making such studies. However, we have found a study which analyses crime rates in London, comparing the dates regarding the crimes reported to the police for the years 1938 and 1940. This study shows the same pattern observed in the United States of America, namely a drop of crime rate in war-time (Bromberg, 1943).

### **The War on Crime: Can the Word "War" Have Positive Meanings?**

The word "war", as we have shown above, is generally seen as indicating a destructive phenomenon, which fundamentally changes the principles upon which society normally functions. However, the word "war" does not always have a negative connotation. For example, if a person is said to have declared war on his or her alcohol addiction, "war" is seen here as positive. At a larger scale, it has been declared "war on drugs", in an international campaign, launched by Richard Nixon, then the president of the United States

of America, in 1971 (Nixon, 1971). For sure, at a first glance, in the “war on drugs” syntagma, the word “war” has positive implications. Indeed, the “war on drugs” campaign has begun fiercely, and it was aimed at annihilating drug abuse, which has been declared, at that time, the public enemy number one (Niesen, 2011).

But after over fifty years since declaring “war on drugs”, it seems that this campaign is far from reaching its goal. In a bold assertion from 2011, The Global Commission on Drug Policy stated: “The global war on drugs has failed, with devastating consequences for individuals and societies around the world” (The Global Commission on Drug Policy, 2011). We have made an analysis of the impact of this ascertainment in another paper (Frant, 2021). The negative consequences of the “war on drugs” campaign have been more and more talked about (Global Commission on Drug Policy, 2012, 2013, 2015). It is pointed out that the majority of specialists which have analysed the “war on drugs” campaign agree that the drug policies adopted according to this campaign have failed (Ferreira, 2015). Also, it is emphasized the fact that officials have been aware of the failure of the “war on drugs”, but they have hidden the truth. This has been possible through misinformation, as the statal authorities have presented only some minor achievements in the “war on drugs”, creating the false image that the whole campaign was a success (Ferreira, 2015). This approach contributed to maintaining the public and political support for this disastrous campaign, which has deepened its negative effects.

It results that, as regards the “war on drugs”, even if it has been created the context for using the word “war” with a positive connotation, even if states have invested huge resources in order to present this “war” as a good one, the “war on drugs” campaign proved to be rather bad than good. This means that, in what concerns the syntagma “war on drugs”, the word “war” cannot receive an overall positive connotation.

Indeed, it seems that, no matter the goal of a war, despite its sometime noble purpose, a negative meaning will always be attached to the word “war”, although it may have, at the same time, some positive implications. This is because, whether it is a competition between opposing sides or a great fight against something harmful, war bears inside its core the imminence of destruction, sufferance, sacrifice and death. Even if the final goal is worth the sacrifice, the negative companions of war make it an undesirable situation.

However, conflicts are, sometime, inevitable. Between society and crime, between society and organised crime, there is, undoubtedly, a conflict, which can be denominated as war. Although we have shown that war has always a negative connotation, this does not mean that we must be passive in front of the menaces of all sorts that threat people and, generally, the society. Perpetrators must be caught and punished. There must be done activities with the aim of dismantling organised crime. And all these come with a risk.

We believe that the syntagma “war on drugs” is not bad by itself. Here, the word “war” is used to express the belief that something should be done, at all costs, in order to solve the drug issue. The path which was chosen in 1971 to solve the drug issue is a reflection of the general way of thinking which prevailed in society at that time. We believe that some attitudes, like tolerance and compassion for those who were addicted to drugs, were unacceptable in that era. To sustain this idea, it is enough to mention that, in the United States of America, women of colour could exercise their right to vote only beginning with the year 1965, when the Voting Rights Act has been enforced (Yang, 2020). This is why we believe that the problem is not that people decided to take attitude against drugs. They

did it in the only way they knew at that time, meaning with no empathy for people with drug addiction. The problem is that people did not understand sooner that the “traditional” ways are not efficient in fighting against drugs and that other methods must be used.

## Conclusions

Without doubt, crime and war have an intricate relation, bearing similarities and sharing common circumstances and consequences. Of course, they have their own specific traits, but, as we have seen, they are often perceived as being related. Through this study, we only wanted to understand the premises that sustain the idea that crime and war are, somehow, connected. And, indeed, we have pointed out that war can be seen as a complex and giant form of crime and crime can be seen as a smaller war. We have shown that crime has different forms and different scale in times of war than in peaceful times. Also, we have seen that, even in peace, people do not hesitate to engage in some kind of a war, apparently perceived as a positive one, namely the “war on drugs” or the “war on crime”.

Many aspects are yet to be analysed in regard to the relation between crime and war. For example, it is interesting to see what effects do civil wars have on crime or how organised crime can lead to civil wars or how can organised crime influence public policies, including public policies on war. Also, it is useful to understand how the “war on crime” can be carried on, in order to be efficient. Understanding how crime is used to finance war is also an important goal in analysing crime and war together. Moreover, it would be useful to see how we can approach crime and war, in order to prevent their occurrence. We hope to be able to analyse these aspects in the future.

This paper opens the door for further research on the nexus between crime and war, by revealing the premises of their connection. Indeed, these two major threats to the human society are related, just like two evil allies. However, their strong connection can also be one of their weaknesses, and this is why it is important to understand the mechanisms that lie at the base of the intricate relation between crime and war.

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## **SUCCESSIVE LAND LEASE AGREEMENTS WITH DIFFERENT TENANTS FOR THE SAME PIECE OF LAND**

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**Abstract:** *The evolution of rural lease concluded by different lease persons may be subject to complex disputes and the courts need to analyse legal grounds regarding the involved rural lease provisions, standing crops, legal regime of ownership and parties' liability.*

**Keywords:** *rural lease, standing crops, acquisition, liability*

### **Premises**

In practice, there were cases when the land lease agreement ended and the landlord concluded a new land lease agreement with a different tenant. Quite often, the new tenant is introduced by the former tenant, in order to ease the continuation of the farm. Not always the things went right in the case of these successive operations. Sometimes, the relations between the landlord, the former tenant and the new tenant were hostile due to different issues such as the failure to adapt the crops in the last year of land lease to the optimum harvesting season, the failure to harvest crops till the termination of the land lease agreement and the discontent of the new tenant who cannot manage the farming calendar because the previous tenant did not harvest the crops. In such cases, complex litigations arised, when the court analysed issues regarding the effects of successive land lease agreements, the situation of ungathered fruits, the legal regime of their ownership of them and the civil liability of the participants. These potential situations and their judicial treatment represent the present object of study.

### *Object of the land lease agreement*

According to article 1778 paragraph 1 of the Civil Code, any lease agreement regarding the lease of pieces of land is called land lease, and according to article 1836 paragraph a) of the Civil Code, this category includes arable lands, respectively those on which there are crops. The form of the contract must be written, under the sanction of absolute nullity, and the advertising of the agreement must obey the provisions of article 1838 paragraphs 2 and 3 of the Civil Code, under the sanction of a fine established by the court for every day of delay. The land lease agreement is valid from the date it was concluded till its termination date, by right with the consent of the parties, situation regulated by article 1809 of the Civil Code or through special cases of agreement termination, mentioned at article 1850 of the Civil Code. According to article 1777 of the Civil Code, the land lease agreement, as type of the lease agreement, has as object to lease "the use of some goods for a certain period of time, in exchange of a price". Thus, what

makes the object of the land lease agreement is the transfer of one of the three attributes of the right to property, respectively the utilization attribute (*jus fruendi*). Nor possession (*jus utendi*) neither disposition (*jus abutendi*) cannot make the object of this type of lease agreement. Of course, when the land lease agreement is terminated the right to use the pieces of land which made its object ceases. Together with the termination of this right the right to use the fruits ceases, that is why issues may arise between the landlord, the former tenant and the new tenant.

### **The right to property to the ungathered fruits**

Crops situated on agricultural lands are the result of human intervention and, consequently, are included in the category of industrial fruits, as mentioned at article 548 paragraph 3 of the Civil Code. What happens when the land lease agreement of the former tenant terminated and they did not manage to harvest all crops still situated on the agricultural lands? Is the former tenant entitled to access the lands they worked after the termination of the land lease agreement in order to harvest crops? The former tenant could invoke in a justified manner the right to property on the crops they established? Which are the means of protection the new tenant may use? Does the owner of the land play any part in all this situation?

There are various questions which we will try to give an answer.

According to article 1821 of the Civil Code “when the lease ends, the tenant has to return the goods taken in lease in the status they received them”, which means that, in principle, when the lease ends and they hand over the leased lands, there should be no cultures in the last year of lease. This thing is obvious, because at the time the former tenant received the land there were no cultures on it. Thus, they shouldn’t hand it over with unharvested crops. If, nevertheless, at the termination of the land lease agreement there are unharvested crops, it means that the former tenant failed to meet their legal obligations and, most likely, contractual obligations, because they did not hand it over in the status they received it.

Is it however possible for the former tenant to access the lands even if they don’t enjoy the right to use, which implicitly restricts the right to access and harvest industrial fruits? Wouldn’t they infringe the right to use of the new tenant? Obviously, beginning with the date the land lease ended, the former tenant has no longer the right to access and harvest industrial fruits. Nothing would support their position. There is no legal ground to allow the former tenant to enjoy the right to use the land, use which involves access, developing works and/or pick up crops. And the landlord is obliged by the land lease agreement concluded with the new owner to forbid the former tenant any violation of the present tenant’s right to use, with the risk of incurring their contractual liability. In this complex situation, what happens however to the unharvested crops? Which would be their legal regime?

#### *The right to accession of the land owner to the unharvested crops*

The will of the land owner is essential in clarifying the legal regime of the unharvested crops. They have the right to dispose of the unharvested crops left on their land after the termination of the former tenant’s lease and, if they do not want to draft in their personal name the documents for cropping, they may hand over this right to the new

tenant. The latter, notified by the landlord regarding the disposition given to the new tenant, may dispose any measures regarding them, respectively destruction, harvest, even sale. Why is the will of the landlord essential? Because, once the right to use of the former tenant ends, they lose the right to property to the unharvested crops in the favour of the landlord, who acquires them through artificial immovable accession. The Civil Code of 1864 regulated artificial immovable accession when a third party made plantations, constructions or other works on somebody else's land. As it was mentioned in the case law of the Constitutional Council, "article 494 paragraph 3 final thesis of the Civil Code is to be applied in the case of artificial immovable accession when o third persons made plantations, buildings or other works on somebody else's land using their own materials. In this case the owner of the ground where there are situated the constructions or plantations made by somebody else owes compensations to the one that built or planted them" (D. 2003).

As a consequence, the Civil Code of 1864 regulated the way the land owner could acquire through accession the right to property to the unharvested crops from the plantation established by the tenant. The present Civil Code regulates the artificial immovable accession in article 577 paragraph of the Civil Code. According to this article, as long as through the land lease agreement the former tenant and the landlord did not agree that the first preserves the right to property to the crops even after the termination of the land lease agreement, the latter acquired the right to the unharvested crops left on the land. The aquisition of the right to property through artificial immovable accession is made if the land owner expressed their right of option. This unilateral judicial document of the land owner must meet the requirements of articles 1324-1326 of the Civil Code, respectively it must be issued with the indication of landlord's wishes and communicated to the person who established the cultures, respectively the former tenant.

An important feature regarding the analysis of the owner's right of option to invoke immovable accession is represented by the one regarding the law to be applied. As it has been shown in jurisprudence, "regarding accession, the new law as well as the former law include some contradictory stipulations, meaning that, according to Law no. 71/2011, in all cases when the artificial immovable accession supposes that the owner of the real property enjoys the right of option, the effects of the accession are governed by the law in force at the beginning of the work, and according to article 6 paragraph (2) of the Civil Code of 1865, the accession is subject to the law in force at the moment the circumstance or deed which implies the accession was produced or committed, in the case of continuing deeds subject to the law in force at the moment it began."

Thus, after the termination of the right to use, the former tenant acts in bad faith because they did not fulfill their judicial obligation to hand over to the land owner the land free of cultures, as they received it at the beginning of the land lease. Also, at is has been shown in jurisprudence, "the defendant ceased to be in good faith the moment they were notified by the plaintiff regarding their right to property, being asked to stop the material acts of use and possession of the real property". Being in bad faith, as they did not hand over the land free of cultures, the former tenant cannot aquire the ungathered fruits. As it has been shown in the doctrine, "the simple owner obtains the fruits only if they are in good faith. On the contrary, they must return them together with the object to the owner that claims them. The owner is in good faith when they possess as an owner, by act translative of ownership whose vices are not known by them." (B. 2003)

If he had harvested crops till the termination of the land lease, such an issue would have not been the case. But, because of the failure to harvest, the deed of the former tenant is illegal regarding the owner, to whom they have a contractual liability, as well as regarding the new tenant, to whom they may have a criminal liability. It is certain that, if the crop was not harvested till the termination of the land lease, the owner of the land has a protestative right of option to invoke the acquisition of property of the unharvested crop, through artificial immovable accession (T. 2010). The right of option emerges “the moment the right to claim the land and plantation is expressed, a protestative and insusceptible right of abuse of the owner ”(M. 2010) and it is just to be this way, because, otherwise, there would be an unjustified superposition of rights to property, one on the land and the other on the cultures. Or, this is the sanction the former tenant must bear because they failed to meet the obligation to hand over the arable lands free of any culture.

Through artificial immovable accession the owner of the agricultural lands also becomes the owner of the unharvested crops, right they have the full liberty to transfer, under any title, subject to payment or not, to the new tenant. This right is based on direct accession. As it has been shown in the doctrine, “in the case of artificial immovable accession, it is important the distinction between direct accession and indirect accession. Regarding property, direct accession takes place by the incorporation of a thing in the land, without rising a new right to property. The thing which is incorporated in named the accessory thing, and the one on which the incorporation takes place is called the principal thing” (S. 2020). The agricultural land is the principal thing and the unharvested crop is the accessory thing.

If the owner notifies the new tenant regarding the right to have at their disposal the unharvested crops as they consider necessary, they have the right to proceed as they consider necessary and useful, respectively either destroy the unharvested crops in order to make room for the new cultures, either harvest them in order to sell them. Of course, the behaviour of the former tenant is important in deciding the judicial regime of the unharvested crops. If the former tenant planted cultures at a late moment with a plant which has a slow development regime (for example, to establish corn cultures in April-May is unsuitable if the land lease terminates at the end of August, because corn is harvested in October) and which could be harvested a long time after the termination of the land lease, represents an unjustified behaviour of the tenant, a professional in agriculture, which has no relevant reasons to claim the right to access on land in order to harvest even after the termination of the land lease. Also, the failure to harvest justified by a too high humidity of lands, if the former tenant had specialised equipment to access the lands no matter their status, does not represent a valid reason to claim the right to access on lands in order to harvest industrial fruits.

Besides, in fortuitous cases, when severe weather conditions could have caused an increased humidity of the ground thus preventing the harvesting, even if this situation took place long after the termination of the right to use, in jurisprudence it was settled that “the devastation of cultures does not represent a fortuitous case or force majeure, as they are regulated by the provisions of article 1351 of the Civil Code. Heavy precipitations do not represent unpredictable events, any cautious and diligent person being able to foresee the apparition of such events, and even more, contesting in capacity of professional they could not invoke the fact that the events were unpredictable” (R. 2006). Hence, the judicial treatment of such a situation is that, in the case the former tenant fails to meet the

obligations to harvest on term the cultures and to hand over to the land owner the agricultural land in the same conditions as it was when they took it, free of plants, the land owner has a right of option to acquire the property on the accessory goods based on accession.

*Means of protection of the new tenant's right to use*

When the land lease agreement starts to produce judicial effects, the new tenant enjoys the right to exclusive use of the agricultural land, right which also includes the right to access the lands and the right to harvest the ungathered civil fruits, if it was granted to them by the owner that acquired them by invoking accession. As it has been shown, even if the new tenant did not establish the culture, the fact that the former tenant did not harvest it gave the owner the protestative right of option in order to acquire through accession the unharvested crops. The right to property acquired through artificial immovable accession may be given by the owner to the new tenant as a consequence of their unilateral act of will, communicated to the latter. From this date, the new tenant enjoys judicial protection in order to protect their right to use by not allowing the former tenant to access the agricultural lands and by requiring the former tenant not to use any act of violence in order to harvest ungathered cultures. Also, the new tenant enjoys full rights to decide on the unharvested crop, as they were given to them by the land owner, the one that invoked artificial immovable accession on the ungathered fruits.

As it has been mentioned in the doctrine, "immovable property by destination (that are those goods which, although they are movable goods, are destined to managing a real property) are also considered movable goods, as well as movables by anticipation 11 (crops, forest, etc.)." (P. 2016). According to other opinion, "the provisions of article 537 of the Civil Code include in the category of immovable goods, together with the immovable goods by their nature (lands, constructions), also plantations connected to the land by roots, including the harvests standing on roots on the leased lands, they being immovables by incorporation, thus belonging to the owner of the fund, in the virtue of their right to property. The Civil Code of 1864 expressly mentioned, at article 465, that crops still standing by roots and the fruits of trees not yet gathered are also immovables. As soon as crops are cut and the fruits gathered, they are movables". Regarding fruits ungathered yet, compared to the provisions of the former Civil Code, which considered them immovables, the provisions of the new Civil Code, through article 540, considers the fruits ungathered yet as being movables by anticipation.

There must be made a clear distinction between plantations standing on roots, such as crops not harvested yet connected to the land by roots, which are immovables by incorporation, and the ungathered fruits from the trees situated on the leased land, as, in this second hypothesis, fruits are not connected to the ground by roots, only the trees are connected by roots to the leased lands. Such a distinction also derives from the fact that the new Civil Code gives a different judicial regimes to plantations standing on roots compared to the fruits ungathered yet." Also, if the new tenant spent money to harvest crops, they may act directly against the former tenant in order to recover the expenses made to clean the land and harvest crops.

*The former tenant could invoke the civil delictual liability of the new tenant?*

If, at the termination of the land lease, the former tenant does not free the agricultural lands of cultures, they have no right to access the land in order to harvest, no longer being the holder of a right to use (*jus fruendi*) or a right to harvest industrial fruits. The only person who has these rights is the new tenant, on the basis of the land lease agreement concluded with the owner and, on whose basis, is the only holder of the attribute of the right to use (*jus fruendi*) and the right to harvest the industrial fruits. Of course, such a situation may cause misunderstandings, even arguments between the former tenant, who could claim their property of the unharvested crops, and the new tenant, who is hindered from managing their own farming calendar and who, additionally, has to make additional, unplanned expenses, in order to harvest, clean and prepare the lands for seeding their own cultures. As a consequence, the new tenant has a lawful interest to forbid the former tenant to access the lands and to cover the expenses made to clean the lands in order to establish their own cultures.

In order to decide what person has the right to property of the unharvested crops the following elements must be taken into consideration:

- (i) The former tenant did not exercise their rights within the limits established by the law, according to article 555 paragraph 1 of the Civil Code, as long as the crops not harvested by them remained on the agricultural lands after the termination of their land lease agreement;
- (ii) The land lease agreement between the former tenant and the owner of the lands represents the law of the parties;
- (iii) The termination of the right to use together with the termination of the land lease agreement imply the termination of the plaintiff's right to harvest the industrial fruits;
- (iv) The landowner has won the right to property of the ungathered fruits, through accession;
- (v) The landowner gave the new tenant the right of disposal on the unharvested crops.

According to article 555 of the Civil Code, the ownership is the right to enjoy and dispose of property exclusively and absolutely, subject to the limits and conditions for doing so determined by law. The attributes of the right to ownership are possession (*jus utendi*), representing the right to use, the utilization (*jus fruendi*), representing the right to enjoy the fruits and the right of disposal of a thing (*jus abutendi*). The right to enjoy the fruits, also named *fructus*, is the prerogative offered to the holder to gather and collect fruits. The material act of harvesting must nevertheless be based, when harvesting, on the right to access the land, which is a fundamental and essential right so that the action could take place. Without the right to access of the former tenant, the material act of harvesting cannot be put into practice.

The case in which the owner gives the new tenant the liberty to decide and forbids the former tenant to access the land in order to harvest, inclusively in the case where the reasons invoked by the former owner refer to external elements such as a fortuitous case (for example, the former tenant may say they did not harvest crops during their land lease agreement because of excessive humidity of lands, situation which does represent a fortuitous case for a professional in agricultural works) may lead to complex litigations. In such a case, could the plaintiff invoke civil delictual liability of the new tenant, pretending that they were prejudiced following the interdiction to access the lands in order to harvest and the harvesting by the new tenant, followed by the sale of the crop in order to cover the costs?

The former tenant could state that, in the absence of an agreement with the new tenant, civil delictual liability may be incident, without civil contractual liability. Possibly, the land lease agreement could represent a support for an action of civil contractual liability between the owner and the former tenant or between the owner and the new tenant. As it has been shown in jurisprudence, "usually the criminal act, as element of civil delictual liability, is defined as any deed through which, by breaking the norms of objective right, are caused prejudices to the subjective right or the interest of some persons". In order to justify the existence of the elements of civil delictual liability, the former tenant should prove that the new tenant committed a deed through which, by breaking the norms of the objective right, caused prejudices to the former. Or, in our perspective, as long as the new tenant justifies the exclusivity of the right to use, the act of forbidding the former tenant to access the land cannot have an illicite character. On the contrary, the situation in caused exactly by the criminal act of the former tenant, who from various reasons (for example, unripe crop) did not gather industrial fruits at the termination of their land lease agreement and did not return to the owner the land free of any culture, as they had received it.

The deed of the new tenant of gathering ungathered industrial fruits cannot be qualified as being illicite as long as, according to jurisprudence, "the use offers the owner the capacity to use their goods, by gathering or collecting in property all fruits they produce. Natural and industrial fruits are acquired through collection". With the artificial immovable accession in favor of the owner and the fact that the owner gives the new tenant their assent to dispose, as they consider right regarding the unharvested crops, the latter may make any kind of material acts to collect the industrial fruits. Their collection by the new tenant is equivalent to acquiring the right to property to them and, consecutively, to the right of disposal, in order to consume or sell them. As a consequence, it is difficult to discuss if the new tenant meets the elements of the civil delictual liability, respectively if the new tenant commits an illicite deed, with guilt, which may have caused the former tenant a prejudice, with a connection of causality between them. The new tenant did only exert their prerogatives recognised by the legislator based on the land lease agreement registered at local authorities, thus bearing a certified date.

Not in the least, it must not be omitted that, in exerting their prerogatives, the tenant is protected by legal regulations regarding their right to use to the leased agricultural lands and their right of disposal to the cultures harvested after receiving the use. They did not comit any illicite act against the former tenant, whence the reduced chances of success of an action in civil delictual liability against them.

## **Conclusions**

In conclusion, in practice various situations were met when the former tenant and the new tenant came into conflict because of different situations such as the failure to adapt the crops in the last year of land lease to the optimum harvesting season, the failure to harvest crops till the termination of the land lease, the discontent of the new tenant who cannot manage their farming calendar because the previous tenant did not harvest the crops. In such situations, litigations may be complex, each participant to the material legal report having the interest to invoke the most advantageous reasons existing in fact and stated by the law, which could be included in different procedural tipologies. Finally though, the

courts have to analyse facts regarding the effects of land lease agreements, the situation of ungathered fruits, the legal regime regarding them and the civil liability of the participants.

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## THE CONDUCT IN CONTRADICTION WITH THE SYSTEM OF VALUE – JUVENILE DELINQUENCY

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**Abstract:** *Over the last 40 years, juvenile delinquency has become one of the major social problems that contemporary society has faced and continues to face. This problem is present in both developed and developing societies. In this period, the theoretical interpretations that considered crime as a phenomenon that appears on the outskirts of society, are considered outdated. Currently, the phenomenon is interpreted as a crucial social problem, determined by other social factors: the way the community manages its resources, the processes of education and socialization of societies, the way society works and is conducted, sanctioning and social rehabilitation.*

**Keywords:** *Juvenile delinquency, juvenile delinquency, juvenile delinquency prevention*

### General aspects

The multitude of social, economic and political problems, such as: unemployment, poverty and the parents' departure to work abroad, worsened a lot the situation of children, who remain unsupervised or are left to their relatives to take care of them. They spend their time on the streets experimenting the "freedom" they enjoy. Although developed countries elaborated monitoring, supervision programmes and imposed measures in order to reduce juvenile crime, it reached quite alarming levels. It is, for example, the case of the United States of America, one of the richest country in the world, which faces an extremely high rate of adult crime and crime committed by minors or young people, and also the case of England, Sweden, other developed or developing countries (M, 2002). The situation of children involved in criminal actions is particularly unsure because of the faulty laws, the institutional framework is developing with few spaces, there are weak or even nonexistent policies of psychological training, financial, material and human deficiencies, their school performance is visibly worse than that of their colleagues, frequently school dropouts appear.

The American sociologist Walter Miller (M, 1970) defended the idea that "juvenile acts and conduct of young people who come from poor environment cannot be considered as "deviant", because they, actually, comply with the cultural models of this environment". A healthy family relationship, between children and parents, may hinder or reduce the consequences of sanctions that may appear in the case of minors in conflict with the law. The lack of education is another reason which lays at the basis of juvenile delinquency. In the case of sentences involving deprivation of liberty, in the case of minors between the age of 16 and 18, a working day is the equivalent of a day less in detention. If during detention they graduate a year of school, the detention decreases with 30 days. As a consequence, the legislator encourages work to the detriment of education.

Also, the psychological and psychiatric support of minors should be mandatory at least in the centers which limit the liberty of delinquent minors. The staff in the centers for minors should be trained and lead to specializations which may help develop their capacity to mediate the conflict that appears between minors as well as between minors and the employed staff. In order to become aware of the consequences of their acts, the minors should be given permanent contact with the external world, the aggrieved person or the consequences of their acts. Of course, all these should be done under surveillance.

### **Legal framework**

In Romania there are only 4 centres for minors in conflict with the law or with behaviour problems. Each centre has a capacity of about 20 places (80 places in total). In many cases, the minors who are in conflict with the law are placed in residential centres together with other young people with a different profile, such as homeless children, abandoned children etc. Most of institutionalized children are convicted for theft. For example, 54 out of 100 children who were institutionalized in 2016 had been convicted for theft. The new penal Code, which reduced penalties for most of crimes and eliminated the sentence of imprisonment in the case of minors, lead to a decrease in number of the prosecuted children, without meaning a decrease in the number of crimes committed by minors. Law no.284/2020 which amended the Code of penal procedure, following a European Directive regarding the criminal case of minors, has introduced the following amendments:

- when the minor is detained or arrested, their parents or tutor is informed. If they are not found, then an adult named by the minor is informed, and if this thing cannot be done either, an adult is chosen by the judicial body;
- the same adult is summoned with the minor when there are carried out acts of prosecution;
- in the case of people aged 18 to 21, the prosecution rules specific to minor may apply, if the police/prosecutor considers it adequately and if they were minors when they became suspects;
- before the minor is heard for the first time by the police/prosecutor, they are informed about the rights they have – which are expressly mentioned by the law – in a language they can understand;
- the rules regarding minors under prosecution also apply to the young people aged less than 21, if when they were declared suspects they were minors;
- the person, who when committing the deed was minor, is prosecuted after the age of 18, will be judged according to the rules valid for minors only if the instance considers this thing appropriate.

More and more minors are involved in committing criminal deeds. Mass-media is full of news regarding minors who assault other minors and adults (teachers, parents, etc.). There are minors who steal, rape or even kill other persons. The acts of aggression sometimes are against homeless people, parents, teachers, and other children. It is also very serious the fact that these minors are helped, surrounded by other minors who, although they do not take part to committing crimes, with their passive attitude, are considered accomplices to actions, as is, for example, to film or register violence scene instead of informing the authorities about acts inconsistent with the law.

Romanian legislation mentions that only the persons already aged 14 will be prosecuted, and even in this case only if they have discernment, which has to be proved through a psychic medical and legal expertise. In the case of persons older than 16 of age, it is supposed to have discernment. Because of this regulation, minors younger than 14 of age who commit serious deeds should be put under family surveillance or, eventually, placed in a specialized centre, at the proposal of the General Directorate of Social Assistance and Child Protection. The members of VeDem Just consider that reality should not be ignored: nowadays many minors reach a degree of psychic development at a younger age than that of minors who lived a few decades ago. This is the reason why, in many countries, the age for criminal responsibility starts sooner compared to Romania: for example, in England it is 10 years old.

That is why the members of VeDem Just propose that no matter the minor's age they should be held liable for criminal offence as long as it was proved by psychic medical and legal expertise that they have discernment. This fact would allow minors younger than the present legal age, who committed serious deeds, to be institutionalised in special places for criminal minors, not to be let free, as it is the case in the present. An amendment of the Penal Code which has been valid since June 2021, is to sentence the deed of failing to denounce or inform the Police or the Public Prosecutor's Office, as soon as they have the possibility, when they witness or find out about the fact that a minor was sexually abused, a minor was put to beg, someone stimulated themselves in front of a minor younger than 14 of age, someone sent them a meesage text to a minor younger than 14 of age to invite them visualise a pornographic movie or someone invited at their place a minor younger than 16 of age to have intimate sexual relationships. Another amendment consists in increasing the penalty if someone does not immediately inform the authorities when they heard or witnessed a deed against life (articles 188-192) or a deed which had as a result the death of a person. A new crime was introduced which sentences to prison between 6 months and 2 years the person that witnesses, hears or finds out in any other way about a minor's trafficking or exploitation of vulnerable persons (articles 209-217) or against sexual freedom and integrity (articles 218-223). Also, beginning with year 2020, the rape crime and sexual conduct with a minor have become imprescriptible.

### **Study case**

From the date supplied by the Public Ministry, in the Yearly reports of activity, it is noticed that every day 9 to 10 minors are prosecuted for committing crime. Every day, about 2 minors commit a crime against the person, and every five days a minor is brought in front of the judge for conducting a sexual act against another minor or for having committed rape. From a statistical point of view, about 7% of all crimes are represented by the criminal act whose author is a minor. Of all crimes against persons committed by natural persons, about 5.6% of them are committed by minors (Table 1).

**Table 1 – Number of prosecuted cases when the accused are natural persons and minors, data taken from the Report activity of the Public Ministry**

Year	prosecuted natural persons	prosecuted minors (through indictments and agreements to recognize guilt)	prosecuted minors in temporary custody	natural persons prosecuted for crimes against persons	minors prosecuted for crimes against persons
2010	56,949	3,955	424	10,624	559
2011	60,980	4,148	492	10,262	506
2012	59,739	4,035	603	9,781	497
2013	65,711	4,431	517	10,730	545
2014	50,342	2,966	371	9,462	481
2015	58,909	3,548	446	11,539	572
2016	63,722	3,883	445	12,694	704
2017	59,839	3,882	480	11,868	739
2018	58,737	3,704	473	11,590	741
2019	62,072	3,850	460	11,733	766
2020	59,865	3,451	368	11,680	763

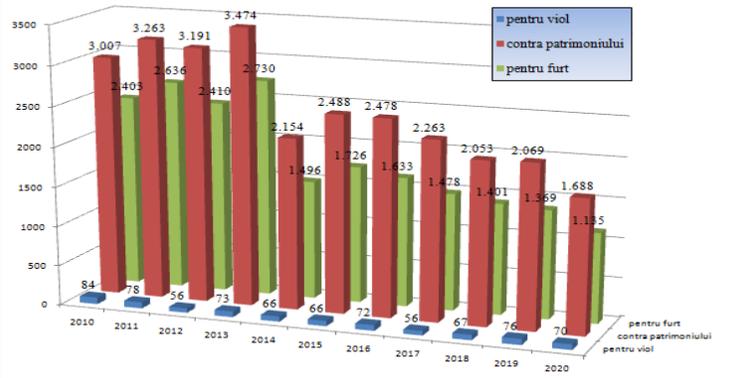
If we analyse the statistical data supplied by the Public Ministry, it seems that the number of crimes against patrimony decreased by a half: if in 2010 there were registered 3,000 crimes (Table no. 2), in 2020 their number decreased to 1,688 cases. In fact, it is this amendment of the law as well as the softening of penalties for minors. In exchange, the number of rape cases remained almost constant in the analysed period (Table no. 2).

**Table 2 – Number of minors prosecuted cases, data taken from the Report of activity of the Public Ministry Report of activity of the Public Ministry - The Public Prosecutor's Office attached to the High Court of Cassation and Justice**

Year	minors prosecuted for <i>rape</i>	minors prosecuted for crimes against patrimony	minors prosecuted for <i>theft</i>
2010	84	3,007	2,403
2011	78	3,263	2,636
2012	56	3,191	2,410
2013	73	3,474	2,730
2014	66	2,154	1,496
2015	66	2,488	1,726
2016	72	2,478	1,633
2017	56	2,263	1,478
2018	67	2,053	1,401
2019	76	2,069	1,369
2020	70	1,688	1,135

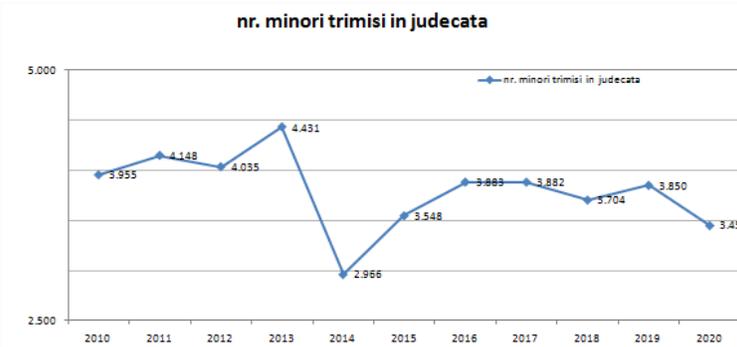
In the graphical representation it can be noticed that the largest number of crimes committed by minors are represented by the crimes against patrimony, followed by the theft (Graph 1).

**Graph 1 – Minors prosecuted for rape (in blue), crime against patrimony (in red) and theft (in green), between 2010 and 2020**



If we analyse the evolution of the total number of crimes committed by minors, it can be noticed in Graph no. 1 that their number didn't decrease very much. We can state that it is approximately constant. It is an alarming fact taking into account the fact that penalties for crimes committed by minors were reduced, and the sentence of imprisonment no longer applies in the case of minors.

**Graph 2 - Number of prosecuted minors, through indictments and agreements to recognize guilt, between 2010 and 2020**



### Psychological analysis

As we have stated before, the development of an individual is influenced by several external factors: entourage, family situation, school. There are multiple causes for a minor's deviant behaviour. A first cause may be the desire to draw attention on themselves, causing thrill to their parents as well as to their entourage. A teenager who has a hesitant behaviour to the rules they have to obey is introverted, not open to dialogue, does not accept ideas which may direct them to an appropriate behaviour. Also, the imagination of these young people lacks consistency. The young people from this category have a short memory. Affective memory is more developed than the verbal memory. Because of this, a certain state of opposability towards certain persons may persist, prevailing the feelings of rebellion and hate.

In general, a minor who has a behaviour which doesn't comply with the rules of good behaviour is not open to communication, the interaction with the entourage is intermittent. A young person with a deviant behaviour cannot control themselves, loses concentration, isn't coherent, and presents verbal as well physical aggressiveness. The imagination of these minors is not connected to reality, it doesn't have a solid basis. The vision of a teenage with such a behaviour is concealed, living with an imagination not connected to reality.

From a psychological point of view, in the case of a teenage with a deviant behaviour, the capacity to analyse and summarise is less developed. Regarding learning, they are based on imitating the negative behaviour of the persons in their entourage: friends, relatives, parents. They have low school results, not paying attention to education. This attitude, in some cases is encouraged by the family environment, the parents not supporting education, considering it a waste of time. The financial support of the family is produced by begging, theft, day labor, obligation to watch younger brothers, household works, etc.

Teenagers with a deviant behaviour do not pay a special attention to the hygienic and sanitary rules, are not taken care of, with a repulsive appearance in many cases. They have shortcomings in organising their own activities, in many cases they don't have their own activities, but imposed activities. In general, these teenagers have a wrong perception regarding their present and future role in society, that is why they do not pay attention to education. They have an emphasized tendency to stand out with a wrong behaviour, emphasized on lies, megalomania, directed to extremes, thus, in certain situations, worrying their family. And all these behaviours and attitudes are made in order to attract more fans. There are teenagers with deviant behaviour who have an intelligence quotient over average or superior. Nowadays, mass-media has an overwhelming influence on their behaviour having as a consequence the increase in the level of intelligence of juvenile delinquents

### **Measures to prevent juvenile delinquency**

Before preventing a phenomenon, it must be identified and there must be an interest in fighting or reducing its effects. A part of the teenagers with a deviant behaviour is due to the family who always compares the teenager with such a behaviour with other teenagers who have an appropriate behaviour, who lack excessive incidents. These teenagers are avoided by the mass of those considered "normal", being regarded as "weird", although in some cases this behaviour is adopted exactly in order to draw the attention of these teenagers, those from the "opposite side". That is why prevention is very important. Lately, the phenomenon of "bullying" is mentioned more and more. It could be discovered if parents would pay more attention to minors, if they would spend more time with them and would watch them attentively. On the other side, the child generally imitates what they see, what is easy to imitate. Physical or verbal aggressive behaviours are immediately adopted by children, noticing in this way that in a short time and very easily they get what they want. Thus, the teenager adopts this behaviour which becomes normal.

In many cases the parents humiliate their children without becoming aware of it. In many cases, through violence, they make their children do some things, considering that in this way they educate them. Other parents feel the need to show who they are and thus they

apply violence. The parents must make the child trust himself, must bring their contribution to the psychological formation of the child and the future teenager. The parents must assign more time to this “job”, that of being a parent. They must assign a lot of time to the child, be patient, and always have availability to move, be flexible in decisions, and leave to the child the impression that he is not always guided, supervised and restricted. They must be given the feeling of freedom. In exchange, the parent must always be informed by the child or teenager regarding their activities, friends, places they attend and the daily realities of the teenager. Because childhood events mark us and define the psychology of the future adult, the children who are the victims of bullying in family, society or school, show a lack of trust in themselves. On the other side, recent researches [8] show that bullying causes changes at brain level which have as an effect psychic disorders which influence memory. This aggressive behaviour of minors, at an early age, if it persists, may get worse and become a daily behaviour. That is why it is very important to discover the phenomenon at an early stage, and with a specialised help, be treated and eliminated. Aggressors must be taken seriously, must continuously discuss with them and they must understand the consequences of their actions.

To this goal, the society as well as the state must work together, adopt measures and support the actions of prevention and fight against aggressive deeds committed by minors. Nowadays, at European level, it is desired to statistically centralize the phenomenon from the member states, in a European Observer for Juvenile Delinquency, and apply some guiding measures to fight this phenomenon.

At school level, the persons who may have a positive effect on child regarding their socialisation (parents, teachers, colleagues, etc) must be involved in order to grant Prevention methods and techniques for juvenile delinquency, assistance for homeworks and to realise class activities on issues related to communication, networking with friends, conflict resolution etc.

## **Conclusions**

Juvenile delinquency in Romania is, in general, insufficiently researched and still at an early stage. Most of studies identified on the etiology of juvenile delinquency are based on quantitative methods (surveys and experiments) and offer few information on the social world of minor offenders. Although this phenomenon is alarming and unwanted, juvenile delinquency spread very much. The fact that the opportunities of young people are greater, information is more accessible, mass media always have news with and about minors, the fact that many of these children are the victims of adult diverse abuses, the development of nowadays children takes place much more rapidly than in the past, outdated legislation which do not take into account present times, all these lead to the increase in number of the cases in which minors break the law.

The legislation should be also strengthened regarding the crimes against children, thus limiting some rights of the offenders such as: parole, bail or suspended sentence, reduction of sentence for good behaviour, etc. Also, family must become more aware regarding the influence they have on children, the need to get involved in the life of children not only to increase their quality of life from the point of view of meeting their material needs, but also meeting their emotional needs, understanding and accepting them. The real number of crimes committed by minors cannot be known. Some crimes are never

discovered, other crimes cannot be proved, and in the case of others prosecutors consider that their prosecution is not necessary.

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## THE CONCEPT OF SOVEREIGNTY

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**Abstract:** *The aim of our paper is to emphasize that an abstract and rigid concept, such as sovereignty, must be understood in conjunction with the transformations of society as a whole, in the context of globalization, international cooperation and the achievement of common goals set by various intergovernmental organizations. non-governmental. An outdated and limited concept must be adapted and accepted in appropriate forms, so as to capture the realities of a constantly evolving world of the meanings of the notions and principles with which it operates. At the same time, we set out to capture the essential aspects of the evolution of the concept of sovereignty, from the socio-political mechanism through which it was formed to the innovative meaning it has today, trying to predict how foreshadows that it will be used in the future.*

**Keywords:** *sovereignty, European Union, integration, independence, public international law*

### Introduction

This paper aims to capture the essential aspects of the evolution of the concept of sovereignty, from the socio-political mechanism through which it was formed to the innovative meaning it has today, trying to predict the way in which it is foreshadowed that will be used in the future. Although it is a central concept of both international relations and domestic public policy, sovereignty adapts its meaning, like most fundamental notions, to the realities, context and expectations that society presupposes. We will begin by focusing on terminological clarifications in order to capture the need and the way in which the concept of sovereignty was constructed, both historically and doctrinally. In order to present the revolutionary way in which the concept of sovereignty is understood in the European Union, a community building of European states, we will expose the original meaning conferred by Westphalian sovereignty and arrive at the inevitable erosion of the concept of sovereignty as agreed with the integration. European Union and the return to classical and radical forms: Brexit, the ruling of the Constitutional Court of Poland and the huge scandal it generated, the direction in which Hungary is heading as foreshadowed in the statements of Prime Minister Viktor Orban. And although she is not a member of the European Union, we now mention the case of Ukraine, which Vladimir Putin said in 2021 on the official website of kremlin.ru that he understands that Ukraine's sovereignty can only exist in partnership with Russia.

We will start, however, specifying the general and abstract meaning that the concept has from the constitutional point of view, we will then present it strictly theoretically as a constituent element of the state, after which we will stop at all the meanings it implies, meanings presented from a historical point of view, successively, as the notion affected by the socio-political context has transformed, as we will see: Westphalian, secular, classical, modern sovereignty, sovereignty of the people, sovereignty of the nation, national sovereignty. We will expose the sui generis, unique and revolutionary form of the sovereignty of the member states of the European Union in relation to the European construction of which Romania is also a part. However, we will not ignore the presentation of the new idea of global, planetary sovereignty, as announced by the theorists of the green state. We will now conclude by presenting the aim of the paper, which is to emphasize that an abstract and rigid concept, such as sovereignty, must be understood in conjunction with the transformations of society as a whole, in the context of globalization, international cooperation and achieving common goals, various intergovernmental or even non-governmental organizations. An outdated and limited concept must be adapted and accepted in appropriate forms, so as to capture the realities of a constantly evolving world of the meanings of the notions and principles with which it operates.

### **The concept of sovereignty**

#### *The constitutional source of sovereignty*

Sovereignty is the exclusive right to exercise supreme political authority (legislative, judicial, executive) over a geographical region, over a group of people, or over themselves. The concept of sovereignty is at the confluence of several branches of law: constitutional law, public international law, community law, but it has a strong meaning and utility for areas that we will exemplify not at all exhaustive: civil law when it regulates people, general theory of law when defining concepts and principles, administrative law when presenting institutions or tax law when regulating the legal relations in which taxpayers participate. We understand the paramount importance of this notion for the rule of law since Article 1 paragraph 1 of the Romanian Constitution, which states categorically: "Romania is a nation state, sovereign and independent, unitary and indivisible." And art. 2 paragraph 1 details: "National sovereignty belongs to the Romanian people, who exercise it through its representative bodies, constituted by free, regular and fair elections, as well as by referendum". We will explain at the right time this idea, which for the time being we only intend to retain. However, we complete here with what Mircea Djuvara memorably stated in the General Theory of Law. Rational law, sources and positive law: "The state is an absolute reality, as it does not recognize any higher authority, as the private person recognizes the authority of the state. The state does not recognize anything superior to itself" (D, 1999).

The constitution of any state, as a fundamental law, contains essential organizational principles, which determine exactly who holds power and who exercises it, as well as the political, economic system, the system of state bodies, the area of competence and whether some powers have actually been given to another body, as we shall see below. Moreover, it was underlined: "The Constitution - the fundamental law of Romania - established a control of the constitutionality of laws, initiatives to revise the Constitution,

treaties or other international agreements, of the regulations of the Parliament, as well as of Government ordinances, through a special body, and specialized, namely the Constitutional Court” (N, 2010). However, legal sovereignty presupposes the ability of the state to legislate sovereignly and independently on its territory.

#### *The constituent elements of the state*

In essence, the state exists by bringing together three elements: a material element (territory), a personal element (population or nation) and a formal institutional element (sovereignty, in the sense of exclusive political authority). The formal institutional element refers to the power of the state, defined as a form of social authority that an individual or a group of individuals has over others to achieve a common, general goal, assumed even by community members or sometimes imposed on them by those who exercise power. Moreover, one of the features of state power is that it is sovereign, a feature designating the character of state power to be supreme in the territory of a state, that is, to know no power over it (internal sovereignty) and, equally, to be independent abroad, in relation to other states (external sovereignty). It is, therefore, "both the power of the commanding state in the interior, materialized in the elaboration of generally binding norms, and the behavior of the state in relation to other states, organizing its international relations, without any interference from the outside" (S. 2018)

### **The evolution of the concept**

#### *Westphalian sovereignty*

At the end of the Middle Ages and the beginning of modernity, under the religious pretext, the Thirty Years' War (1618 - 1648) took place between the Protestant Union (Swedish Empire, Kingdom of Bohemia, Kingdom of France, Kingdom of England and others) and the pro-imperial Catholic League (Holy Empire). Roman, Bavaria, Spanish Empire, Archduchy of Austria and others). The fight for hegemony in Europe was triggered by the incident known as the Prague Defenestration, which involved throwing three Catholic dignitaries out the window. Although they survive, the event has a general European conflict that will last 30 years and which, in the end, will completely change Europe, making it a continent of sovereign states. The property of Protestant non-believers was confiscated and handed over to Catholics, and this is considered to be the largest transfer of ownership in Central Europe. Europe becomes in chaos after a long period of continuous war, so that after losing its religious character (Catholics ally with Protestants to fight other Catholics) and all parties understand that there will be no winner, work begins on agreements and after five years of preparations in the province of Westphalia halfway between the Swedish capital and the French capital, the Westphalian Peace is being made. The euphoria of peace that initially engulfed everyone ends dramatically for many when they realize that, after a life of war, they do not know how to adapt to new conditions and new arrangements. However, the Treaty of Westphalia establishes the principle of state sovereignty, ie each signatory party undertakes to respect the territorial rights of the other parties and not to interfere in internal affairs. Post-Western Europe is a continent of sovereign states. This is the purest meaning of sovereignty, the original, uncomplicated meaning of this major concept. And, always when we refer to sovereignty in the strictest and narrowest sense, this is: that of Westphalian sovereignty.

Although considered a rudimentary form of the notion, Westphalian sovereignty encompasses the set of principles that first define the concept of national sovereignty, and the importance of this treaty for international law is that for the first time an international act recognized the equality of states as a principle of international law, and for the first time in history the independent states of Europe have united in an international community.

At the time, the concept of sovereignty meant the creation and assertion of the state in the international arena, the establishment of sovereignty as the internal autonomy of the Prince - who had emerged victorious over the Papacy, the equality of states in relations between them, the introduction of the balance of power as a means of peacekeeping. Monarchs, however, continued to be the expression of statehood, so that sovereignty was primarily about their person.

The doctrine of sovereignty developed as part of the transformation of the medieval European system into a modern state system, and this process culminated in the Treaty of Westphalia. Internationally, sovereignty has served as a basis for mutual recognition, on the basis of legal equality, but also as a basis for diplomacy and international law.

#### *The secular theory of sovereignty*

In his work *The Six Books of the Republic*, written in 1576, Jean Bodin (B, 1993) developed for the first time the theory of state sovereignty. Being a follower of the hereditary monarchy, as a form of state organization, he attributes the sovereignty to the king. Sovereignty, in Bodin's view, lies in the power of the state to make laws. Bodin is the author of the secular theory of sovereignty, making the king an independent sovereign from the outside, famous for his assertion that the sovereign prince is accountable only to God, and this idea led to the detachment of states from papal power (A, 2013). In addition, not only the secular character is defining for this sovereignty, but also the hereditary one, insofar as, at the death of a monarch, the title is inherited by his successor as we understand today the rules of civil law: it is transmitted to its legal or testamentary heirs, being inconceivable that a patrimony will remain without owner for some time" (B, 2001). But to the same extent, Bodin is the founder of the contemporary theory of sovereignty. The concept of state sovereignty was known to some extent in antiquity and in the Middle Ages, but it was Bodin who introduced the notion of state and sovereignty into political theory. In a classical sense of the definition developed by Jean Bodin, sovereignty is the absolute and perpetual power of a Republic, as a term used for both private individuals and those who held absolute control of the Republic. Sovereignty has, according to Bodin, five attributes or marks: the prerogative to appoint senior magistrates and to define the function of each; enactment or repeal of laws; declaring war or concluding peace; the right of judgment, of last resort; right to life and death (or pardon).

#### *State sovereignty*

The Dutch jurist and diplomat Hugo Grotius (1583-1645) made a special contribution to the development of the concept of sovereignty. He not only grounded the idea of sovereignty, but also delimited the sovereignty of the state from the sovereignty of the monarch. In his work *De jure belli ac pacis*, Grotius, analyzing a set of general and international norms of law, came to the conclusion of the need to differentiate the bearer of state power and the state as a subject of power and sovereignty.

### *The classical theory of sovereignty*

New ideas were developed by the French philosopher Jean-Jacques Rousseau (1712-1778), who most explicitly formulated the classical theory of sovereignty, based on the social contract in his famous work *The Social Contract*. Rousseau described the people as the holders of sovereignty, and the leaders of the state as submissive officials who can be removed at any time (P et al., 2010). In his view, Rousseau concluded that by concluding the social contract, a moral and collective body is created, a public person, called a state, when it is passive and sovereign, when it is active, making a clear distinction between the will of the community, the general will and the will of the citizens. By general will is conceived the will of the community as such, this being precisely the sovereignty (R, 2013). Rousseau stated that “there is no fundamental law in the state that cannot be revoked, including the social pact itself; for if all the citizens came together to break this pact by mutual agreement, no one would be able to doubt that it was broken very legitimately” (R, 2013). Basically, Rousseau's conception best explains how sovereignty is created and, ultimately, legitimized by citizens. Thus, individuals waive some of their rights and give other people rights, first and foremost the right to make decisions for them, but this delegation is based on a common goal, organization and efficiency, and this limitation must be understood precisely in the sense of freedom assumed, just as in the case of assignments of civil law: “autonomy of will, as well as contractual freedom, allow the assignment of debt” (B, 2009). In reality, sovereignty is legitimized precisely by a cession.

### *National sovereignty*

Sharing the concept that sovereignty belongs to the people, the French jurist and philosopher Charles Montesquieu (1689-1755) included in the scientific and political circuit the category of nation, attaching it to the notion of sovereignty, thus generating a new conception, namely that of national sovereignty. (M, 1964). In his work *Lessons in Legal Philosophy*, Giorgio del Vecchio, Italian philosopher, professor of law, argued: “the concept of sovereignty is correlated with the concept of state. A state is not such, or at least not perfectly so, if it lacks sovereignty. The so-called semi-sovereign states, states under protectorate or vassal states, represent imperfect state figures” (H, 2019).

### *Sovereignty of the people*

A new approach to the notion of sovereignty was presented by the English philosopher and politician John Locke (1632-1704). As a foundation of the struggle with the manifestations of despotism in the realization of state power, he imposed the principle of people's sovereignty. Arguing his conception in *Two Treatises of Government*, Locke points out that, based on his sovereign rights, “the people entrust the realization of state power to the legislative assembly, which the people themselves elect. Following this delegation, the people do not lose their status as sovereign. In case of necessity, the people have the right: to cancel the social contract; to remove or overthrow and / or modify the composition of its representatives within the power of the state; to revolt” (H, 2010). Popular sovereignty is the doctrine that the public powers of the state have their origin in a concessive granting of power to the people and is perhaps the cardinal doctrine of modern constitutional theory, placing full constitutional authority in the people in general rather than in the hands of some. judges, kings or a political elite. Although its classical formulation is found in the main theoretical treatments of the modern state, such as the

treatises of Hobbes, Locke and Rousseau, this book explores the intellectual origins of this doctrine and investigates its main source in late and early medieval times and modern thought.

Later, in the eighteenth century, there is that important translation from the sovereignty of the monarch to that of the nation or people, driven by the Declaration of Independence of the United States of America, later enshrined in the Declaration of Human and Citizen Rights and the Constitution of revolutionary France. An important step is taken by those who recognize the modeling and moderating characters of sovereignty, rejecting an idyllic image of perfect inalienable sovereignty. Georg Jellinek is one of the pioneers of moderating theories that bring about the self-limitation of sovereignty: in his view, states accept international law as a self-imposed necessity, but are often determined to violate this international norm. The state limits its sovereignty by sovereign will by committing itself through treaties and conventions, which means setting by its own decision the limits beyond which it does not want to go.

In the twentieth century, G. Scelle's conception reconsidered sovereignty as an amount of powers that states could delegate to a greater or lesser extent to international bodies. The twentieth century also brought about the creation of the League of Nations and later the United Nations, these bodies recognizing the quality of subject of international law to sovereign and independent states, their territorial and material competences and condemning the aggressions of some state entities over others. Sovereign equality of States has become one of the basic principles on which the Charter of the United Nations is based: Article 2 is relevant in this respect: The Organization is based on the principle of sovereign equality of all its Members. UN Resolution no. 2625 of 1970 defined the principle of sovereign equality by the following ideas: states are legally equal; each state enjoys the rights of full sovereignty; each state has the obligation to respect the personality of the other states; territorial integrity and political independence of the state are inviolable; each state has the right to freely choose and develop its political, social, economic and cultural system; each state has an obligation to respect its international commitments in full and in good faith and to live in peace with the other states. The 21st century brings new interpretations to the notion of sovereignty, caused by the intense global transformations that have affected the role and functions of the nation state.

#### *Sovereignty of the member states of the European Union*

In A Dictionary of the European Union, in the definition given to the sovereignty of the Member States, we find questions rather than answers: "the sovereignty of the Member States has been significantly diminished by their acceptance of the principles of the founding treaties and their subsequent amendments. The breach of national sovereignty has further increased with the accumulation of the *acquis communautaire*. The concrete effect is that while the European Union cannot be a sovereign body in the true political or legal sense, neither can the Member States. The issue of sovereignty has remained a controversial issue within the EU" (L, 2004). Sovereignty was a topic of great importance and topicality, especially in contemporary realities, given that the European project has seriously undermined the concept of sovereignty, as well as the scientific view of scientists on it. V. Popa reports that EU law inevitably "affects certain aspects of Member States' sovereignty. However, Member States have voluntarily transferred parts of their sovereignty to the European institutions in order to build a stronger and more efficient

Europe. EU states recognize that it is better for them to work together than as independent states and outside the Union”(P, 2015). However, Community law takes precedence over domestic law in all areas. In principle, domestic law must be harmonized with European rules, otherwise sanctions will be imposed on states, as is the case in Poland, which we will discuss immediately. Some authors consider that “legislative harmonization in the various areas of Community law depends to a large extent on the transposition and implementation of directives adopted by the Community institutions. The directives, according to art. 249 para. (3) of the Treaty establishing the European Community, do not operate automatically at national level, such as regulations, but, following publication in the Official Journal of the European Union, are transposed into national law by the adoption of legislation or other measures by national authorities.”(N, 2009).

### **The current concept**

In the vision of Professor I. Deleanu, expressed in the work *Constitutional Law and Political Institutions*, sovereignty represents that quality of state power, based on which this power has the vocation to adopt any political, legal, military, economic decision in all internal affairs and external, without any interference from another power. Additionally, in the monograph *Constitutional Institutions and Procedures*, he emphasizes that “sovereignty is not a magic word, an occult and miraculous force; it expresses the right of the state to decide for itself. However, sovereignty cannot be any pretext for arbitrariness, voluntarism, arrogance or self-consolation”(D, 2006). In the scientific article *The concept and content of sovereignty*, V. Puşcaş concludes: “the concept of sovereignty has been defined in countless ways, framed in different contexts by philosophers, lawyers, and the basic idea always remains the same, namely that the sovereignty of a state combines two elements. inseparable: the supremacy of power within the state and the independence of the state from other powers. Sovereignty is "the supreme authority with which the state is endowed by the people through constitutional democratic forms and, as the supreme power of the state, implies its exclusive competence over the national territory and its independence from any other external power" P, 2007). At the same time, Stephen D. Krasner identifies four meanings of the notion of sovereignty: internal sovereignty, which refers to the organization of public authority within a state and the level of effective control exercised by those in power; the sovereignty of interdependence, which aims at organizing the public authority to control cross-border movements (regulating the circulation of information, ideas, goods, population, pollution or capital beyond its borders); international legal sovereignty, which presupposes the mutual recognition of states or other entities; Westphalian sovereignty, which admits the exclusion of external actors from the configurations of internal authority (K, 1999). And, as V. Puşcaş argues, in contemporary constitutional doctrine, the content of sovereignty internally is characterized by the following general features: the original and plenary character is manifested by the fact that sovereignty is exercised and emanates directly from the people and cannot be attributed to others. powers outside the country. The prerogatives of sovereignty are plenary, because they include all areas of activity of the society organized in the state: political, economic, cultural, social, internal, external. The unique character of sovereignty consists in the non-existence of another power of the same nature, which competes with it. If the sovereignty of the people is unique, it turns out that the sovereignty of the state is essentially unique,

which does not exclude the division and separate exercise of state functions. The nature of indivisibility reveals that sovereignty, being unitary, cannot be divided into shares belonging to different holders. The inalienable character emphasizes that the nation cannot abandon, cede, lend or alienate definitively and irrevocably the sovereignty, either of a state or group of persons, or of some international organizations. The imprescriptible character holds that sovereignty exists as long as its holder exists: the respective people or nation. And the character of fullness expresses the fact that sovereignty cannot be restricted, arbitrarily limited by an internal or external power. The territory of a state can be subject to only one full sovereignty.

### **Erosion of the concept**

#### *Sovereignty, rest in peace!*

In the book published in 2020, with the alarming title *Sovereignty. Rest in peace*, Don Herzog wonders if there is anything left of the usefulness of the concept of sovereignty, insofar as it is assumed, according to classical theory, that the social order requires a sovereign: an actor with unlimited authority, undivided and irresponsible. But constitutionalism limits the authority of the state, federalism divides it, and the rule of law holds it accountable. Don Herzog presents both the political struggles that shaped sovereignty and those that shattered it. He claims that it is no longer a useful guide to our legal and political problems, but only a source of confusion. And he concludes: it is time to withdraw sovereignty. From the preface of the paper, Herzog tells us: “I do not come to praise the concept of sovereignty, but to bury it. Well, it's not exactly right: I'm not able to do the funeral myself. But I want to denounce the role of the concept in our politics and law as outdated and confusing. I want to propose to withdraw the concept, to learn to think, speak and act without relying on it. If you are instantly alarmed, if you are certainly thinking about it, we need to secure our national borders or protect state governments against federal power or avoid meddling in the internal affairs of other countries, then relax: I have little to say about such questions. I just want to insist that we do not appeal to sovereignty when we argue about them. It happens that I believe that once we remove the trunk eaten by the worms of sovereignty, everything we have built through sovereign immunity in tort law will collapse. And, good road! But it's not my goal in the end to pursue demolition work here. There are a lot of complicated problems here that cannot be completely solved, as I will say, through an appeal to sovereignty. We need to engage in arguments with as much detail as possible, case by case, on the merits. We can do this once we set aside sovereignty ”(H, 2020). Less dramatic, Bogdan Aurescu also presents in the *New Sovereignty* a critique, but also a solution to the problems generated by the change of the international context. In the approach of a complex analysis of the concept of sovereignty, it is of real importance to delimit the two aspects of sovereignty: the substance of sovereignty and its exercise, for a more real and comprehensive understanding of the issue of losing or limiting the sovereignty of the nation. The author argues in favor of non-absolute sovereignty, based on the premise that sovereignty is the fundamental concept of international law: substantial content ”(A, 2003), but neither can it be excessively restricted, unlimited, in both cases being in a situation of abuse of sovereignty. Substantial sovereignty is that indivisible, exclusive, inalienable, plenary component, enjoying an original character, being a complete portfolio of competences with identical and equal

content for all states, as an ideal potential for the state to realize all rights and to and assume all obligations under this content. The exercise of sovereignty is that which can be changed or reshaped and which can transform absolute sovereignty into a relative one. It is not the substance of sovereignty that is affected by the transformations of globalization, but the way it is exercised and it can be concluded that the thesis of total loss of national state sovereignty with the intensification of global and integrative-regional processes is impossible to sustain, because even if the state transfers certain attributes of sovereignty its supranational bodies, this approach is carried out with the deliberate consent of the sovereign state, which in turn keeps the substance of its sovereignty intact. And, without fully debating the issue, we will only mention in passing the consideration made by Elisa Barcan in the journal *Continuity and Change in European Governance* published by the Academic Club of European Studies, which considers that there is a juxtaposed sovereignty over the Member States of the European Union. Today's sovereign state, in the process of contemporary transformations, is not and cannot be identical with the sovereign state of past centuries or with the sovereign state of the first half of the twentieth century. It must respond to contemporary and future needs, unique and complex needs, in relation to which the sovereign state must adapt, transform, improve. Being the main feature of state power, which in turn is an important component of the state, sovereignty is a feature of the state itself. At the level of the European Union, and on the international stage in general, the states are each sovereign. The European Union is thus a juxtaposition of the sovereignty of the Member States. Therefore, sovereignty cannot be absolute, but each state must respect the sovereignty of the other states, as well as the rules of Community law. The evolution of states is accompanied by the evolution of the concept of sovereignty, which designates them. Therefore, the concept of sovereignty must, in the context of Europeanization, be rethought.

#### *The sarcasm of integration and disintegration*

At the same time that some European countries want to join the Union, others are doing their best to regain their autonomous status and the total sovereignty they had before being part of the European construction. The United Kingdom has already done so, Hungary is preparing from the shadows, Poland is reconsidering its constitutional concepts, and the French far right is threatening. The united Europe diplomatically ignores these signals, preparing sanctions. Brexit, the withdrawal of the United Kingdom from the European Union and Euratom in early 2020, is one of the biggest challenges facing the Union. For the first time, a Member State declares its intention to leave the Union, an event considered by Eurosceptics to be the beginning of disintegration. In his 2018 book, *EU after Brexit*, Francis Jacobs wonders what the consequences will be for the remaining 27 Member States and whether the EU will be weaker or stronger after the unity of European construction has been tested in this way. (I, 2018) And he concludes in this book that the unity of the Union is stronger, both economically and politically. Hungary's illiberal democracy is, in fact, a threatening hybrid of nationalism, authoritarianism, effective and subtle control over the media, but also over the electoral system and the justice system. Basically, in this club of European democracies, Hungary is a hybrid between dictatorship and democracy. And, although it seems impossible for an already member state not to respect the rule of law, the separation of powers in the state and the freedom of the press, in Viktor Orban's Hungary, all this is happening. Fidesz, once in power, changed the

Constitution and became almost a single party in the state, insofar as the elections are free, but the electoral system favors Fidesz, as has just been seen in the recent elections. In 2010 there is a shift towards nationalism, and in 2015 Orban's struggle with the EU begins, which wants Hungary not to become an economic colony of the EU. In a 2013 speech, Orban said: "People like me would like to do something significant, something extraordinary. History gives me this opportunity. When I was in leadership positions I was always faced with historical challenges. In a crisis, there is no need for institutional governance. What is needed is someone to tell people that risky decisions need to be made and to tell them to follow. We need strong national leaders now." (L, 2016)

On the other hand, Poland has been sued by the European Commission following the decisions of the Constitutional Court challenging the supremacy of EU law, in an escalation of the long-running battle between Brussels and Warsaw. The EU executive is concerned about the work of the Polish constitutional court, whose recent case law challenges the primacy of European law over domestic law. Poland's constitutional court ruled in July 2021 that the measures imposed by the European Court of Justice were unconstitutional, although it was agrees with the rule of law when it became a member of the Community bloc in 2004. The right-wing nationalist government Law and Justice (Pis), which came to power in 2015, tried to challenge this principle, while bringing domestic courts under political control. The EU lawsuit is a response to the July ruling and a similar one in October. Proof that Brussels has lost some of its patience is the statement of EU Justice Commissioner Didier Reynders: "We have tried to engage in a dialogue, but the situation is not improving. The fundamental elements of the EU legal order, especially the primacy of EU law, must be respected," said the European Commissioner. The commission also said it had serious doubts about the independence and impartiality of the Polish constitutional court, a body that includes former PiS MPs on its bench. More specifically, the Polish Government explicitly argues that the Commission's legal action is an attack on its sovereignty.

### **The prophetic concept of sovereignty: the greening of sovereignty**

In the book *The Green State. Rethinking democracy and sovereignty*, Robyn Eckersley explains why it might be necessary to create a green democratic state as an alternative to the classical liberal democratic state, the indiscriminate growth-dependent welfare state and the market-centric neoliberal state. In recent years, most environmental researchers and environmentalists have characterized the sovereign state as inefficient and criticized nations for perpetuating ecological destruction. Consciously going against the current line of thinking, this book argues that the state is still the preeminent political institution for addressing environmental issues. States remain the guardians of the global order, and greening the state is a necessary step, Eckersley argues, toward greening domestic and international policy and legislation. The green state seeks to connect the moral and practical concerns of the environmental movement with contemporary theories about the state, democracy and justice. Eckersley's proposed political ecology extends the boundaries of the moral community to include the natural environment in which the human community is embedded. This is the first book to explain the vision of a good green state, which explores obstacles to its achievement, and suggests practical constitutional and multilateral arrangements that could help transform the liberal-democratic state into a post-

liberal democratic green state. Rethinking the state in the light of the principles of ecological democracy finally throws him into a new role: that of ecological administrator and facilitator of cross-border democracy, rather than of a selfish actor who jealously protects his territory. Chapter VIII of the book introduces the term green sovereignty and, as a result, proposes significant changes in the understanding of global discourses on the environment, development, security and intervention, in order to highlight the extent to which legitimate state behavior must move in a greener direction. . (E, 2004)

## **Conclusions**

Although the concept is still far from showing its full significance, the understanding of the controversial meanings it has generated prepares us for a dynamic construction of the idea of state and international cooperation. However, this concept must either be rethought and accepted in the new form, or other notions must be found that fully respect the new realities. The problem remains open, but solutions will be found sooner or later. Even if the concept of sovereignty is useful and functional and still corresponds to the explanations of ideologies accepted as paradigm, however, the indissoluble link between state and sovereignty, understood from the perspective of complex and sometimes unstable realities, lead us to reconsider fundamental concepts in public international law. The present paper tried to capture precisely these expectations. Specifically, we presented the classic meanings of the concept of sovereignty that have been functional for centuries. We refer here, above all, to Westphalian sovereignty, the strictest and most rigid meaning of this notion. Although it meant a great gain in its emergence, this kind of sovereignty which presupposes independence in the strictest sense, today it can no longer accurately describe reality. Because, as we have seen, in the case of the Member States of the European Union, we have spoken of a shared or juxtaposed sovereignty. However, we must understand that this complex adaptation does not detract from the essence of the concept, insofar as it is the states themselves that consciously, voluntarily and supported by the public vote are those that delegate powers to a common structure for security and prosperity.

What we must keep in mind, however, is that sovereignty receives new connotations and conceptual additions in order to respond to new social and political requirements. The concept should not be completely removed, but only adapted, because it still remains fundamental and meets some still current requirements. The changes are only nuanced, but the conceptual core will continue to be used efficiently. It is difficult to imagine a paradoxical perspective in which states will give up this term. We refer in this scenario to all states. And we cannot expect that exhaustively, all the elements of the multitude of the states of the world will be understood to give up this concept simultaneously. Excusing this hypothesis, all we have to do is adapt and readjust this permissive and malleable concept.

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