

EFFECTS OF INDIGENIZATION ON FINANCIAL DEVELOPMENT

F. ZIMUNYA

22692029

**Thesis submitted in partial fulfilment of the requirements for the degree Doctor of
Philosophy (PhD) in Business Management at the Mafikeng Campus of the North-
West University**

Promoter: Prof Jan Kruger

November, 2016

PREFACE

THE EFFECTS OF INDIGENIZATION ON FINANCIAL DEVELOPMENT

The scale of global financial crisis has stimulated the researcher to find out if some economic interventions put in place by governments do not have negative effects on financial development. The researcher chose to study indigenization.

The purpose of this study was to establish the effects of indigenization on financial development and to develop an economic model based on those effects. The model assists policy makers of different institutions in different countries to craft indigenization policies which are clear and easy to understand with no ambiguity and loop holes to be taken advantage of. In many cases, the opaqueness of the laws themselves can provide ample opportunities for corrupt officials to solicit bribes.

Based on a sample of 49 representative world countries, the researcher used data collected by different world organizations which are the World Bank, the International Monetary Fund and the United Nations. The data was presented in the form of reports which included some indices which are Financial Development index (FDI), Human Development Index (HDI), Technology Index (TI) and Corruption Perceptions Index (CPI), Foreign Direct Investment Confidence Index and other reports like List of countries by received Foreign Direct Investment (FDI). The data covers five years from 2008 to 2012. Panel data regression analysis was used to analyse the data, after which the study revealed that, on average, indigenization had a significant downward effect on financial development, initially with indigenization of manpower contributing more,

followed by indigenization of technology and then that of ownership and control. However, after corruption was factored in, it emerged as the leading contributor affecting the downward trend of financial development followed by indigenization of technology. The study therefore made recommendations predominantly on to curb corruption.

DEDICATION

This thesis is dedicated to my late parents, Mr Lovemore Goromonzi and Mrs Tabeth Goromonzi. I hope that this achievement will complete the dream they always had when they chose to educate me as a girl-child against many odds and gave me the best support they could.

ACKNOWLEDGEMENTS

I would like to thank God Almighty for all the blessings and opportunities bestowed upon me throughout this study.

I am greatly indebted and would like to express my sincere gratitude to my promotor Professor Jan Kruger from UNISA whose scholarly motivation, guidance and patience helped me to complete this work. I would like to thank the statistics department at North-West University for assisting with statistical knowledge that helped to shape the research study. My appreciation goes to the Information & Communication Technology (ICT) personnel of Solusi University in Zimbabwe who assisted with relevant technical knowledge to fine tune the research document. I also would like to thank Professor Annette Combrink for an excellent job of editing the research document and putting it into its correct perspective.

I owe a lot of gratitude to my dear husband, Meshack Zimunya, for his love, care, encouragement and understanding as I struggled through this study. He spent a lot of lonely times when I disappeared in the study room to work on the research. I appreciate his effort when he took time to travel with me to and from North-West University in Mafeking, South Africa to attend some colloquia. He also accompanied me to and from UNISA in Midrand South Africa to consult with my promoter. He will definitely be relieved now that the “madness” is over.

I sincerely appreciate the support I got from all my children and their spouses. My special thanks goes to my eldest child Brian Tatenda Zimunya for assisting me with

typing and the graphics necessary for the quality presentation in the thesis document. I hope and pray that this piece of work will always serve as an encouragement and motivation to all my children and grandchildren.

ABSTRACT

The research examines the effect of indigenization on financial development using secondary data from 2008–2012. A sample of 49 countries, using the financial development index (FDI), revealed that, Indigenization had a significant downward effect on financial development. Indigenization of manpower and that of technology had a significant negative effect on financial development with indigenization of manpower contributing more than indigenization of technology. When corruption was factored in, the negative effect became worse with corruption taking over indigenization of manpower as a leading effect followed by indigenization of technology. This means that when manpower is indigenized and developed, the potential positive effect gets diluted by corruption resulting in corruption's negative effect on financial development. Regarding indigenization of technology, corruption takes place at the stage of training indigenous people to use the transferred technology to its full capacity. The providers of technology choose not to fully empower the receivers of technology forcing them to return to the providers when things do not work out. This research developed an economic model showing that financial development could improve if corruption's influence on indigenization was minimized.

TABLE OF CONTENTS

PREFACE.....	i
DEDICATION:	iii
ACKNOWLEDGEMENTS.....	
..... iv	
ABSTRACT	vi
TABLE OF CONTENTS.....	vii
LIST OF TABLES.....	xii
LIST OF FIGURES.....	xv
CHAPTER 1.....	1
1.1 INTRODUCTION	1
1.2 PROBLEM STATEMENT	3
1.3 AIM OF THE STUDY	3
1.4 SIGNIFICANCE OF THE STUDY	4
1.5 RESEARCH QUESTION(S)	5
1.6 HYPOTHESIS.....	5
1.7 CONCEPTUAL FRAMEWORK.....	6
1.8 ASSUMPTIONS OF THE STUDY	6
1.9 THE DELIMITATIONS OF THE STUDY:.....	7

1.10 DEFINITION OF KEY TERMS.....	7
1.11 ABBREVIATIONS.....	11
1.12 ORGANIZATION OF THE STUDY	12
CHAPTER TWO.....	13
LITERATURE REVIEW	Error! Bookmark not defined.
2.1 INTRODUCTION	13
2.2 MEANING OF FINANCIAL DEVELOPMENT	13
2.3 FUNCTIONS OF FINANCIAL DEVELOPMENT	14
2.3.1 Producing information <i>ex ante</i> about possible investments and allocate capital.....	15
2.3.2 Mobilizing and pooling of savings.....	15
2.3.3 Monitoring investments and exert corporate governance after providing finance.	16
2.3.4 Facilitating the trading, diversification, and management of risk	16
2.3.5 Easing the exchange of goods and services.	17
2.4 DETERMINANTS OF FINANCIAL DEVELOPMENT	17
2.4.1 Policymakers.....	199
2.4.2 Financial intermediaries and markets.....	233
2.4.3 Financial access.....	28
2.5 MEANING OF INDIGENIZATION.....	30

2.6 TYPES OF INDIGENIZATION	32
2.6.1 Indigenization of ownership.....	32
2.6.2 Indigenization of control	344
2.6.3 Indigenization of manpower	377
2.6.4 Indigenization of technology.....	388
2.7 MEANING OF CORRUPTION.....	39
2.8 PRACTICAL PROBLEMS	40
2.8.1 The dynamism of the economy and corruption	40
2.8.2 Lack of capital resources.....	41
2.8.3 Lack of indigenous technical managerial and entrepreneurial manpower	44
2.8.4 Lack of popular participation in the indigenization process	45
2.8.5 The rediscovery of self-confidence by the average citizens	45
2.9 WEALTH CREATION	466
2.10 DEPENDENCY THEORY	488
2.11 EXISTING INDIGENIZATION MODELS.....	533
2.11.1 Public sector-led indigenization model	544
2.11.2 Private sector-led indigenization model.....	588
2.11.3 Mixed economy indigenization model	60
2.11.4 Employee share ownership model	633

2.11.5 Limitations of indigenization under the discussed models.....	66
CHAPTER THREE.....	71
METHODOLOGY.....	71
3.1 INTRODUCTION	Error! Bookmark not defined.1
3.2 RESEARCH DESIGN	71
3.2.1 Financial development measurement	72
3.2.2 Indigenization measurement	73
3.2.3 Corruption measurement.....	73
3.3 POPULATION.....	73
3.4 SAMPLE AND SAMPING PROCEDURE.....	.74
3.5 DATA COLLECTIg ON AND PROCEDURE	74
3.5.1 Levels of financial development	77
3.5.2 Levels of Indigenization.....	78
3.5.3 Levels of corruption.....	83
3.6 DATA ANALYSIS.....	85
3.7 RESULTS	87
3.8 CONCLUSION.....	87
CHAPTER FOUR.....	88
4.1 INTRODUCTION	88

4.2 DESCRIPTION OF THE SAMPLE.....	88
4.3 DEPENDENT VARIABLE AND ITS SUB-VARIABLES.....	89
4.4 INDEPENDENT VARIABLE AND ITS SUB-VARIABLES	89
4.5 DESCRIPTIVE STATISTICS OF FINANCIAL DEVELOPMENT.....	90
4.6 DATA ANALYSIS.....	94
4.7 MODEL TESTING.....	108
CHAPTER FIVE	113
SUMMARY OF THE STUDY, FINDINGS, CONCLUSIONS AND RECOMMENDATIONS.....	113
5.1 INTRODUCTION.....	113
5.2 SUMMARY OF THE STUDY	113
5.3 FINDINGS.....	1155
5.4 SUGGESTED MODEL (model 4)	120
5.5 MODEL CONFIRMING.....	1274
5.6 CONCLUSION.....	1288
5.7 RECOMMENDATIONS.....	129
BIBLIOGRAPHY	13739
ANNEXURERS	15758

LIST OF TABLES

Table 2.1	Financial Development Index, 2008-2012	29
Table 3.1	Financial Development Index (FDI) 2012	77
Table 3.2	Indigenization Country Rankings	82
Table 3.3	CPI Index for 2012	84
Table 4.1	Pillar 1 - INSTITUTIONAL ENVIRONMENT	90
Table 4.2	Pillar 2 - BUSINESS ENVIRONMENT	91
Table 4.3	Pillar 3 – FINANCIAL STABILITY	91
Table 4.4	Pillar 4 – BANKING FINANCIAL SERVICES	92
Table 4.5	Pillar 5 - NON-BANKING FINANCIAL SERVICES	92
Table 4.6	Pillar 6 – FINANCIAL MARKETS	93
Table 4.7	Pillar 7 – FINANCIAL ACCESS	93
Table 4.8	OVERALL	94
Table 4.9	Hausman Test for Random Effects	96
Table 4.10	F-test for no fixed-effects (one-way fixed effects)	96
Table 4.11	Parameter Estimates (one-way fixed effects)	97
Table 4.12	Fit Statistics (one-way fixed effects)	98
Table 4.13	Hausman Test for Random Effects	99
Table 4.14	F-test for No Fixed Effects	99

Table 4.15	Parameter estimates for Pooled OLS regression	100
Table 4.16	Fit statistics for the pooled-OLS regression	101
Table 4.17	Relationship between indigenization of ownership and corruption	101
Table 4.18	Spearman's Rank Correlation	102
Table 4.19	Relationship between Indigenization of manpower and level of corruption	103
Table 4.20	Spearman's Rank Correlation	103
Table 4.21	Relationship between indigenization of technology and level of corruption	104
Table 4.22	Spearman rank correlation	105
Table 4.23	Hausman test	106
Table 4.24	F-test for No Fixed Effects	107
Table 4.25	Parameter estimates for one-way fixed effects regression.	107
Table 4.26	Fit statistics for the one-way fixed effects model	108
Table 4.27	Fit statistics (one-way fixed effects)	108
Table 4.28	Fit statistics for the pooled-OLS regression	110
Table 4.29	Fit statistics for the one-way fixed effects model	111
Table 5.1	Fit Statistics (one-way fixed effects) (model 1)	120
Table 5.2	Fit statistics for the pooled-OLS regression (mode 3)	120

Table 5.3	Hausman Test for Random Effects	121
Table 5.4	F Test for no fixed effects	121
Table 5.5	Parameter Estimates	121
Table 5.6	Fit statistics	122
Table 5.7	Prediction of FDI Level CPI and Indigenization of technology	124

LIST OF FIGURES

Figure 1.1	Conceptual framework	6
Figure 2.1	Financial development determinants	18
Figure 3.1	Choosing the correct model for panel data regression analysis	85
Figure 4.1	Model 1 Scatter Plot	109
Figure 4.2	Model 2 Scatter Plot	110
Figure 4.3	Model 3 Scatter plot	112
Figure 5.1	Suggested Model (Model 4) Scatter plot	122
Figure 5.2	Proposed Model (CORTEC)	124
Figure 5.3	Maslow's Hierarchy of Needs	126
Figure 5.4	Proposed circular flow of money	135

CHAPTER ONE

1.1 INTRODUCTION

Financial development involves institutions and policies that ensure successful intermediation and developed financial systems. It is universally accepted that economic growth in any given economy depends heavily on a developed and efficient financial system (Jalil & Feridum, 2011). Appropriate allocation of risks and channelling of funds to the most productive uses is attainable only through a properly functioning financial system. It ensures an optimal allocation of scarce resources to deserving investment projects, thereby enhancing economic growth (Demirguc-Kunt, 2013). Mahajan and Verma (2014) confirm that point by stating that the deployment of funds to high return investments results in high levels of economic growth. Empirical analyses at different levels from firm level to cross country level reveal a strong connection between a well-performing financial system, and economic growth. Cihak, Demirguc-Kunt, Feyen and Levine (2013), also add on to this observation by asserting that key features of a well-functioning and developed financial system are being good at mobilization of savings, monitoring of investments, production of information about potential investments, making easy exchange of goods and services and good risk management. It therefore follows that any factor which impedes the efficiency of a financial system has negative implications for economic growth of any economy in the world.

However, despite all the convincing evidence leading to a conclusion that economic growth of any given country is highly influenced by financial development, analyses of the financial sector are often done without checking how some economic interventions affect levels of financial development in various countries. Some of the

interventions could be in the form of direct laws, regulations of a country and macro-economic policies shaping financial sector operations. Indigenization is an intervention, whose effect on financial development the researcher investigates.

According to Ogbuagu and Chibuzo (2013), indigenization is explained as setting apart specific business activities and targeting them for exclusive ownership and control by indigenous people in a given economy. This is achieved by allowing locals to participate in the mainstream economy increasing local ownership and control of business entities resulting in indigenizing foreign-owned organizations. Indigenization may be achieved through a number of ways such as making sure that the proportion of local capital of managers and skilled workers at all levels is increased. Cammett and Posusney (2010) reveal that increased efforts to train local managers and workers could be another form of indigenization. Porter (2014) confirms this point when he asserts that indigenizing the organizational structures of local organizations affiliated to multinationals results in increasing the control of the indigenes over the activities of affiliates. That way the decision making process of the affiliates is increased in the hands of indigenes.

It is, however, unfortunate that indigenization efforts in many developing countries are surrounded by malpractices resulting in indigenization not being done for noble reasons. Some of the malpractices could include bribing high-powered government officers involved in politics or selfish use of technology and some innovations while they pretend to empower local people (Reinhard, 2012). Afolayan (2013) confirms this when he states that there is a growing belief among multinational companies about the use of corrupt practices to undermine the host countries' policies in order

to promote their own corporate interests. Unfortunately, they have found ready collaborators among the host countries.

From the account given above, indigenization efforts seem to be frustrated by corruption. According to Transparency International (2012) which leads the fight against corruption, description of corruption is given as the abuse of power for selfish benefit. This takes place when politicians put their own interests over and above those of the members of the public, and when officials demand favours in different forms from citizens for services that should be given free. When that happens very few resources find their way to the financial sector where the resources should be channelled and then directed to the productive indigenous business sector resulting in wealth creation and consequently, financial development.

1.2 PROBLEM STATEMENT

An economic model that establishes the extent to which indigenization affects financial development should be developed. The model will improve the financial status of indigenous people and as a result will contribute positively to the financial development of the financial systems of the world economies at large.

1.3 AIM OF THE STUDY

The study's aim is to develop an economic model that establishes the extent to which indigenization affects financial development and improve the financial status of indigenous people and consequently improve the overall financial development for all economies at large. By implication, the model should place greater prominence on the following:

1. Creation of wealth through the participation of the indigenous people.
2. To make sure that foreign companies comply with the country's indigenization laws and regulations without seeking to enrich a few individuals.
3. To ensure that resources generated by the indigenous entrepreneurs find their way to the country's financial sector, thereby enhancing financial development.

1.4 SIGNIFICANCE OF THE STUDY

The development of a model that encourages wealth creation through the participation of the indigenous people is important to the field of social sciences because it adds value to the existing development theories which tend to make developing economies rely too much on industrialized economies to assist them to develop. The model assists policy-makers of different institutions in different countries to craft indigenization policies which are clear and easy to understand with no ambiguity and loopholes to be taken advantage of. In many cases, the opacity of the law itself can provide ample opportunities for corrupt officials to solicit bribes (Afolayan, 2013). The model is also very important to the general population because they will have opportunities to participate in wealth creation for their economic benefit and the benefit of their economies in general. They will be able to improve their own standard of living as they contribute to the economic development of their countries.

The developed model that focuses on wealth creation through participation of the indigenous people is significant to the **Dependency theory** which tends to encourage developing economies to heavily rely on the industrialized economies for

survival and development. It is significant because it is a departure from too much dependence on developed countries for assistance in order to develop.

1.5 RESEARCH QUESTIONS

1. What is the effect of indigenization of ownership, of control, of manpower and of technology on financial development?
2. Is there any relationship between indigenization of ownership, of control, of manpower of technology and corruption?
3. Does the effect of indigenization of ownership, of control, of manpower and of technology on financial development change for worse after considering corruption as a moderating variable?

1.6 HYPOTHESES

H₀₁: Indigenization of ownership, of control, of manpower and of technology has no effect on financial development.

H₁: Indigenization of ownership, of control, of manpower and of technology has an effect on financial development.

H₀₂: There is no relationship between Indigenization of ownership, of control, of manpower, of technology and corruption.

H₂: There is a relationship between Indigenization of ownership, of control, of manpower, of technology and corruption.

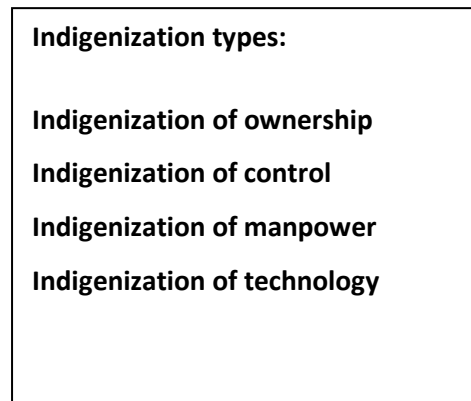
H₀₃: The effect of indigenization of ownership, of control, of manpower and of technology on financial development does not change after considering corruption as a moderating variable.

H₃ The effect of indigenization of ownership, of control, of manpower and of technology on financial development changes for worse after considering corruption as a moderating variable.

1.7 CONCEPTUAL FRAMEWORK

INDEPENDENT VARIABLE

INDIGENIZATION



DEPENDENT VARIABLE

FINANCIAL DEVELOPMENT



MODERATING VARIABLE



Figure 1.1 Conceptual framework

The conceptual framework as shown in figure 1.1 above spells out the dependent variable which is financial development and its sub-variables as indicated as p1 to 7. The figure shows the independent variable which is indigenization and the sub-variables indicated as four different types of indigenization. The figure also shows a moderating variable as corruption.

1.8 ASSUMPTIONS OF THE STUDY

In carrying out this study, serial assumptions were made:

1. The researcher assumes that data found in secondary sources is factual and has been scientifically collected.
2. It is assumed that the samples studied are representative of the population of interest.
3. It is assumed that most governments may not be aware of the effects indigenization has on financial development which is of paramount importance to economic development.

1.9 THE DELIMITATIONS OF THE STUDY:

The scope of the study was limited to establish the effects of indigenization on financial development without discussing other possible determinants of financial development.

1.10 DEFINITION OF KEY TERMS

Indigenization is a process of absorbing indigenous people's ideas and values thereby increasing their control over the operations of industrial organizations (Reinhard, 2012).

Indigenization of ownership aims at giving the indigenous people of a country either individually or collectively, ownership in the activities of their economies. Such indigenization of ownership can be done through owning shares in either a public company or in a private enterprise and even in both.

Indigenization of control enables indigenes of a country to exercise control through boards of directors on policies of the enterprises.

Indigenization of manpower aims at developing indigenous competence in modern industrial and commercial operation and management of enterprises.

Indigenization of technology entails acquisition and adaptation of technology in order to match imported techniques to local conditions.

Financial Development includes factors, policies and institutions that result in effective intermediation and efficient financial markets (Levine 2011).

Financial Development Index (FDI) is an indicator of financial development which was developed by the World Economic Forum (WEF) in collaboration with the academic community, multilateral organizations and business leaders.

A Financial Development Report is created as a result of efforts put together by various institutions of the world including those involved in academia and those who represent a number of different parts of civil society.

Financial development pillars of the (FDI) index is how the measures of financial development were captured in an index using 7 determinants known as pillars which are institutional environment, business environment, financial stability, banking financial services, non-banking financial services financial markets and financial access.

Institutional environment includes liberalization of the financial sector, the way companies are directed and controlled, regulatory issues, and enforcement of contracts.

Business environment considers availability of skilled workforce, physical infrastructure, costs of doing business and tax system.

Financial stability embraces sovereign debt crises, the risk of currency crises and systemic banking crises

Banking financial services include financial information disclosure and measures efficiency as well as size of financial services.

Non-banking financial services include financial intermediaries such as broker dealers, traditional asset managers and insurance companies and they provide complementary services to the banks.

Financial markets encompass equity and bond market development, foreign exchange as well as derivatives markets.

Financial access concerns itself with assessment of both commercial and retail access to finance.

Size reflects the size of savings and investments.

Depth of a financial system refers to the bulk of money accessible in any form - it could be cash or assets, mutual funds bonds, etc.

Efficiency refers to the soundness of a financial system.

FDI score and ranking

The variables which affect financial development are scaled on a 1 – 7 scale based on the 7 pillars of financial development, 1 representing least advantageous and 7 being the most advantageous to financial development. To facilitate comparison among the pillars, it is important to note that all the pillars have been weighed equally at 14.29% contribution to financial development.

Creation of Wealth In this study, it means addition of value to available resources through use of land, materials, labour and technology by indigenous people.

A model is a simplified version of a phenomenon or an aspect of the real world and is often used to describe an application of a theory for a particular case.

Liquidity risk can be explained as risk taken by banks when they sell some of their assets at a loss to cater for immediate cash obligations (Levine 2011).

Dependency theory is a theory based on the belief that resources flow from under-developed states to developed states, enriching the already privileged states at the expense of the under-privileged states.

Corruption is a wrong use of power for selfish benefit in both public and private sectors.

Corruption Perception Index (CPI) is a measure that puts together various sources of information about corruption, making it possible to compare countries. It captures information about bribes by public officials and about the administrative and political aspects of corruption including questions that probe the strength and effectiveness of public sector anti-corruption efforts.

1.11 ABBREVIATIONS

AAPAM	African Association of Public Administration and Management
BEE	Black Economic Empowerment
BBBEE	Broad-Based Black Economic Empowerment
BMA	Bayesian Model
BPE	Bureau of Public Enterprise
CPI	Corruption Perceptions Index
EPA	European Productivity Agency
ESOPs	Employee Stock Ownership Plans
ESPP	Employee Stock Purchasing Plans
FCPA	Foreign Corrupt Practices Act
FD	Financial development
FDI	Financial Development Index
FDI	Foreign Direct Investment
GDP	Gross Dom
GFDR	Global Financial Development Report
GNI	Gross National Income
HDI	Human Development Index
IAEE	Indigenous Australian Economic Empowerment
IED	Indigenous Economic Development
IPAs	Investment Promotion Agencies
MNEs	Multinational Corporations
NBFC	Non-Banking Financial Companies
NEPAD	New Economic Partnership for Africa's Development
OECD	Organization for Economic Co-operation and development
PSM	Public Sector Management
UNDESA	United Nations Department of Economic and Social Affairs
UNCTAD	United Nations Conference on Trade and Development
UNESCO	United Nations Educational, Scientific and Cultural Organization
WEF	World Economic Forum

1.12 ORGANIZATION OF THE STUDY

Chapter One discusses the motivation of the study, what it is that needs to be solved by the study, its objectives, significance of the study, research questions, hypotheses and assumptions, delimitation of the study, operation definitions and the organization of the study.

Chapter Two lays up the foundation of the study by reviewing of the related literature on researchers who developed some models which examined the causes and the effects on financial systems.

Chapter Three discusses the methodology which spells out how the proposed economic model is developed.

Chapter Four includes the presentation, analysis and interpretation of collected data.

Chapter five gives a summary of the study, conclusions and recommendations.

Appendices: This section covers additional information which is relevant but not part of the main document.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

This chapter reports on what other researchers, experts and theorists have already said about indigenization and its impact on financial development with the aim of developing an economic model that will improve the financial status of indigenous people and also improve the financial development of world economies. The dependent variable in this study is financial development and the independent variable is indigenization. The literature review is organized around the research related to financial development and any sub-components of that dependent variable and the research related to indigenization and any sub-components of that independent variable.

2.2 MEANING OF FINANCIAL DEVELOPMENT

As stated in *The Financial Development Report* (2012), financial development involves policies and institutions that result in successful intermediation and develop efficient financial systems. Efficient intermediation ensures optimal mobilization and allocation of attained financial resources to the most deserving and productive projects resulting in an effective financial system. This point is supported by Esso (2010) who states that collecting of savings and distribution of capital to productive ventures is enhanced when the financial system is developed. In the same vein Mantecon (2011) adds on to indicate that risk diversification and more effective capital allocation are offered by powerful financial system. It is also observed that development of financial systems brings down the level of asymmetrical information

because developed financial systems offer highly specialized services and very efficient operations resulting in reduced informational asymmetry in the market (Jailil & Feridum, 2011). When that takes place investors can have confidence in the forecasts by the financial intermediaries in developed financial systems. In this way, the value of and trust in information go up and more investors get attracted to invest even more. Lynch, Puckett and Yan (2014) posit that efficient financial institutions help to eliminate agency difficulties by checking on investors and making sure that they are making productive use of the granted loans rather than spending them on conspicuous private consumption or otherwise cheating the ultimate lenders.

2.3 FUNCTIONS OF FINANCIAL DEVELOPMENT

A growing body of empirical studies at different varying levels as supported by Beck and Demirguc-Kunt (2006), country-level studies as confirmed by Adu, Marbuah and Mensah (2013), time series studies empirically analysed by Jailil and Ying (2008), panel investigations as investigated by Mhadhbi (2014) and even broad cross-country level comparisons, as supported by Sarmargandi, Fidrmuc and Ghosh (2015) show a strong link between economic growth and efficient financial systems.

Levine (2011) states that financial development results in improvement in the following areas:

1. Production of information about possible investments and distribution of available capital.
2. Savings mobilization.
3. Following up on investments and expecting good corporate governance practices after the provision of finance.

4. Facilitating for diversification and management of risk.
5. Enabling the exchange of goods and services.

2.3.1 Production of information about possible investments and distribution of capital

A developed financial system cuts down the expenses of acquiring and processing information and that results in cost-effective resource allocation. With no financial intermediaries each investor would be confronted with high fixed costs in connection with the evaluation of firms, managers and economic conditions (Easterly & Levine, 2011). Since entrepreneurs need capital and that capital is not easily available, more promising firms are funded by intermediaries that gather relevant information on firms to enable efficient allocation of capital (Nasir, Ali & Khokhar, 2014). Financial intermediaries may also improve the rate of innovation by identifying entrepreneurs who have the capacity to succeed and initiate new goods and production processes (Morales, 2014).

2.3.2 Savings mobilization

Mobilization of savings involves bringing down the costs associated with collecting savings from different individuals and overcoming the informational asymmetries associated with making savers feel comfortable to release their savings (Oke, Olayemi and Michael 2013). Financial systems that are more efficient at putting together the savings of individuals can affect economic development in a great way by increasing savings, through exploiting economies of scale, and overcoming investment indivisibilities ((Agbemava, Nyarko, Asimah, Sedzro and Antor,2016). Besides the direct effect of improving savings accumulation can improve resource

allocation and also enhance technological innovation. Without efforts to reach varied investors, many production processes would be limited to inefficient scales (Agbonlahor, Enilolobo, Sodilaya & Oke, 2012).

2.3.3 Monitoring investments and exert corporate governance after providing funds

The level of provision of capital to a firm and the level of supervision of the use of that capital may have negative effects on both savings and allocations decisions. In addition, if there are no financial arrangements that encourage good corporate governance after providing finance, that may go against the mobilization of savings and also keep capital from flowing to profitable investments (Todorovic 2013). It therefore follows that good corporate governance mechanisms directly influence firms' performance with potentially large ramifications for national economic growth rates (Nitin, 2014).

2.3.4 Facilitating the diversification, and risk management

Diversification of risks facilitated by a financial system can affect economic growth by positively changing resource allocation and rates of savings. Miller (2013) states that generally savers do not like risk, and yet high-return projects have a tendency to be riskier than low-return projects. Thus financial systems that make it easier for people to diversify risk tend to encourage a portfolio shift toward projects with higher expected returns thereby resulting in positive consequences on economic growth (Sunitha & Raju, 2013).

2.3.5 Making exchange of goods and services easy

Financial arrangements that lower transaction costs will facilitate better specialization and making exchange of goods and services easy (Wright, 2011). This point is supported by Greenwood, Sanchez and Wang (2013) who state that financial arrangements that bring costs down promote specialization and economic growth. The three authors (Greenwood, Sanchez & Wang, 2013) have developed the links between exchange, specialization and innovation.

The discussed functions of financial development are confirmed by Adu, Marbuah and Mensah (2013) who assert that empirical research has identified many transmissions through which the growth of an economy is influenced by financial development through its effect on savings and investment behaviour.

From the discussion above, it is clear that well-functioning financial systems influence long-run economic growth in many ways and in a highly significant manner through the important functions that they perform. Given the clear evidence of the substantial role of financial systems in the growth of an economy, it is therefore crucial to fully understand the determinants of this significant driver of economic development.

2.4 DETERMINANTS OF FINANCIAL DEVELOPMENT

The Financial Development Index takes a comprehensive view in evaluating the determinants of long-term development of financial systems. An approach like that allows decision-makers to Come up with a balanced perspective when determining which aspects of their country's financial system are most important, and to calibrate this view empirically relative to other countries.

Observed outcomes of financial development are affected by the following determinants:

1. Institutional environment,
2. Business environment,
3. Financial stability,
4. Banking financial services,
5. Non-banking financial services,
6. Financial markets and
7. Financial access.

These financial development determinants are classified into three categories as shown in a figure below:

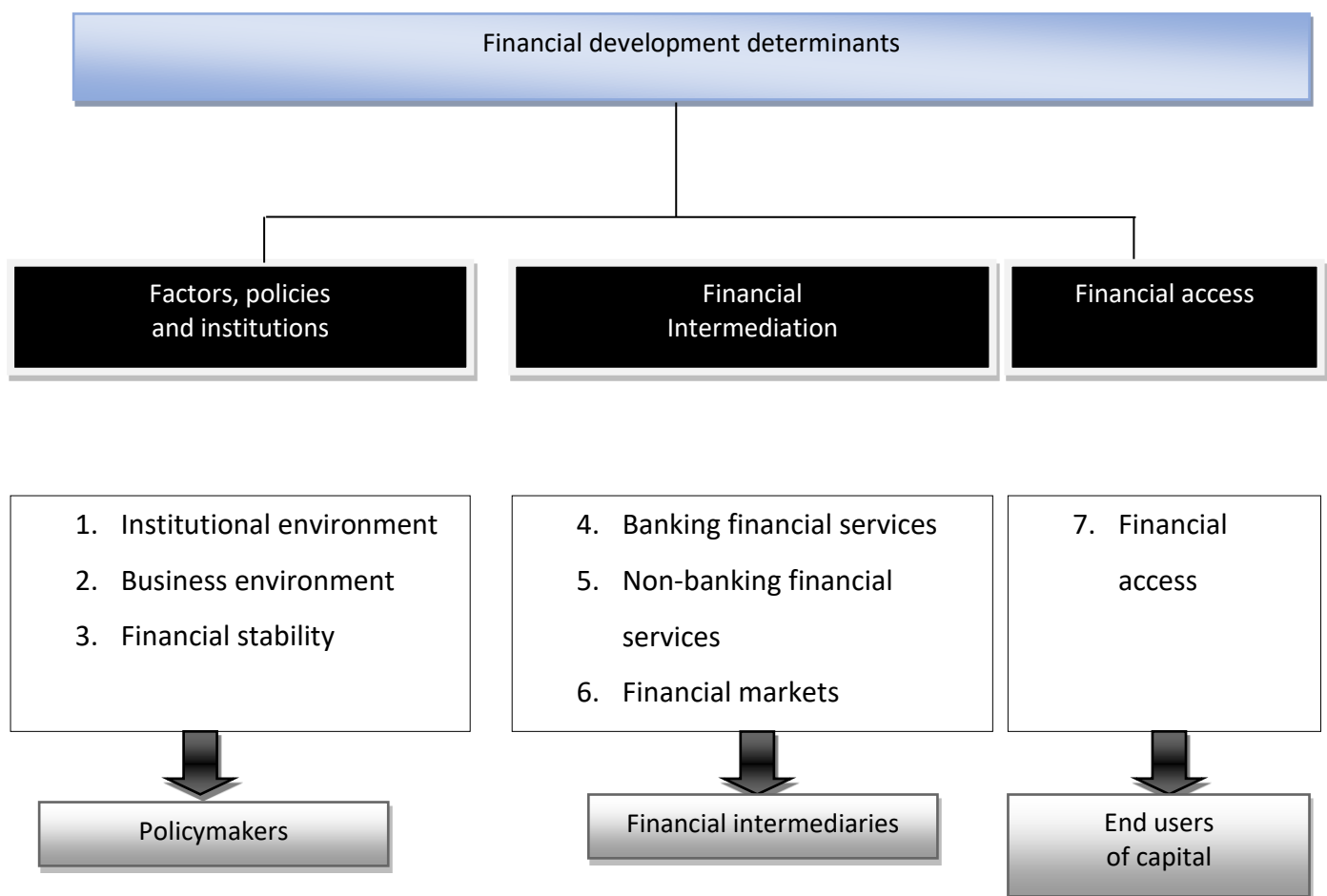


Figure 2.1 Financial Development Determinants.

Source: World Economic Forum

The determinants as shown in Figure 2.1 are discussed below:

2.4.1 Policy-makers

The first group includes the basic features in support of financial intermediation and the provision of financial services and covers the first three determinants. These are the condition of institutional environment, the conduciveness of business environment, and the degree of financial stability.

Institutional environment

The laws and regulations that allow the development of deep and efficient financial intermediaries, markets and services as well as the macro-prudential oversight of financial systems are all encompassed by the institutional environment of a developed financial system. It also includes supervision of the financial sector, as well as how contracts are enforced and how institutions are properly governed (Beck, Demikgure-Kunt & Levine, 2011). The fact that there are legal institutions that protect the interests of investors is an essential part of financial development. This is strongly supported by Bekaert and Harvey (2011) who have held explicitly that reforms that strengthen a country's legal institutions that safeguard the interests of investor protection are most likely to contribute to a more efficient financial sector and therefore a true cause of better economic growth prospects. Inadequate investor protection leads to a number of negative effects, which can be a disadvantage to external financing and eventually to the development of effective capital markets. Even very recent studies subscribe to the fact that countries with strong institutional environments and investors' safeguard achieve high levels of financial development (Jokung & Clark, 2014).

The constant monitoring of the financial system with certified international inspections is recommended to achieve high levels of financial development. Empirical results by Barth, Chortareas, Girardone and Ventouri (2012) show that strengthening capital restrictions and official supervision can assist in improving the efficiency of banks as they transact their business. Barth et al. (2012) also suggest that banks should be ranked according to international standards, and by international rating agencies and this strengthens their capital regulations.

Contract enforcement is important because it limits the level for default among those who owe which in turn encourages compliance. In general, inadequate enforcement of financial contracts makes worse the process of credit rationing, thus negatively affecting the overall process of growth (Chinn & Ito 2006). It is empirically argued that weak enforcement of contracts affects investment in a number of ways (Saygili 2013), one being that the investors may read uncertainty associated with the project and that may negatively affect their decision making thereby increasing costs and reducing its expected returns (Aboal, Noya & Rius 2014). The same authors go on to indicate that weak enforcement of contracts could also result in agents choosing to invest in less efficient projects and thereby affecting relations between investors and those promoting the investment.

Better corporate governance encourages financial development, resulting in a positive effect on growth of an economy (Manafi, Mahmoudian & Zabihi, 2013). The openness of capital account and its liberalization play a crucial role in increasing the size and depth of a financial system (Aggral, 2013). It also assists to push up intermediation between investors and savers (Alalade, Anadeko & Okezie, 2014). As a result all this helps to increase the level of financial mobilization in the economy

resulting in increased level of integration of that country with the world economy resulting in high capital inflows and outflows (Kose, Otrok & Prasad, 2012). This is confirmed by Blanco (2013) who states that institutions shaped by either legal origins or initial resource endowment have a significant effect on financial development and are therefore important determinants of financial development.

Business environment

A better financial system needs a conducive business environment which embraces the following factors:

- Availability of workers that are well trained and skilled employed by the financial sector to deliver needed financial services (Hakeem & Oluitan 2012),
- Good condition of both physical and technological infrastructure (Ngongan 2014), and
- Other aspects of the business environment, including taxation policy and the costs of doing business for financial intermediaries (Blackburn, Bose & Capasso 2012).

Availability of workers who are well-trained and skilled improves the quality of financial services. Empirical evidence supports this observation and shows positive correlations between skilled human capital and the degree of financial development (Hakeem & Oluitan 2012). The state of physical capital involves the state of both physical and technological infrastructure (Ngongan 2014). According to Nallathiga (2015) good quality physical infrastructure like information and communication technologies improves private capital accumulation, finance depth and increased return on investment. Another significant indicator that measures the strength of business environment in an economy is cost of doing business (Greenwood,

Sanchez & Wang 2013). Research has shown that the cost of doing business is a vital feature of the efficiency of financial institutions (Bruhn 2011). Blackburn, Bose and Capasso (2012) confirm the same point by stating that different costs of doing business are fundamental to assessing a country's business environment as well as the type of constraints that business may face. They go on to state that this measure involves the expenses incurred when starting a business, register it and time involved in closing the business. It therefore follows that when business environment is conducive the financial institutions perform better and that is followed by high levels of financial development (Greenwood, Sanchez & Wang 2013).

Financial stability

The negative impact of financial instability on the growth of economies emerged strongly in the recent financial crisis between 2007 and 2009 as well as in past financial crises (Carpenter, Demiralp & Senyuz 2016). Such instability leads to significant losses to investors resulting in systemic banking and corporate crises, currency crises and sovereign debt crises (Beck & Demirguc-Kunt, Leaven & Levine, 2011). Since the soundness and the stability of a financial system are crucial for determining financial development, regulations are therefore major elements for this purpose. Financial regulations protect against systemic risks, which include the factors that have negative effect and can even cause the financial system to collapse (Demirguc-Kunt & Huzinga 2010). Financial regulations also guard against opportunistic behaviours (Meghana, Demirguc-Kunt & Vojislav 2011); this takes place when sellers capitalize on their superior knowledge and go on to conceal information from buyers resulting in a negative effect on their buying behaviour (Turk-Arris 2010). Financial regulations also assist to increase the smooth running

of the financial systems. David Hung and Matos (2012) assert that a highly regulated and supervised financial system may become stable and never encourage financial crises. On the other hand, according to Adams (2012) such controlled system may hinder financial development and innovation causing the system to be out of balance and thereby trigger credit booms and a negative effect on growth, hence there is a need to strike a balance between risks and returns to achieve financial stability. Agur (2013) agrees with this point when he confirms that financial stability can be considered as the trade-off between risks and returns. In the same vein Amidu and Wolfe (2013) posit that Bank competition increases financial stability using diversification when income generating activities of banks increase. These activities cover both interest and non-interest income generating activities of banks. From the same point of view of financial stability, empirical research by Beck, De Jonghe and Schepens (2013) confirms that Bank competition influences, effective systems of credit information-sharing and better developed stock exchanges. Whichever way, all this goes a long way to confirm that financial stability is a key measurement of financial development.

2.4.2 Financial intermediaries and markets

The second group of determinants measures the degree of development of the financial system as shown in different types of intermediaries which are banking financial services, non-banking financial services and financial markets. This relationship occurs because the size of financial markets is viewed as an important determinant of savings and investment (Ito & Chinn, 2012). A deeper financial system is an important component of financial development as it contributes to economic growth rates across countries (Adrian, Etula & Muir 2014).

Banking financial services

Bank-based financial systems enhance acquisition of financial information and bring down transaction costs as well as allocate credit more efficiently (Uzunkaya 2012). Efficient capital allocation is also best done through the bank-based systems (Oima & Ojwang 2013). This fact is emphasized based on two premises: (1) financial intermediaries provide liquidity and (2) intermediaries alter the riskiness of assets (Behr & Schmidt, 2010).

The key measures that show the efficacy of the banking system are size, efficiency and the role of financial information disclosure (Tabak, Faizo & Cajueiro 2012). About the **size**, Tabak et al. (2012) posit that the larger the banking system, the more capital can be channelled from savers to investors. This enhances the process of financial development, which in turn leads to greater economic growth (Wehigner 2012). Direct measures of **efficiency** are measured using aggregate operating ratios such as bank-operating costs to assets and the ratio of non-performing loans to total loans (Miah, Ahmed & Sharmeen 2015). Many empirical studies confirm that economic growth is strongly affected by the efficiency of financial services offered by banks. This is confirmed by Momparler, Lassala and Ribeiro (2013) when they state that inefficiency of banks is claimed as a major cause of banking crisis in an economy. An indirect measure of efficiency is to do with public ownership because publicly owned banks tend to be less efficient, impeding the process of credit allocation and channelling capital, which in turn slows the process of financial intermediation (Charles & Nissim 2014). The third aspect of the efficacy of the banking system is the **role of financial information disclosure** within the operation of banks (Manu, Adjasi & Harvey 2011). Policies that encourage accurate

information disclosure, give authority to private-sector to control the banks and motivate agents to also exercise corporate control, tend to encourage bank development and stability which in turn has a positive effect on financial development (Wehigner 2012).

The size of a banking system is one of the key measures of the efficacy of the system. Tabak, Faizo and Cajueiro (2012) posit that if the banking system is large, it has the capacity to channel more capital from savers to investors. This results in an enhanced process of financial development, which in turn leads to greater economic growth.

Another key aspect of the banking system is its efficiency (Andrieskaya & Semenova 2015). Many empirical studies maintain that the efficiency of financial services affect economic growth and bank inefficiency has often been claimed as a major cause of banking crisis in an economy (Momparker, Lassala & Ribeiro, 2013). An indirect measure of efficiency is public ownership. Publicly owned banks tend to be less efficient, impeding the process of credit allocation and channelling capital, which in turn slows the process of financial intermediation (Calomiris & Nissim, 2014). Banks operate as a link between the savers and borrowers. They offer protection to savers by making available to them a portfolio of less risky liquid returns and highly risky illiquid investments. This way investors can achieve higher returns on their investments because they hold diversified portfolios. Banks also offer protection to their customers by offering long-term investments against liquidity risk (Buch & Goldberg 2014).

The third aspect of the effectiveness of the banking system is the **role of financial information disclosure** within the operation of banks. Policies that encourage

accurate information disclosure tend to induce bank development and stability resulting in a positive effect on financial development. When financial systems are efficient and effective banks are able to offer low transaction and information costs and allocation of credits is efficient leading to increased industrial growth and in turn pushes up economic growth. Voroneanu (2013) also argues that, compared with other forms of financial intermediation, well-functioning banks have strong relationship with the private sector which enables them to acquire information about firms more efficiently and to be able to persuade firms to meet their financial obligations timeously.

Non-banking financial services

Brokers, dealers, asset managers, investment banks, pension funds and insurance companies are non-banking intermediaries which can be both complementary to banks and a potential substitute for them (Miah, Ahmed & Sharmeen 2015). They facilitate essential competition to the banking sector in its efforts to provide financial intermediation. Their competition with banks allows both parties to operate more efficiently in meeting market needs (Beck, Levine & Levkov 2010). Some of the activities of non-bank financial intermediaries include participation in securities markets as well as mobilization and allocation of financial resources of a longer-term nature. Proponents of non-banks point to the ability of non-banking financial intermediaries to finance innovative and high-risk projects (Demirguc-Kunt & Huizinga, 2010). According to Vadde (2011) they give support to the capital markets through a number of activities including holding of investments, trading in shares and merchant banking activities. To the credit market, non-banking financial intermediaries assist by offering short and medium-term loans and also assist in

acquiring long-term assets through leasing and hire purchasing activities. This shows that non-banks and banks compete very strongly especially for the lending opportunities and that competition results in improvement of the efficiencies of both contributing further in the development of the financial system (Beck Levine & Levkov 2010).

Financial markets

As economies develop, they increase the demand for the services offered by financial markets as compared to those provided by banks (Demirguc-Kunt & Levine 2011). Different types of these financial markets are bond markets, stock markets, foreign exchange markets and derivatives markets.

Bond markets trade involves governments and companies borrowing money from investors at an agreed interest rate. Recent research shows that bond markets play an important role in financial development as they allocate capital to governments and to some companies (Dutordoir, Strong & Ziegen 2014).

Stock markets provide a platform for buyers and sellers to meet and deal in shares resulting in improved liquidity which has a significant positive impact on capital accumulation, growth in productivity and ultimately economic growth. As a way of promoting investments and encouraging long-run economic growth these markets help by gathering and disseminating information as well as mobilizing savings in a more efficient way, the result being that in turn investments help the traders to generate more funds and be able to expand their businesses. According to Francis et al. (2014), liquidity provided by stock markets is the main factor which encourages

investors to want to invest their funds in stock markets, because it enables firms to acquire much needed capital quickly.

The foreign exchange market is where trading of currencies takes place and most of the time trading occurs over the counter. The relative values of currencies are also determined by this market (Gaucan 2010).

Derivatives markets are involved in swaps, forward contracts, options and future contracts. These instruments are derived from other assets like stocks, currencies, commodities, bonds, etc. The trading takes place over the counter and in the exchange traded derivatives markets. The development of derivatives markets have the ability to improve management and diversification of risk to a large extent resulting in increased confidence of international investors and financial institutions and induce these agents to participate in them. It therefore follows that strengthening of the legal and regulatory environment can enhance the development of such markets (Stultz 2010).

2.4.3 Financial access

The third category is composed of one determinant of financial development which is financial access. Size and depth of financial services do not necessarily imply their accessibility by the different types of users of those services within an economy. Availability of venture capital, availability of local equity markets, access to credit, access to loans, and an overall level of financial market sophistication are all measures of commercial access. Retail access includes measures like the penetration of bank accounts and ATMs and accesses to microfinance (Karlan, Dean & Zinman 2010). Demirguc-Kunt and Levine (2011) emphasize that economic

growth is to a large extent associated with greater access to financial services. It is clear from the discussion that accessibility to financial services together with the size and depth of the financial system have a significant effect on a country's real activities leading to overall economic growth.

Level of financial development

A financial development index examines the financial strength of a number of financial systems of the world. The index is established based on the seven main pillars of financial elements which are the ones discussed as financial development determinants above. The variables are re-scaled from 1 – 7 where 1 is considered as least advantageous to financial development and 7 is ranked as most advantageous to financial development.

Table 2.1 below shows the overall means of the pillars from year 2008 to 2012.

Table 2.1 (Financial Development Index, 2008-2012)

Year	Pillar	Overall Mean Index	Std. Dev
2008	Overall	4.043	.88600
2009	Overall	3.749	.82679
2010	Overall	3.770	.78979
2011	Overall	3.760	.80022
2012	Overall	3.803	.86286

Source: Global Financial Development Reports: 2008, 2009, 2010, 2011 & 2012.

The overall picture shows that the means are way below the total of 7 and also reveals that the situation is getting worse from year 2008 up to 2012. The information

in Table 2.1 shown above emphasizes the fact that the financial development situation worldwide is going down and not showing any sign of improvement. The standard deviation measurement also implies that the picture is real.

After coming up with the levels of financial development, the study sought to establish the extent to which indigenization as an economic intervention affect financial development as a whole.

2.5 MEANING OF INDIGENIZATION

Indigenization is a term that is used primarily by anthropologists to describe the actions of locals when they convert something which is not theirs into something which becomes theirs. (E.g. Africanization, Americanization). Pseudo-indigenization takes place when outsiders introduce their culture into other people's culture. Since the 1980s and the 1990s, there has been a resurgence of Islam and re-Islamization in Muslim societies. In India, Western forms and values have been replaced in the process of Hinduization of politics and society and in East Asia, Confucian values are being promoted as part of the Asianization process. Japan has also had its share of Indigenization in the form of Nihonjinron - the theory of Japan and the Japanese.

Indigenization is described as the setting apart of certain types of business activities and keeping them exclusively for the ownership and control by indigenous people of a given economy (Ogbuagu & Chibuzo 2013). This is achieved by involving locals and allow them to participate in the mainstream economy and increasing the local ownership and control of business entities resulting in indigenizing foreign owned organizations. Indigenization may take several forms, such as increasing the proportion of local capital to all levels of management and skilled workers.

Mukandawira (2014) describes indigenization as the process of doing business in a way that fits naturally into an environment. He goes on to state that it is the introduction of indigenous ideas, and values, into an organization so that it becomes a product of indigenous imaginations and aspirations.

According to Reinhard (2012), indigenization efforts can take many forms from legislative acts, to administrative efforts, to presidential decrees, to tendering rules by national companies that give bidding preferences to companies undertaking indigenization efforts. As a set of policies indigenization may take several forms, such as increasing the proportion of local capital of top level managers, of middle and lower level managers and of skilled workers. It may also take the form of procurement and increasing training efforts among local managers and workers (Cammett & Posusney 2012). Thus, by trying to indigenize the organizational structures of affiliates of the multinationals, governments of developing countries hope to increase their control over the activities of affiliates, the participation of local partners and managers and consequently, the infiltration of local interests into affiliate decision making process. Indigenization ultimately implies an increasing preservation of national markets and national economic potential, with respect to the rest of the world to fulfil national development objectives rather than leaving them to global policies of transnational enterprises (Porter 2014).

A growing number of developing economies have turned to laws and regulations requiring indigenization efforts by foreign institutions wanting to do business in those developing countries. Indigenization efforts pay attention to two major goals of increasing local employment of nationals and development of local industries through training and the transfer of technology. However, indigenization efforts in

many developing countries are surrounded by controversy and may be done for less than noble purposes such as lining the pockets of local politicians or appropriating intellectual property and technology under the guise of local empowerment (Reinhard 2012). Indigenization laws may also be too restrictive to an extent of discouraging Foreign Direct Investment (FDI).

In the following sections, the study will focus on different types of indigenization or indigenization laws and regulations and assess how they are likely to be abused for personal gains and how that may affect financial development.

2.6 TYPES OF INDIGENIZATION

Indigenization laws and regulations embrace four types of indigenization which are indigenization of ownership, indigenization of control, indigenization of manpower, and indigenization of technology. These types of indigenization are discussed below:

2.6.1 Indigenization of ownership

As a way of restricting foreign ownership of organizations operating within its territory, governments may establish minimum percentages of ownership by local nationals. It is not uncommon for developing countries to require that at least 51% of ownership be held locally. This is supposed to allow foreign investment to take place while still retaining local control. Indigenization of ownership aims at giving the indigenous people of a country, either individually or collectively, ownership stake in the economic activities in their country. Such indigenization of ownership can be accomplished through public or private ownership or a both. Unfortunately according to Adedeji (2011) the acquisition, by sale of public shares of expatriate enterprises, is

available only to a very few who have the income, the information and the opportunity. This has resulted in the creation of new capitalist class and has caused the income distribution in many developing countries to be worse leading to very limited participation in the indigenization process consequently leading to very limited contribution to financial development by the indigenes. According to Luiz and Gaspari (2013) this indigenization of ownership is becoming a cause of concern in developing economies. In South Africa for example, where indigenization is known as Black Economic Empowerment (BEE), whose impetus focused on equity deals, it is observed that the intervention tended to enrich a few who are in most cases connected to the ruling government at the expense of the majority of black people. It is also observed according to the Economist Intelligence Unit (EIU) (2012) that while the South African government has decided to utilize BEE as its primary tool for enabling participation of the black majority in the mainstream economy, that has so far created lack of confidence and anxiety amongst investors and companies and has affected FDI inflows resulting in South Africa being recorded thus far as an under-performer in attracting FDI. This uncertainty has also resulted in a negative effect on employment rates and disproportionately negatively affected the black population which again emphasizes their economic exclusion. Luiz and Gaspari (2013) go on to state that many other African countries like Nigeria, Kenya and Zimbabwe and other developing economies in Latin America who have tried or are still trying indigenization of ownership have suffered similar negative effects like what has been mentioned in connection with South Africa.

In Africa, evidence of progress in the indigenization of ownership is really visible in the nationalization of some foreign companies and the prohibition of multinational companies from engaging in certain economic activities and enterprises and the

rising of equity participation of the state. It is, however, noted that while that is happening in certain African states, it is only the smaller enterprises involving small amounts of capital and low level technology which have been indigenized, while enterprises involving sophisticated technology remain foreign owned (Luiz & Gaspari 2013).

2.6.2 Indigenization of control

The objective of indigenization of control is to facilitate for the indigenes of a country to exercise control through the boards of directors on policies of the enterprises. It is however observed that the issue of local control discourages many foreign investors because they feel they lose control over the enterprise's operations after they have poured money in those countries' organizations (Mojekwu & Ogege 2012). As a result, multination companies will always find a way of making sure they remain in control and the control by the indigenous people remains in a few connected hands and the majority continue to be excluded (EIU, 2012).

Foreign Direct Investment (FDI)

Foreign Direct Investment (FDI) refers to private capital provided by foreign organization for the sole reason of gaining control of production capabilities in the host economy. It refers to the ownership and control of decision-making in an enterprise located in one country by an investor located in another country (Mojekwu & Ogege 2012).

FDI facilitates ripple effects through the transfer of advanced technology, innovation processes, skills in management, training of labour and the general transfer of

knowledge (Subasinghe 2013). Due to those additional resources FDI increases development in the host countries.

A large portion of FDI is contributed by enterprises called Multinational Corporations (MNEs). These corporations own and control production facilities in more than one country. Mrinalini, Nath and Sandhya (2013) posit that FDI has attracted the attention of most governments because of two major reasons:

Firstly, is the desire by many developing countries to extend the market system because many of them are heavily indebted externally. The problem of external debt burden is solved mainly by attracting more private inflows in the form of FDI and thereby enhancing the market systems.

Secondly, one way of filling foreign exchange gap in a country is to attract foreign direct investment. FDI also relieves pressure when a country is confronted with serious resources or savings gap.

Direct investment makes up for most of foreign capital deployed in developing countries. That direct investment is significantly higher than official development assistance, private debt and private equity combined. As such inflow of foreign direct investment (FDI) leads to higher rates of capital accumulation, output and growth. It therefore follows to a large extent that FDI contributes positively towards financial development because of its ability to mobilize capital for the benefit of economies in general (UNCTAD, 2014).

The causal relationship between FDI and Financial Development

The relationship between FDI and Financial Development is fully explained in terms of three phenomena:

First, Dutta and Roy (2011) argue that more FDI reduces the influence of high-powered people in the economy thereby forcing them to adopt market-friendly regulations that strengthen the development of financial markets.

Secondly, Agbloyor, Abor, Adjasi and Yawson (2013) argue that an increase in FDI net flows increases the funds available in the economy and causes financial intermediation through financial markets grow. Companies involved in FDI are also likely to list their shares on the local stock market, as they generally originate from industrialized countries where stock market financing is a must for any company that wants to be taken seriously.

Thirdly, a well-developed financial system can attract foreign investors who perceive such a market to be a sign of vitality, openness on the part of country authorities and a market-friendly environment. A well-developed stock market increases the liquidity of listed companies and may eventually reduce the cost of capital, thus rendering the country attractive to foreign investments (Guidara, Lai, Soumore & TchanaTchana 2013). This confirms that FDI initially increases stock market development because of the investment opportunities that FDI-related spill-over effects usually generate, and in turn the stock market development attracts more FDI.

From the foregoing account, it is clear that FDI goes a long way to contribute towards financial development of any given economy so that without FDI financial development especially in developing economies is crippled.

2.6.3 Indigenization of manpower

Indigenization of manpower aims at developing indigenous competence in modern industrial and commercial operations and management. In that respect, foreign organizations may be required to limit the number of non-host country employees. However, in the process of coming up with indigenous manpower, Kashin and Ogunduyile (2011) observed that an unproductive and unskilled group of pseudo-capitalists has emerged. The inability to bring expatriates into a country affected the ability to properly manage a firm or to achieve the necessary level of skills to effectively operate the organizations. On the other hand, it has also been observed that the establishment of representative middle class is fundamental to the successful socio-economic growth of any nations and that good management matters for any organization to achieve high performance (Bloom, Eifert, Mahajan, Roberts & Mackenzie 2013). It therefore follows that if the organizations are not effectively managed, the inflows in the financial sector of the economy are adversely affected.

The Human Development Report released by the United Nations in March 2013 states that more than half of the world's population live in countries classified as medium human development (51%), while less than a fifth (18%) populated countries fall in the low human development group. Countries which fall within the high to very high human development category make up slightly less than a third of the world's total population (30%). The report goes on to state that most of the developing countries fall in the medium and low categories. This shows that manpower development is lagging behind and needs a lot of improvement if the indigenous people were to take over the management of their local industries.

2.6.4 Indigenization of technology

Indigenization of technology is in two phases which are discussed below:

- (a) Acquiring technology from highly developed countries so as to enable developing countries to move fast along the stages of development.
- (b) Adapting technology is to choose and adapt technology and then match imported techniques to local conditions.

Both phases have a tendency to deepen the dependence of under-developed countries on developed countries, in tangible and intangible ways. In order to minimize such dependence, developing economies should aim at depending more increasingly on technologies that they develop themselves which are more suited to their needs and their own conditions (Jagoda & Ramanathan 2013). With regard to adaptive technology, Valdivia (2013) confirms this point by stating that successful transfer of technology is achieved only by generating new innovations using the imported technology. This means that technology transfer should not be seen as an end in itself, but as a means to increase the rate of technological innovation and to stimulate new methods of producing goods. In connection with acquisition of appropriate technology from industrialized countries, it is observed that it could be the solution to third world countries. The only disadvantage in this regard is the fact that wealth is concentrated in the hands of a few rich bureaucrats and the elites who may favour sophisticated capital intensive technology which may be inappropriate for the Third World countries (Akubue 2012).

2.7 MEANING OF CORRUPTION

Transparency International (2012) defines corruption as wrong use of power for selfish benefit in both public and private sectors. It is measured by a Corruption Perception Index (CPI) which is an aggregate indicator that combines different sources of information about corruption making it possible to compare countries. CPI captures information about the administrative and political aspects of corruption. Broadly, the surveys and assessment used to compile the index include questions relating to bribery of public officials, kickbacks in public procurement, embezzlement of public funds and questions that probe the strength and effectiveness of public sector anti-corruption efforts.

Corruption indeed is a big impediment to development. Ajie and Wokekoro (2012) state that corruption disturbs development using various mechanisms as stated below:

1. Corruption retards development by side-tracking scarce resources away from the purpose for which they were allocated.
2. Corruption leads to misplaced agents gaining control of influential institutions within the economy.
3. Corruption harms the economy by striking at the credibility of the system and breaking down the procedures for decision making.
4. Corruption is self-perpetuating and therefore extremely harmful to any given economy. A system acquainted with corruption draws people ready to use corrupt means to gain their selfish ends.

2.8 PRACTICAL PROBLEMS

For a successful achievement of indigenization to take place, there must be reasonable degree of honesty and integrity among those who man the affairs of state at all levels. There are a number of important factors that bear heavily on developing countries' ability to indigenize and the absence or prevalence of them will determine the limits of the possibilities of successful indigenization. Five of these factors are discussed below:

1. The dynamism of the economy and corruption.
2. The availability of investment resources.
3. The availability of technical and managerial manpower.
4. The extent of the involvement of the mass of the people in the indigenization process and the equitable sharing of the proceeds of indigenization.
5. The rediscovery of Africa's self-confidence in the ability to accomplish and achieve.

2.8.1 The dynamism of the economy and corruption

Countries going through or which have gone through indigenization must see indigenization not merely as the taking over of ongoing expatriate concerns, but as a challenge to transform its present colonial economy to an authentically self-reliant economy with an internally generated and self-sustaining process of development.

Past experience indicates that those who have profited from a state of virtual economic dependence do not give up their vantage positions without resistance and clandestine sabotage. In so far as private benefits are to be gained by bypassing indigenization regulations, the individuals both indigenes and foreigners are always

ready to undermine the provisions of the established regulations in order to ‘feather’ their own nests (Yahaya 2012).

There is a general belief among foreign businesses and corporations operating in host countries concerning the use of corrupt practices to undermine national policies and promote their own corporate interests. Unfortunately, they found ready collaboration among the nationals. In this connection, it is observed that the more corrupt the host countries are, the more the multinational countries take advantage by allying themselves with heads of governments in host countries to ensure continued operations in those countries, as also by placing relatives of top government officials in senior positions in the organizations in an effort to maintain their special interest.

According to this view, it does not matter who governs in host countries, the more corrupt the regime is, the better the multinational companies’ interests will be served.

2.8.2 Lack of capital resources

Capital is required to purchase existing foreign enterprises and above all, to create new innovation in order to transform the economy. Although developing economies are characterized by shortage of capital, this shortage is made worse by considerable wastage of these resources that already exist. The major leaks in the resource flow system appear to be in the following areas:

1. Transferred technology
2. International shipping
3. International air transport
4. Foreign business consulting

5. International telecommunication
6. Banking and insurance services
7. International marketing services
8. Importation of spare parts, components and accessories
9. The exploration, evaluation, extraction, processing and export of minerals
10. Building materials
11. The building and construction of industry
12. Tourism
13. Purchasing of supplies

Because of these leakages the impact of the foreign capital that goes into developing countries is considerably reduced ending up in recycling of resources between developing countries and the industrialized countries with very few net results on development and economic growth process.

Corruption and FDI

Another problem which compounds lack of financial resources is in connection with how FDI is dealt with. Empirical research makes it clear that effect of corruption on financial development is negative and highly significant (Quazi 2014). One reason causing corruption with regard to Foreign Direct Investment is the participation of the power structure and political elites in financial markets. Such individuals believe that development of financial markets through FDI inflows is a hindrance for their power and exclusive situation. Thus they prevent financial markets' development by coming up with rules and regulations that are advantageous to them but not favourable to the rest of the participants in the economy (Ravi 2015). The financial elite felt threatened by free financial markets because those markets provide

resources to new participants in the market, thereby enabling competition in the market. Since the traditional participants have a stranglehold on power, they block the institutions necessary for finance because they are an organized group, focused on their goal, and endowed with plentiful resources. They have a far greater ability to sway legislators and bureaucrats to their view than the larger mass of unorganized citizens (Kholdy & Sohrabian 2011).

Empirical analysis shows that corruption affects financial development significantly and negatively (Quazi 2014). Because of its role in financing new ideas, financial development keeps alive the process of creative destruction – whereby old ideas and organizations are constantly challenged and replaced by new and better ones. However, financial development requires a substantial amount of infrastructure for market support. This infrastructure would not develop where the financial and political elite consider it as a threat to their power and position. So the view that exists especially in developing countries is that political corruption is mainly the result of increasing interference of the government. Therefore, relatively most decisions as well as controlling of more extensive financial resources have been delegated to the class of political elites. Allocative decisions are restricted by sets of rules and regulations that create motivations both for the individuals in private sector and governmental authorities to escape from such decisions rather being subjected to the order of the market mechanisms (Freckleton, Wright & Craigwell 2012). Barassi and Zhou (2012) confirm that the financial elite can use their strong political influence and alter institutional framework to favour themselves and their firms. If properly handled the presence of corporate control by the financial elite may cause the inflow of FDI to play a crucial role to develop financial markets. However, to a large extent

those who already have an established position in the marketplace could prefer to see it remain exclusive.

As a result of what has been discussed above FDI ends up not benefiting the economy the way it should and consequently negatively affecting the financial development of an economy.

Delgado, McCloud and Kumbhaker (2014) underline the distribution of corporate control and the role of financial elite as a major obstacle to financial development and economic growth.

2.8.3 Lack of indigenous technical managerial and entrepreneurial manpower

1. Unless there is a bold and imaginative effort nationally as well as co-operatively at sub-regional and regional levels, lack of indigenous manpower will become a permanent brake on developing countries' development in general and its indigenization in particular.
2. There are an astonishing number of refugees from Africa for example. About 90% were uprooted from their native lands in independent Africa and among them are to be found a large number of scientists, technologists, managers and entrepreneurs who are seeking refuge from intolerance at home or discouraged by uncongenial conditions of work at home, choose to remain abroad (Fajana, Elegvede and Gbajumo-Sheriff 2011). To meet the manpower gap thus created, the African governments have to depend on expatriate technical assistance personnel, either from the United Nations and its agencies or from bilateral donor institutions or from trans-national corporations leading to cash outflows from an economy.

3. The third point worth making is that every African country needs a sound national strategy for management, education, training and development which will not only provide the required skills but will also inculcate in the trainees positive attitudes to service, as distinct from the present negative or at best indifferent attitudes of many public servants, and an achievement motivation – the will and determination to succeed and to excel in whatever one is doing.

2.8.4 Lack of popular participation in the indigenization process

The acquisition, by sale of public shares or expatriate enterprises, is open only to a very few who have the income, the information and the opportunity. As a result, a capitalist class has emerged which has exacerbated the skewed income distribution in many developing Africa (Murombo 2016). It is estimated that 69% of Africa's population are seriously poor. The proportion of destitute persons is as high as 39% of the total population. From that point of view, it becomes difficult to have a genuinely indigenized African economy when the majority of the population are excluded from meaningfully participating in economic activities (Fajuna, Elegbede & Sheriff 2011). Thus until development strategies pursued in Africa put the individual at the very centre of the development effort and galvanize the latent energies of economic policies of many an African country since independence, it will be a mere symbolic gesture, an exercise in futility (Eziie 2013) .

2.8.5 The rediscovery of self-confidence by the average citizens

An average citizen of Africa should believe in his own ability, and the recognition by society of such abilities and encouragement to develop them for individual and

societal purposes. Many African Governments have failed to fully comprehend the enormous power of this factor. Empirical research has observed that the countries which have broken the barrier of dependence in history are today those which have in one way or another realized that there are many things within their capabilities to do, if only they want, with sufficient conviction and seriousness to do them (Yahaya 2012). There is simply no way in which we can significantly contribute to the shape of a new national and international than through our own will, talents and resources. The recovery of self-confidence may be achieved partly through an appreciation of the record of ancient achievements by others and partly through successful achievements even today (Yahaya 2012).

Having gone through some of the problems indigenization brings to financial development; it is necessary to examine possible ways forward which would result in wealth creation through participation of the individual people so as to enhance financial development.

2.9 WEALTH CREATION

Creation of wealth involves a combination of materials, labour, land and technology in such a way as to end up with a profit (Usiobarifo 2013). In this study, it means “growing the cake” and value addition for the benefit of indigenous people through their participation in economic activities.

Historically economists have been concerned about two main questions of how wealth is created and how wealth is allocated. From Adam Smith through Samuelson, and Arrow, the concentration has been on how wealth is allocated to the detriment of how it is created (Pender, Marrie & Reeder 2012). Models popularly

developed and professed at different times were based on the understanding that there is an economy in place already, resources are available to those in production capacity and commodities are at the consumers' disposal. As such, the only problem is how to allocate this existing everlasting wealth of the economy in equitable manner for the maximum benefit of all.

The concern about wealth allocation by previous economists has now shifted to wealth creation by modern day economists. **Wealth creation lies in the heroic efforts of individual entrepreneurs who battle the odds to turn the technologies and opportunities of their time into successful commercial enterprises (Hanauer & Beinhocker 2014).** Creating business enterprises in any economy is the fulcrum for public value maximization and wealth creation. The basis for the development of any economy therefore lies in the government of such an economy providing the most conducive business environment that will attract, create and sustain entrepreneurs. Failure to achieve this by any government translates to failure of such an economy to create wealth (Asikhiya 2016)

For developing economies to rise up to wealth creation, it is very important that they remove themselves from dependency syndrome where they think they can survive or add value to their financial development by depending to a large extent on already developed economies. It therefore follows that the dependency theory be fully understood in order to appreciate and avoid its ill effects if there is going to be positive contribution to financial development through indigenization efforts.

2.10 DEPENDENCY THEORY

Dependency theory is a body of theories used to explain the reasons for failure by under-developed countries to improve economically in spite of what the industrial countries have invested in those countries (Uwazie, Igwemma & Ukah 2015). The main argument of this theory is that the economic system of the world is highly unequal in its distribution of resources and power and places developing nations in a dependent position as compared to developed countries (Frank 1972).

Dependency can be explained as an economic development of state in terms of the external influences like political, economic and cultural including national development policies (Sunkel 1969). Another definition of dependency is given as a historical condition which determines certain structures of the world economy such that it prefers some countries at the expense of others. It then constrains the development possibilities of the subordinate economies, a situation in which the economy of a given group of countries is determined by the development and growth of another economy, to which their own is subjected (Dos Santos 1971). Dos Santos goes on to expand on the definition and says that dependency means a situation by which the economy of certain countries is limited to the extent of the development and growth of another economy to which the former is subjected. This belief is supported by Uwazie, Igwemma and Ukah (2015) who state that it is a relation of interdependency between two or more economies. A form of dependence is assumed when some countries (the dominant ones) can expand and be self-sustaining, while other countries (the dependent ones) can do this only as a reflection of that expansion which can have a negative effect on their immediate development.

There are three common features to these definitions which most dependency theorists share. First, dependency characterizes this international system as made up of two sets of states, described as dominant/dependent, centre/periphery or metropolitan/satellite. The dominant states are advanced industrial nations in the Organization of Economic Co-operation and Development (OECD). The dependent states are those states of Latin America, Asia and Africa which have low per capita GNPs (Matunhu 2011).

Second, the common concept about all the definitions is the assumption that external forces are of vital importance to the economic activities among the dependent states. The external forces include multinational companies, international commodity markets, foreign assistance, communications and other means by which the advanced industrialized countries can represent their economic interest abroad.

Thirdly, all the definitions of dependency indicate that the relations between dominant and dependent states are quite dynamic because the interactions between the two sets of states tend to reinforce and also intensify the unequal patterns.

Most dependency theorists like Sunkel (1969), Dos Santos (1971) and Frank (1972) look at capitalism as the force behind dependency relationships. André Gunder Frank (1972) puts this point clearly when he states that under-development is to a large extent part of the historical past and continuing economic and other relations between the under-developed and now developed countries. He further goes on to say that these relations are a crucial part of the capitalist system worldwide. With regard to this view, the dependent states supply cheap products like minerals, agricultural products and cheap labour and also serve as the dumping ground of surplus capital, outdated technologies, and poorly manufactured goods. These

functions orient the economies of the dependent states toward the outside: money, goods, and services to flow into dependent states, but the allocation of these resources are determined by the economic interest of the dominant states and not by the economic interests of the dependent states.

What has been stated above brings out the central propositions of dependency theory which include the following facts:

1. Underdevelopment refers to a situation in which resources are used in a way that benefits developed states and not the underdeveloped where the resources originate from (Uwazie, Igwemma & Ukah 2015).
2. The poor people are not poor because they lagged behind scientific transformations and the enlightenment values of the developed states. They are poor because they were coerced into integrating into the European economic system only as providers of raw materials and cheap labour (Matunhu 2011).
3. Dependency theorists depend upon a belief that there is a clear national economic interest which should be spelled out for each country and this national interest is only taken care of by addressing the needs of the under-privileged within a society, rather than through the satisfaction of corporate or governmental needs (Mawire 2013).
4. Dependency theorists argue that elites in under-developed states maintain a dependent relationship because their own selfish and private interests coincide with the interest of the dominant states (Matunhu 2011).

5. Dependency theory suggests that alternative uses of resources are preferable to the resource usage patterns imposed by dominant states (Uwazie, Igwemma & Ukah 2015).

In short, dependency theory explains the current under-developed conditions of many countries in the world by looking at the patterns of interactions among nations and by arguing that lack of equality among nations is part and parcel of those interactions.

In its extreme form, dependency theory is based on Marxism which sees globalization in terms of the spread of market capitalism, and taking advantage of cheap labour and resources in return for outdated technologies of the West (Matunhu 2011). The dominant view of dependency theory is that there is a dominant world capitalist system that relies on division of labour between the developed countries and under-developed countries (Matunhu 2011). Over time, the dominant countries will take advantage of their dominant power over increasingly undermined and exploited dependent countries as the developed nations actively keep developing nations in a dependent position (Mawire 2013). Dependency theory also posits that the degree of dependency increases as time goes on when wealthy countries continue to use their riches to further influence developing nations into adopting policies that increase the wealth of the rich nations, even at the poor countries' own expense (Matunhu 2011). At the same time, they are able to protect themselves from being turned on by the developing nations, making their system even more and more secure as time goes on. Capital flight continues from the developing nations to the developed nations, causing the developing nations to experience reduced or even lack of wealth, forcing them to take out larger loans

from the developed nations, further indebting themselves. (Matunhu 2011). He goes on to confirm this point when he posits that dependency theory has made Africa a dump for rejects and excess labour and a market where the terms of trade are always in favour of the developed world which is exploitative hence causing the poor to be even poorer.

What has been discussed above is confirmed by Matunhu (2011) who states that dependency theory has failed to develop Africa instead a new high class of Africans has emerged and they continue to depend on the developed countries for survival. Matunhu goes on to mention that Africa's true economic liberation comes with disconnection with the developed countries in both economic and political terms. This same fact is cemented by Mawire (2013) who states that development must not embrace only the financial and material aspects of life, but must be perceived as a whole procedure involving total re-organisation and redirection of the entire economic and social system.

It is therefore very crucial and very important to come up with an Indigenization model that relieves the developing economies from depending too much on industrialized economies.

From what has been discussed above, it is clear that dependency theory has caused more problems for underdeveloped economies living them poorer than they would have been. It is from this point of view that a broad-based indigenous model that encourages wealth creation and self-perpetuating has to be developed. This kind of dependence on an economic model should be able to relieve the developing economies from depending too much on industrialized economies that are already developed. Mawire (2013) goes on to emphasize that countries which have broken

ties of dependence are today those which have woken up to the realization that there are many things they are able to do, if only they apply themselves confidently and are willing to do them.

Before the development of a new economic model that should help to break the barriers of dependence is discussed, it is important to understand what other researchers have said about existing indigenous models and their possible failures.

2.11 EXISTING INDIGENIZATION MODELS

According to Adedeji (2011), when a state moves to adopt a policy of indigenization, it is usually for a number of reasons:

1. To prevent foreigners from owning the production or distribution of commodities of strategic importance, resulting in reducing the exposure of the security of the state;
2. To have a say in the policy and management of such enterprises and to reduce the returns that may be repatriated at the expense of the country;
3. To break alien monopoly of certain trades and industries and thus carve a niche for the employment of local personnel in such enterprises;
4. In case of a country just out of colonial domination, to raise the socio-psychological status of the citizens *vis-à-vis* the aliens through the promotion of local persons to positions hitherto virtually reserved for foreigners. These no doubt contribute in a way to the shaping of legislation on indigenization in various countries.

Three models of indigenization are distinguishable for economies that have undergone or are undergoing the process of indigenization. These models are

discussed below to enable the researcher to identify a gap or gaps which need to be filled by the development of a new indigenization model and are discussed below.

1. Public sector-led indigenization model;
2. Private sector-led indigenization model;
3. Mixed economy indigenization model.

2.11.1 Public sector-led indigenization model

Under this model, the public sector provides the policy instrument and plays a leading role in the indigenization process. The public sector lead might have resulted from the weaker position of indigenous private enterprise, with public sector having the financial and administrative machinery for the implementation of indigenization programme. The responsibility in such a case devolves on the government for the finance, control and management of businesses affected by the indigenization programme (Adedeji 2011).

According to Blum, Manning and Srivastava (2012), a well-managed public sector delivers quality services for the benefit of all the citizens of a country. It manages well the infrastructure and other public utilities to everyone's advantage and benefit. It puts in place policy objectives and ensures social and institutional sustainability through public enterprises. Many reasons have been given to justify the creation of public companies and the following are the six important ones:

1. In many developing countries, resources under the control of private sector are insufficient and therefore not enough to provide essential goods and services (Greiling & Grub 2014).

- 2 There is a very high level of government intervention in the process of providing certain social and economic services. In many African countries development means ability to provide basic social services so that the performance of the government, in these countries, is measured on the basis of its ability to provide the different types of public services where such services do not exist (Bernier 2014).
- 3 In many parts of the world, it is seen necessary to involve government in the provision and management of basic goods and services so that individuals should not be deprived of access to such basic facilities for of lack of financial resources or by reason of where they are located (Florio 2014).
- 4 The intervention of government with regard to the provision of education in many countries is basically to protect children, who are incapable of making such important decisions for themselves. This is achieved by making education up to a given age free and compulsory (Bernier 2014).
- 5 Big and essential facilities, such as tunnels, bridges, streetlights roads, and waste disposal facilities, cannot be divided or partly provided for everybody's benefit in the community, so those facilities have to be provided publicly and financed through government funds (Florio 2014).
- 6 Some strategic facilities, like the National sports authority and the police cannot be left at the mercy of private citizens (Ogohi 2014).

The next question checks on the ability of the public sector to deliver the goods as stipulated above.

Observation reveals that, public enterprises seem not to be leading the economies where they thought they would go. Reasons for the poor performance of public organizations have been analysed from a number of angles, collectively referred to as the theory of government failure (Florio 2014). A central idea of all these theories is the notion that public ownership pursues objectives that move away from economic welfare maximization and financial development (Nhema 2015). It is generally observed and even concluded that public enterprises will always be inefficient and are bound not to succeed (Jeffry 2012).

Central to the public theory is the belief that everyone involved in decision-making in the public sector seeks to improve their own individual interest which in general is not the same as public interest. That paints a picture of public enterprise that operates with high costs and low productive efficiency (England 2012).

In developing countries, public enterprises operate inefficiently with very high expenses that absorb large amounts of public resources resulting in budgetary constraints (Nhema 2015). Generally, public expectations from these enterprises are not met to a large extent despite the large proportion of public funds which are allocated to them. In addition public enterprises suffer from gross mismanagement and malpractices resulting in inefficiency in the use of capital which is supposed to be productive. In the process public managers allowed themselves to be used as fronts and aliens sought evasion through such ownership fronts. Local citizens often got cheated in the transfer process; and implementation was generally harsh and inadequately planned resulting in corruption, which in turn disabled the government to carry out its functions efficiently (Florio, 2014).

Efforts have always been put in place to try and reform public sector management, but is proving to be difficult. The whole area of policy is difficult because it is confronted with some challenges which are discussed below:

1. In most cases Public Sector Management (PSM) is about reform implementation, which is more difficult than reform design. PSM reforms are thought of as changes to some of the institutional and managerial arrangements in the sector agencies. While that could be true, PSM reforms should be ultimately about changing the behaviours of agents within the public sector.
2. Politics are often misaligned. In a book entitled *Why Nations Fail?* Acemoglu and Robinson (2012) state that the public administration's main purpose may not be the provision of services to the public. Rather, it may serve as a way of allocating jobs and opportunities as exclusive benefits to a few who happen to be connected. Evidence on what works is limited because PSM reforms are in most cases long term and difficult to measure, resulting in less rigorous evaluation. Consequently, there is limited scientific evidence about what should be done to improve public sector performance.
3. The result chain tends to be long and weak. Even if PSM reforms are put in practice, there is no performance benefit if other weak links in the chain are more basic hindrances.

It should be noted that according to the World Bank, (2012) the PSM reform results are not necessarily a developing country phenomenon. These challenges are visible in all parts of the world and at all development levels. It is a global phenomenon and

the major problem is corrupt practices by the implementers of the reform programmes.

2.11.2 Private sector-led indigenization model

This model envisages major responsibility for private enterprise in the indigenization programme with the public sector limiting itself to formulating policies and providing necessary administration machinery for the implementation of the programme.

Theoretical discourse of private sector development

The doctrine of private sector development is based on the **neo-liberal school of thought**. It is based on the concept of competition and profit maximization founded on free market pricing and freedom from state regulations and interference. According to this theory private sector-led development could reap the advantages of the market system and competition, which are; productivity, effectiveness and efficient service. Private-sector led development has become a vital instrument that government can use to improve economic development, promote the production and distribution of goods and services, reorganize government structure, and restructure the industries controlled or managed by the state (Adeyemo 2012).

According to Ugorji (2013) private sector led development is based on the following core beliefs:

1. Government delves into more things than it can manage including intruding into private enterprises.
2. Government is not able to provide services effectively and efficiently.

3. Government's consumption level of resources is significantly high thereby threatens economic growth.

According to Alalade, Anadeke and Okezie (2014) private sector-led management is a situation which is in agreement with the principle of liberalization and it involves the transfer of control in terms of ownership and management from the government to the private sector.

Importance of the private sector in economic development

The World Bank, (2012) estimates that 80 per cent of reduction of poverty process is due to economic growth. The private sector is known as the engine of economic growth – 9/10 jobs in the developing world are in the private sector. The private sector is made up of not only formal, large businesses, but also informal enterprises, family-run farms and self-employed people. Achieving pro-poor growth requires a concentration on developing opportunities and markets for all individuals regardless of their gender (Devendra 2013).

Through the experience of working with the private sector, Dasanayaka (2013) has developed an approach based on six key interlinked factors that need to be in place if the private sector is to deliver pro-poor growth:

1. Incentives for entrepreneurship and investment.
2. Competition and innovation that leads to increased productivity.
3. Removal of barriers to formalization.
4. International economic linkages through trade and FDI.
5. Functioning markets with good access for both men and women as individuals, and for all enterprises, both large and small.

6. Minimizing of risks and vulnerabilities to man-made shocks and natural disasters.

Indigenization through the private sector

In absolute terms, the indigenization policies in developing economies have given rise to an unprecedented growth in the number of indigenous entrepreneurs. The growth in numbers has, however, not resulted in many indigenous entrepreneurs acquiring a meaningful role in the control and management of the 'commanding heights of the economy' (Magure 2012). Although a small group of indigenous businessmen has established a fair number of small and medium scale industries has also acquired considerable equity shares in the private sectors, on the whole the private sector-led indigenization programme leaves much to be desired because it is not quite happening due to the fact that most of the large scale enterprises are still in the hands of the multinational companies (Adewale 2011).

2.11.3 Mixed economy indigenization model

A mixed economy is an economic system that has enterprises which are both privately owned and state owned. Under this system, there is a co-existence of both the private and public sectors, because resources are owned by both government and private sector. This means that market forces prevail but are closely monitored by the state (Wight 2011).

Advantages of this economic system are as follows:

1. Producers and consumers have the freedom to choose what to produce and what to consume, with government monitoring to ensure that harmful products and services are not produced and are not consumed.
2. Government may cut down on social costs of business activities by weighing costs against benefits
3. A mixed economy may experience fewer income inequalities as compared to market economy due to controlling measures put in place by government.
4. Monopolies can be closely supervised by the government.

Adewale (2011) asserts that the primary objective of privatization is to make quick and huge profits by taking advantage of what was generated by former public enterprises which does not result in genuine contribution to economic development and creation of jobs.

A mixed-economy indigenization model therefore envisages the direct and effective involvement of both the private and public sector in the indigenization process. What is interesting is to determine whether indigenization through the mixed economy added or adds value to the financial development in a given situation.

In Nigeria for example, according to Babatunde, Oyeniran, David and Ibrahim (2013) the Nigerian Enterprises Promotion Decree (NEPD) has merely succeeded in 'redistributing wealth between expatriates and Nigerians: it surely has created more inequalities in the distribution of wealth among Nigerians'. Most indications in Nigeria are that many Nigerian businessmen lack the capital, skilled managerial and technical knowledge in some areas of manufacturing to replace effectively and meaningfully the foreigners in the industries reserved for them by law (Wight, 2011).

In all, Indigenization failed to meet its primary objective which was to localize the stipulated foreign ownership, management and control of some industries. This is largely because many of the foreign firms had devised various subtle strategies to circumvent the indigenization decree and by so doing continue their enterprises. These strategies range from 'benignly legal strategies to blatantly illegal ones, such as fronting, bribing and other ingenious practices used to frustrate the decree' (Joshua & Danpome 2013).

This clearly reinforces the fact that at best the indigenization policy merely succeeded in increasing the number of Nigerians that own shares in foreign industries located in the country without the enterprising zeal to take on higher responsibility in the actual running of the private sector. Empirical findings confirm that indigenization policy in Nigeria ended up benefiting a limited and connected indigenous businessmen, the top military rulers and bureaucrats, and other professionals by enabling them to accumulate large amounts of wealth for themselves through their control and misuse of the powers invested in them by the state (Alemu, 2015). In this regard, only the top civil servants as the ones involved in crafting and controlling of the policy and the highly influential indigenous businessmen ended up benefiting from the indigenization programme at the expense of the rest of the citizens.

According to Adeyemo (2012) Nigerian public enterprises met with a lot of criticisms because problems were so enormous that many Nigerians became greatly disillusioned. The criticisms against the enterprises varied from the lack of productivity to reliance on large government subsidies. In addition, public

enterprises suffered from gross mismanagement and consequently resulted into inefficiency in the use of productive capital.

With time Nigeria decided to be a mixed economy. According to Alabi, Onimisi and Christian (2011) the government of Nigeria set up the Bureau of Public Enterprise (BPE) to implement the privatization and to commercialise some of the public enterprises with the objective of reducing the drain on the public treasury. The effort was to reduce corruption, strengthen domestic capital markets, reduce debt burden and fiscal deficit, and broaden the base of ownership of business. Others reasons included generating more funds for the treasury, promoting good corporate governance, attracting foreign direct investment and to attract back flight capital. However, despite all that effort, Muogbo (2013) argued that in Nigeria, much of private sector profits are not necessarily the result of good corporate governance, resulting in efficient operations and increased productivity, but rather often represents inflated contract prices as a result of involving themselves in corrupt practices. He also states that most of the richest people in Nigeria's private sector make their money mostly through their public sector corrupt connections and influence.

2.11.4 Employee share ownership model

This model can be part of any of the discussed three indigenization models, i.e. public sector-led, private sector-led and mixed economy indigenization models and will be considered to determine whether it adds value to financial development of an economy.

Issuing of shares to employees of corporations can be achieved using a number of methods including stock options, employee stock ownership plans (ESOPs) or employee stock purchasing plans (ESPP). Each form of share offering has its own merits and demerits and some of the merits they have in common are given and discussed below:

Stock dilution

If the issue of shares to a stock options plan is too big it may result in diluted earnings per share (EPS). The diluted earnings per share for the company can become too low and this can negatively impact on cash-flow and cause high financing costs resulting in a drop of equity capitalization (Rubenfeld & Morgan 1991).

Managerial complications

Issuing of shares to employees can cause the price of shares to drop and potentially create management issues. Another disadvantage is that if employees of an organization become acquainted to market, it could have a negative effect (Pierce, Rubenfeld & Morgan 1991).

Limited availability

Employee share ownership can be limited to full-time employees only excluding the rest of the employees. This process may also exclude partnerships and many professional businesses creating a gap as far as benefits are concerned. This gap may end up reducing the effectiveness of the stock offering resulting in failing to meet the intended objectives (Pierce, Rubenfeld & Morgan 1991).

From the given disadvantages, it is clear that employee share ownership is not the answer because it does benefit a few employees and falls short as far as broad-based participation is concerned. It is also important to note that indigenization and its constraints has been experienced in other countries which are not in Africa.

The case of Brazil

Brazil is known to have one of the largest economic discrepancies between the rich and the poor (Araujo & Cabral 2015). The majority of the rich in Brazil are white European immigrants who have benefited from policies that did not benefit the Afro-Brazilians or the indigenous people. The Brazilian government, under much social pressure, has proposed some draft laws trying to promote the marginalized ethnic groups by increasing the number of Afro-Brazilians hired as public employees, and introducing mechanisms to improve their advancement in their careers. They have also tried to offer incentives for companies to employ and award managerial position to Afro-Brazilians (Araujo & Cabral 2015). The structure and form of the policies proposed for Brazil are very similar to those advanced by African governments and the consequences are similar.

The case of Malaysia

New Economic Plan (NEP) model

The Malaysian government took ownership of equity one step further than what was happening in African countries, by putting in place some legislation stipulating that any new business created had to have at least 30% Malay ownership equity. Malay ownership increased, but primarily due to public agencies investing on behalf of the Malay people. There is now some evidence that a culture of cronyism has been

engendered, as the beneficiaries turned out not to be struggling Malay entrepreneurs, but rather former officials of the Ministry of Trade (Amran & Ahmad 2013). This unfortunately repeats the experiences found elsewhere around the world when analogous policies were put in place.

2.11.5 Limitations of indigenization under the discussed models

From what has been discussed above, it is clear that the hope for a successful achievement of indigenization lies in the pursuance of an alternative pattern of development which is based on self-sustained growth and collective self-reliance and reasonable degree of honesty and integrity among those who man the affairs of economy at all levels. Discussed below are the major limitations identified by some researchers as constraints under the discussed indigenization models.

The discussion given above concerning the three indigenization models, i.e. public sector-led indigenization, private sector-led indigenization and mixed economy reveals that all the models have their advantages if properly managed. Blum, Manning, and Srivastava (2012) emphasize that public sector can deliver quality outputs for the benefit of the citizens if it is well-managed. This also happens by regulating social and economic behaviour and setting sector policy objectives for the sector ensuring fiscal and institutional sustainability. A well-managed public sector actually shapes how the public sector procedures translate resources into output because the public sector decides what governments can achieve throughout policy domains. However, despite all possible good by the public sector, it is unfortunate that the way the public sector is managed leaves a lot to be desired resulting in its failure to meet the desired end as discussed above.

With regard to the private sector, the World Bank (2012) estimates that 80 per cent of reduction of poverty could be due to economic growth and makes it clear that it is the private sector that is the engine of economic growth, because 9 out of 10 jobs in the developing world are in the private sector. According to Kousadikar and Singh (2013) an outstanding feature concerning the private sector is ability to induce competitiveness among the enterprises which proves to be fruitful for the businesses and the economies in general. They go on to state that the private sector offers flexibility and spirit of coming up with new ideas and new products including saving of costs. It is perceived to be self-motivated, prolific and dependable as far as superior quality of products and service are concerned. However, while all that is true about the private sector Kousadiar and Singh (2013) also state that private sector contracts are heavily influenced by world-wide issues and are structured on the basis of forces of government and the private sector along with the legal institutions.

Amran and Ahmad (2013) give more reasons which interfere with the running of a private sector and are discussed below:

1. Private sector pays its attention on maximization of profit at the expense of social objectives resulting in malpractices like production of poor quality products, high overheads and increase of prices.
2. There is a low level of transparency in the private sector such that stakeholders do not get enough information about the way an organization operates.
3. Private sector-led economies have provided a fertile ground for abuse of power and illegitimate ways of issuing of licences and bad business

arrangements amongst the government and private sector leaders and subordinates. These practices have allowed bribery to be the common issue which tarnishes the applicability of private sector operations.

A mixed economy is an economy in which all the activities in connection with production of goods and services are carried out by both private and government enterprises. It is the form of economy that combines capitalism with other kinds of government regulations. Wight (2011) posits that the mixed economy has the following advantages:

Quick Economic Development

In a mixed economy, both public and private sectors work in equal ways, resulting in quick economic development.

Liberty to own private property

People have the freedom to obtain property and stay in their individual names hence it motivates them to work hard. This assists in high productivity and fast economic development within the relevant industry and other services. Both producers and consumers have a choice on what to produce and what to consume, leaving the production and consumption of harmful goods and services to be controlled by government.

Balanced Regional Development

The country's planning commission creates policies for the improvement of each region in the economy.

Lesser Income Inequality

With a mixed economy, inequality in terms of income will be less because the public sector tries to offer economic utility to the public at large.

However, while all that is true about a mixed economy, Bogolib (2013) notes that as a result of interdependence on individuals and government as providers of goods and services, sometimes customers' needs go unfulfilled because the individuals and businesses focus on the most profitable activities, while government can sometimes enact policies meant to favour government-owned business at the expense of individual-owned businesses. Bogolib (2013) goes on to posit that while the mixed economy is a system in which business ownership is given to both private and public corporations to operate any kind of business, it must be taken note of that the procedure involved in operating any business in such an environment must be according to the rules and regulation contained in the business laws of that given economy. The implication is that while the running of business is undertaken by both individuals and the government, the running of the state is undertaken by the government alone and the government is the one responsible for enacting as well as executing the rules that govern business process in that given economy. As such, government can always make rules that are meant to favour government-owned companies at the expense of individual businesses. From that viewpoint, it can be seen that mixed economy comes with some disadvantages to individual businesses as one single change in government rules will have detrimental effect on individual businesses. This may affect performance of individual businesses and can even lead to their total failure in cases where such rules are severely adverse. It may also happen that corrupt government elites may be bribed and fail to implement the rules and regulations to the customer and the economy in general's advantage.

The discussion given above brings out clearly that human needs have to be satisfied, so individuals, businesses and governments should strive to adopt sustainability measures to meet the needs of the citizens.

Empirical observations show that the only problem with these models is how they are managed (Blum, Manning and Srivastava, 2012). Corruption is surfacing as one of the major problems as economies try to function under the different models. For example, in the centre of the public theory is the belief that everyone who is a decision maker in the public sector seeks to satisfy their own vested interest at the expense of the public interest (England 2012).

CHAPTER THREE

METHODOLOGY

3.1 INTRODUCTION

This chapter explains the methods which the researcher used in the whole process of data collection, presentation, analysis and interpretation. The focus was on the research design, population of the study, sample and sampling technique, data-collection procedures, data presentation and analysis procedures.

3.2 RESEARCH DESIGN

In this study the topic and the research questions are best suited to a quantitative research design. The researcher adopted a quantitative approach to allow the determination of the effects of indigenization on financial development. It was necessary to use quantitative methods to collect data and even to analyse it because the researcher needed to generate numerical data that could be transformed into useable statistics to be used for analysis. This is supported by Williams (2011) who asserts that quantitative research methods involve the collection of data so that information can be quantified and subjected to statistical treatment to support or refute alternative knowledge claims. Quantitative data collection methods are more suitable for this study than qualitative data collection methods because quantitative collection methods include longitudinal which is one of the reason why I chose that method instead of qualitative because I needed to gather numerical data for the same countries repeatedly over a period of time which qualitative method could not achieve.

The dependent variable is financial development, the independent variable is indigenization and the moderating variable is corruption. It is crucial to examine and measure ***financial development*** and ***indigenization types*** as appropriately as possible to assess the extent to which the indigenization and its sub variables affect financial development through its sub variables.

3.2.1 Financial development measurement

To measure the level of financial development for each country assessed, the researcher made use of Financial Development Index (FDI) as given in the reports by World Bank. The FDI ranks financial development based on the leading financial systems and capital markets' level of operation as measured by depth, breadth and efficiency. The World Bank Report describes financial development as the institutions and policies which spell out effective financial intermediation as well as access to capital and financial services. In connection with this definition, measures of financial development are captured across the following sub variables which are known as 7 pillars:

First pillar:	Institutional environment
Second pillar:	Business environment
Third pillar:	Financial stability
Fourth pillar:	Banking financial services
Fifth pillar:	Non-banking financial services
Sixth pillar:	Financial markets
Seventh pillar:	Financial access

3.2.2 Indigenization measurement

The independent variables were measured through the four types of indigenization which are:

1. Indigenization of ownership
2. Indigenization of control
3. Indigenization of manpower
4. Indigenization of technology

3.2.3 Corruption measurement

The moderating variable which is corruption was measured through the Corruption Perceptions Index (CPI).

The whole idea was to measure the extent to which the indigenization variables affect the levels of financial development worldwide. The study went further to assess the extent of the effect after considering corruption as a moderating variable.

3.3 POPULATION

The study's targeted population is made up of all countries in the world. According to the World Atlas, only countries recognized (as such) by the United Nations are included, not dependencies and/or territories and they all add up to 195.

3.4 SAMPLE AND SAMPLING PROCEDURE

The sample is composed of representative countries from all the regions in the world. The identified countries are the ones with the necessary complete data needed and relevant for the analysis. The deciding factor was made up of all the

countries scored in the Financial Development Index (FDI) from the year 2008 to 2012 and they add up to 49 countries which is 25% of the total population in terms of number of countries. The sampling technique is therefore purposive because the sample was purposely constructed to specifically include all the countries scored in the Financial Development Index (FDI) for the period of study. The same specific group of countries have complete needed data for the analysis.

3.5 DATA COLLECTION AND PROCEDURE

The researcher used data collected by different organizations of the world which include International Monetary Fund, the United Nations and the World Bank. The data from those sources was presented in the form of reports which included some indices like Financial Development index (FDI), Human Development Index (HDI), Technology Index (TI) and Corruption Perceptions Index (CPI), Foreign Direct Investment Confidence Index and other reports like List of countries by received Foreign Direct Investment (FDI). The researcher used secondary data from the mentioned sources because the scope of the study covers countries from all over the world. The data covers five years from 2008 to 2012. The researcher began with 2008 because this is when the World Bank started issuing the Financial Development Reports showing the Financial Development Indices (FDI). The study covered up to 2012 because this is when the Word Bank ended issuing Global Financial Development Reports ranking countries according to their financial development levels. The World Bank's Global Financial Development Reports (GFDRs) from 2013 onwards are now forward looking, trying to understand and find solutions to the observed declining Financial Development Indices. GFDR 2013 is

entitled “**Rethinking the role of the state in financial development**”. The report is checking the effect of the role of the state in financial development.

GFDR 2014 is entitled “**Financial Inclusion**”. Here the report wants to find out the proportion of firms that use financial services.

GFDR 2015-2016 is entitled “**Use of long-term finance**”. The problem the report wants to expose is the fact that long-term finance is limited in developing economies especially among smaller firms and poorer individuals.

Accuracy and validity of the data

The data concerning FDI is from the Financial Development Reports from 2008 to 2012 prepared by the World Economic Forum. These reports benefited from the support and guidance given by a number of entities including its industry partners with contributions from Advent International, Barclays and Standard Chartered Bank. The World Economic Forum is grateful for the participation of New York University, the University of Chicago and the World Economic Forum Executive Opinion Survey. According to the survey, countries are divided into regions which are sub-Saharan Africa, Middle East and North Africa, Eastern Europe and Central Asia, European Union and Western Europe, Americas and Asia Pacific. Cross-country benchmarking methodology where countries were able to benchmark against one other was used. The bench-marking involved measurement of the breadth, size, efficiency stability and access to financial system around the world. These financial development measures were discussed under **7 pillars** which are Institutional environment, business environment, and financial stability, banking financial services, non-banking financial services, financial markets and financial access. The statistical data about the 7 pillars was collected from the Global Financial Database.

The data was ranked using the scale of 1-7, 1 being the least advantageous to financial development and 7 being the most advantageous to financial development.

Below is a table that illustrates the way the countries are scored in the FDI index bearing in mind that the total score is 7 and that when the score is low it means financial development is also low and when score is high, it also means the financial development is high in that country or economy. It is of importance to note that two countries were picked from each region.

3.5.1 Levels of Financial Development

Table 3.1 Financial Development pillars (FDI) 2012

REGION	COUNTRY	PILLARS							
		1	2	3	4	5	6	7	Overall
		1-7	1-7	1-7	1-7	1-7	1-7	1-7	1-7
Sub-Saharan Africa	Nigeria	3.65	2.78	4.39	1.79	1.19	1.13	2.33	2.46
	Tanzania	3.14	3.05	5.51	1.86	1.01	1.10	2.24	2.55
Middle East & North Africa	Kuwait	3.85	4.68	5.13	3.43	1.78	4.63	4.73	4.4
	Egypt	3.31	3.64	3.8	3.31	1.31	1.94	2.11	2.7
Eastern Europe & Central Asia	Turkey	4.09	4.49	3.22	3.66	1.70	2.38	3.33	3.27
	Ukraine	2.93	3.57	3.14	2.30	1.95	1.40	2.66	2.56
European Union & Western Europe	United Kingdom	6.10	5.75	4.12	5.80	4.85	4.44	4.51	5.21
	Switzerland	5.69	5.85	5.99	4.46	3.12	4.37	3.97	4.78
Americas	United States (USA)	3.65	5.58	4.36	4.28	6.11	5.86	5.06	5.27
	Mexico	3.78	4.50	5.05	3.25	2.03	1.64	2.96	3.25
Asia Pacific	Hong Kong	5.77	6.03	5.35	6.15	3.75	5.04	5.08	5.31
	Pakistan	3.10	3.15	3.78	2.79	1.35	1.97	23.1	2.61

Source: Global Financial Development Report: 2012

3.5.2 Levels of Indigenization

For Indigenization variables, which are the four types of indigenization namely, indigenization of ownership, indigenization of control, indigenization of manpower and indigenization of technology, data is from the Worldwide Governance Indicators databases. Specifically to do with indigenization of ownership and control data is from World Investment Report 2012 presented by the United Nations Conference on Trade and Development (UNCTAD). This report presents a list of countries by received Foreign Direct Investment (FDI). Foreign Direct Investment (FDI) refers to the ownership and control of decision-making in an enterprise situated in one country by an investor based in another country Mojekwu and Ogege (2012). This then means the higher the FDI in a given economy, the lower the indigenization of ownership and control which means that the indigenes of a country do not have much ownership stake in the economic establishment in their country.

Accuracy and validity of data

The data used to come up with the list of countries according to FDI received is from the UNCTAD 2014 database. UNCTAD is a world-wide centre of high esteem which deals with investment and enterprise development issues in the United Nations. It has been in the business of research, policy analysis, and inter-governmental consensus-building for the past three decades and provides a lot of assistance to developing countries based on that experience.

For Indigenization of manpower, data is from Manpower Development Index trends 2008-2012 as presented in the Human Development reports. This data shows that the higher the Index (HDI) in an economy, the higher the human improvement in that

economy, the lower the HDI the lower the human development in that country meaning that the indigenes of that given economy are either lowly developed or highly developed depending on the data as given by the HDI.. If they are lowly developed, it means that the indigenes are not developed enough to take over the 'commanding heights' of the nation's economy from foreign investors.

Accuracy and validity of data

The methodology used to come up with the rankings used for Human Development (HDI) index includes the definition of HDI and states that HDI measures average attainment in three most important areas of the development of a human being. The dimensions are good health for a long period, decent standard of living including quality lifestyle for countries in the whole world. The Human Development Report places countries into four broad human development groups, these are Very High Human Development, High Human Development, Medium Human Development and Low Human Development. The groupings were based on the purchasing power parity per capita. The main data sources are calculations based on data from the following organizations, Scientific and Cultural Organization (UNESCO United Nations Department of Economic and Social Affairs (UNDESA) (2012),) institute for Statistics (2012) United Nations (UN) Statistics Division (2012) and World Bank (2012) and IMF (2012).

With regard to indigenization of technology, data was derived from Technology index given by the International statistics compiled from the World Economic Forum and Global Competitiveness Reports 2008-2012. Collected data implies that the higher the index the higher the use of technology in that given economy and the lower the index, the lower the use of technology in that given country.

Accuracy and validity of data

The Index denotes the country's readiness to acquire, adapt and use technology. The source of the data used to compile the technology Index is the International Statistics which were created by the World Economic Forum. Some of the data were aggregates from the Global Competitiveness Report (2012).

Using the data from the stated organizations, levels of indigenization for different countries were ranked 1 2 3 and 4. The meaning of those figures is given below:

- 1 representing low indigenization;
- 2 representing medium indigenization;
- 3 representing high indigenization; and
- 4 representing very high indigenization.

Indigenization of ownership and control:

For indigenization of ownership and control, 1 means indigenous ownership and control is low, 2 means the ownership and control is medium, 3 means ownership and control is high and 4 means it is very high bearing in mind that the higher the Foreign Direct Investment (FDI), the lower the indigenous ownership and control and the lower the foreign direct investment (FDI), the higher the indigenous ownership and control. In the list of countries by received FDI, 151 countries were ranked and for the study, the 151 countries were divided by four to embrace the four levels of 1 – 4 which are low, medium, high and very high.

Indigenization of manpower

With regards to indigenization of manpower, 1 means that the indigenous manpower is lowly developed, 2 means the indigenes of the country are moderately developed, 3 means they are highly developed and 4 four means that they are very highly developed. The statistics given in the 2012 HDI index put the different countries in those categories.

Indigenization of technology

In connection with indigenization of technology, 1 means the country's readiness to use technology is low, 2 means the readiness is medium , 3 means the country's readiness is high and 4 means it is very high. In the Technology Index list, 101 countries were ranked and according to the study's ranking, the 101 countries were divided by 4 to embrace low, medium, high and very high.

Below is a table showing an example of how countries were ranked in 2012:

Table 3.2 Indigenization Country Rankings

REGION	COUNTRY	Indigenization of ownership and control	Indigenization of manpower	Indigenization of technology
Sub-Saharan Africa	Nigeria	2	1	1
	Tanzania	3	1	1
Middle East/North Africa	Kuwait	3	4	2
	Egypt	2	2	2
Eastern Europe & Central Asia	Turkey	2	3	1
	Ukraine	1	3	2
European Union & Western Europe	United Kingdom	1	4	4
	Switzerland	1	4	4
Americas	USA	1	4	4
	Mexico	1	3	3
Asia Pacific	Hong Kong	1	4	3
	Pakistan	2	1	1

Indigenization of ownership and of control is ranked together because indigenization of ownership entails indigenization of control and that of control entails indigenization of ownership. These two types of indigenization are inevitably interwoven and they mean more or less the same. This is so because if a multinational company has a percentage of ownership stake in a company that also implies the degree to which they have control of the running of that same company.

3.5.3 Levels of corruption

For the moderating variable, which is corruption, data is collected from Transparency International (TI) which publishes the **Corruption Perceptions Indices (CPI)** and ranks countries annually by their levels of corruption as determined by expert assessments and opinion surveys. The CPI describes corruption as the misuse of public power for selfish private benefit. The CPI currently ranks countries on a scale from 10 (very clean) to 0 (highly corrupt). Researchers established a positive link between a lower level of corruption and higher level growth in any given economy as well as an increase in GDP while a higher level of corruption yields a negative effect on growth of an economy (Akinpelu, Ogunseye, Bada & Agbayangi 2013).

Accuracy and validity of data:

The Corruption Perceptions Index (CPI) is an average indicator that puts together data from sources covering the past two years. CPI 2012 includes surveys published between January, 2011 and September, 2012. Sources evaluate the general level of corruption in the public and political sectors, and all sources provide a ranking of countries. The following are the steps followed when calculating CPI:

1. Bring into line all the data supplied by the individual sources by using matching percentiles technique that uses the ranks of countries reported by each individual source. This method is useful for putting together sources that have different distributions
2. Allowing reported scores to remain within the limits of CPI which are between 0 and 10.

3. Perform a beta-transformation on the standardized scores. This enhances the standard deviation among all countries which form part of the CPI and makes it possible to reveal the difference even more accurately among countries that seem to have scores which are more or less the same.
4. Finally, the CPI scores are determined by calculating an average of all of the normalized values for every country.

Below is an example which shows how the CPI index scores different countries:

Table 3.3 CPI Index for 2012

REGION	COUNTRY	CPI/INDEX
Sub-Saharan Africa	Nigeria	2.7
	Tanzania	3.5
Middle East & North Africa	Kuwait	4.4
	Egypt	3.2
Eastern Europe & Central Asia	Turkey	4.9
	Ukraine	2.6
European Union & Western Europe	United Kingdom	7.4
	Switzerland	8.6
Americas	United States	7.3
	Mexico	3.4
Asia Pacific	Hong Kong	7.7
	Pakistan	2.7

3.6 DATA ANALYSIS

In this study the researcher used panel data regression analysis because the data involved is cross sectional time series data where multiple countries are observed over a period of five (5) years. Regression analysis has got important benefits for this study:

1. It indicates whether there exists a relationship between independent variables which are indigenization of ownership, indigenization of control, indigenization of manpower and indigenization of technology and the dependent variable which is financial development.
2. It indicates the relative strength of the indigenization variables' effect on financial development.
3. It also shows the relative strength of corruption's effect on the link that exists between the indigenization measurement variables and financial development dependent and its sub variables.

To analyse the data the study followed a concepts given in the framework from Dougherty (2011) in determining the appropriate model for the panel data involved. The framework is given in figure 3.1 shown below:

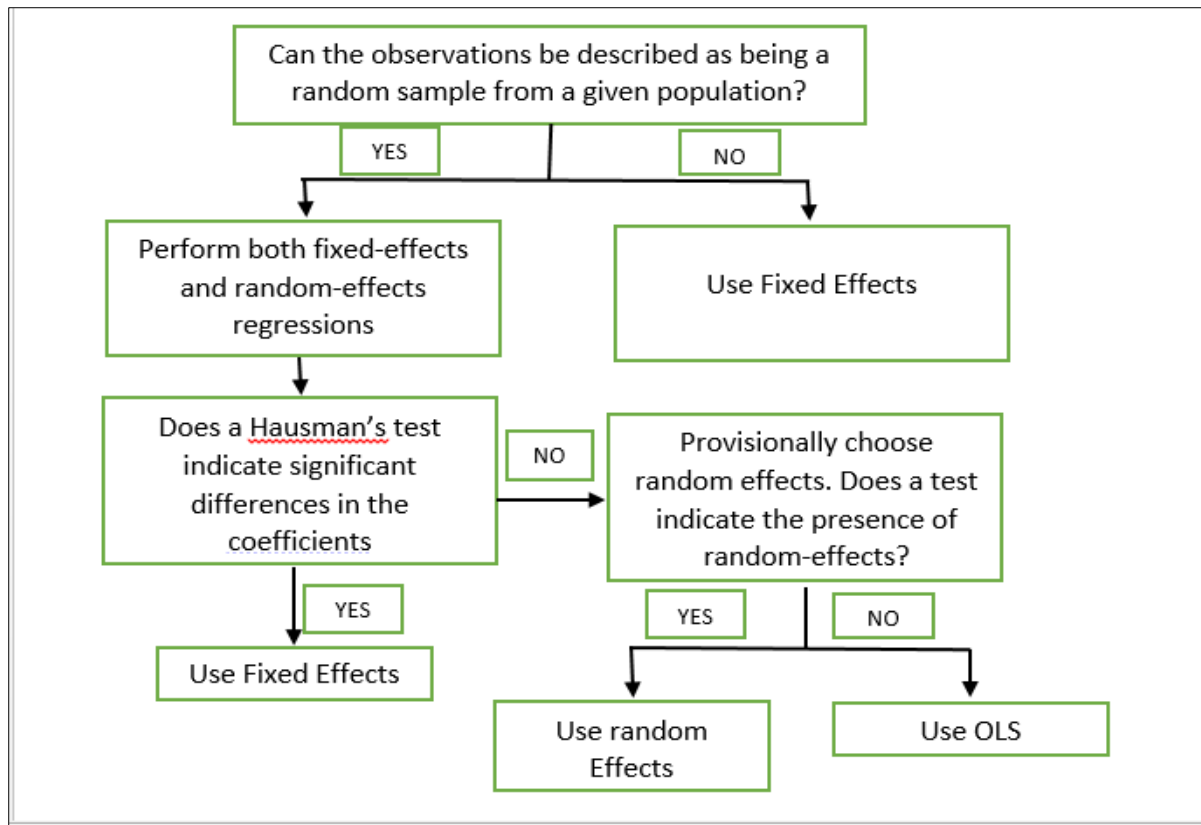


Figure 3.1: Choosing the correct model for panel data regression analysis

From a thorough review of literature and data analysis, a model is developed as a result of the relationship that exists between the independent variables i.e. Indigenization of ownership, indigenization of control, indigenization of manpower and indigenization of technology, moderating variable which is corruption, and the dependent variable which is financial development.

After collecting data from 49 countries listed on the annexure, the developed economic model is tested using panel data-regression analysis which should reveal the relative strength of the independent variables and the moderating variable's effects on the dependent variable. This means that the regression analysis as a test explains to what extent the independent variables together with the moderating variable affect the levels of financial development.

3.7 RESULTS

The analysed and interpreted data spells out the effect of indigenization on financial development and the suggested economic model should be in place.

3.8 CONCLUSION

After the methods used to carry out the study have been introduced the next thing is to analyse the data and come up with findings and a recommended economic model that places greater prominence on wealth creation through participation of the indigenous people.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF DATA

4.1 INTRODUCTION

The purpose of this chapter is to present an interpretation of statistical data analysis results. The chapter fits into the overall thesis because it presents the analysis which proposes answers to the research questions of the study.

4.2 DESCRIPTION OF THE SAMPLE

The sample is composed of representative countries from all the regions of the world (Financial Development Report, 2012). The identified countries are selected because they have the necessary complete data needed and relevant to analyse in this study. The deciding factor was what all the countries scored in the Financial Development Index (FDI) from the year 2008 to 2012 and they add up to 49 countries which is 25% of the population. The researcher started from year 2008 because that is the year the World Bank issued the first Financial Development Report. The study has looked at a period of five years giving the trend from 2008 to 2012. The researcher ended with 2012 because that was the year the World Bank issued the last Financial Development Report including Financial Development Index. After 2012, the World Bank's Global Financial Development Reports (GFDR) are forwarding looking wanting to come up with solutions to the declining financial development levels.

4.3 DEPENDENT VARIABLE AND ITS SUB-VARIABLES

The dependent variable ***financial development*** was measured through the seven pillars which are restated below:

- P1 Institutional environment
- P2 Business environment
- P3 Financial stability
- P4 Banking financial services
- P5 Non-banking financial services
- P6 Financial markets
- P7 Financial access

Then there was another pillar known as overall financial development (P8).

The given pillars formed the bases for ranking financial development in the FDI index and the rank is 1-7, 1 symbolizing least advantageous to financial development and 7 most advantageous to financial development.

4.4 INDEPENDENT VARIABLE AND ITS SUB-VARIABLES

The independent variable ***Indigenization*** was measured through the four types of indigenization which are restated below:

1. Indigenization of ownership
2. Indigenization of control
3. Indigenization of manpower
4. Indigenization of technology

Levels of indigenization were coded as shown below:

- 1 Low indigenization
- 2 Medium indigenization

3 High indigenization

3 Very high indigenization

4.5 DESCRIPTIVE STATISTICS OF FINANCIAL DEVELOPMENT

Before data analysis and answering the research questions, the researcher finds it important to show the levels of financial development as given in the Financial Development Index from 2008 to 2012. The levels are shown as average scores of the total value of 7.00 given through the seven pillars and are shown in the following tables.

Table 4.1 Pillar 1 INSTITUTIONAL ENVIRONMENT

		Average score
2008	Pillar 1	4.6474
2009	Pillar 1	4.4433
2010	Pillar 1	4.4214
2011	Pillar 1	4.4421
2012	Pillar 1	4.4493

According to Table 4.1 in connection with Pillar 1 which deals with institutional environment, it shows that financial development was reasonably high in 2008 with an average score of 4.6474. It came down steadily for the other years, 2009, 2010, 2011 and 2012 and never went back to 2008 level. This means that financial development with regard to institutional environment has steadily gone down from 2008 to 2012 without showing any improvement.

Table 4.2: Pillar 2 - BUSINESS ENVIRONMENT:

Year	Pillar	Average score
2008	Pillar 2	4.5848
2009	Pillar 2	4.5629
2010	Pillar 2	4.5643
2011	Pillar 2	4.6255
2012	Pillar 2	4.6052

Table 4.2 above indicates that the average scores for pillar 2 are at 4.5848 to 4.6052 and there is not much difference among all the four average scores. This implies that financial development with regard to business environment is stagnant with not much improvement taking place.

Table 4.3 Pillar 3 – FINANCIAL STABILITY

Year	Pillar	Average score
2008	Pillar 3	4.6028
2009	Pillar 3	4.7667
2010	Pillar 3	4.5784
2011	Pillar 3	4.4877
2012	Pillar 3	4.5493

Table 4.3 shows that the pattern for pillar 3 is up and down but never went back to where it was in 2008 and 2009. Again this shows no improvement in financial stability throughout the period under study.

Table 4.4 Pillar 4 – BANKING FINANCIAL SERVICES

Year	Pillar	Average score
2008	Pillar 4	3.8956
2009	Pillar 4	3.7300
2010	Pillar 4	3.7991
2011	Pillar 4	3.9072
2012	Pillar 4	3.9328

With reference to Table 4.4, it shows that for banking financial services, the average scores have gone down with the highest average score of 3.9328 in 2012 and the lowest average score of 3.7300 in 2009. The pattern is that financial development as measured by banking financial services is fairly low just a bit above half the scale of 7 and remains like that throughout the period under study.

Table 4.5 Pillar 5 - NON-BANKING FINANCIAL SERVICES

Year	Pillar	Average score
2008	Pillar 5	2.6642
2009	Pillar 5	2.6142
2010	Pillar 5	2.7723
2011	Pillar 5	2.6421
2012	Pillar 5	2.6644

During the period under study, Table 4.5 shows that non-banking financial services reveal a very poor FDI ranging from a highest average score of 2.7723 in 2010 and the lower of 2.6142 in 2009. This pattern shows a financial status quo throughout and very low all the way. All the average scores are way below half of scale 7 which

is the most advantageous to financial development. This situation implies that non-banking financial services worldwide are not of much help to financial development.

Table 4.6 Pillar 6 – FINANCIAL MARKETS

Year	Pillar	Average score
2008	Pillar 6	3.1031
2009	Pillar 6	2.8702
2010	Pillar 6	2.8598
2011	Pillar 6	2.7664
2012	Pillar 6	2.7964

Table 4.6 indicates that for Pillar 6, the pattern shows that the development of financial markets is consistently going down within low average scores. There is a drop from 2008 to 2009. From 2010 to 2012 the average scores continue to go down with the lower of 2.7664 in 2011. This situation again shows that financial markets are not performing to the advantage of financial development.

Table 4.7 Pillar 7 – FINANCIAL ACCESS

Year	Pillar	Average score
2008	Pillar 7	4.8202
2009	Pillar 7	3.4409
2010	Pillar 7	3.3867
2011	Pillar 7	3.4798
2012	Pillar 7	3.7019

In Table 4.7 dealing with financial access, it shows that the average score was reasonably high in 2008 at 4.8319 and then went down and never recovered with a lowest average score of 3.3867 in 2010. This situation implies that financial access has become a challenge since 2009 to 2012.

Table 4.8 OVERALL

Year	Pillar	Average score
2008	Overall	4.0419
2009	Overall	3.7493
2010	Overall	3.7705
2011	Overall	3.7598
2012	Overall	3.8035

Table 4.8 which deals with the overall average score shows a reasonably high score in 2008 at 4.0419 and then went down and never recovered back to the 2008 level.

4.6 DATA ANALYSIS

In this study the data to be analysed is panel data also known as cross-sectional time series data where multiple countries are observed over a period of five (5) years.

The study adopts the framework from Dougherty (2011) given in Figure 2.1 in determining the appropriate model for the panel data involved.

Research questions

1. What is the effect of indigenization of ownership, of control, of manpower and of technology on financial development?

According to Porter (2014) indigenization of ownership entails to a great extent the indigenization of control and indigenization of control entails a great measure of indigenization of ownership so the two types of indigenization are addressed and discussed together. For that reason only indigenization of ownership will form part of the models discussed below:

MODEL 1

The general model is defined as follows:

$$\text{FDI}_{it} = \beta_0 \text{YEAR}_i + \beta_1 \text{COUNTRY}_i + \beta_2 \text{OWN}_{it} + \beta_3 \text{MNPW}_{it} + \beta_4 \text{TECH}_{it} + v_i + \epsilon_{it} ,$$

Where FDI stands for financial development, i denotes the country and t is any one of time points. It can be seen that unlike OWN, MNPW and TECH YEAR and COUNTRY do not vary according to time (missing the subscript t). The ϵ_{it} are cross-sectional effects and the v_i are the observation-level regression errors (Gutierrez and Sanford, 2015).

Model fitting

The random effects model was estimated as a starting point. The results of the Hausman m statistic adopted from Gutierrez and Sanford (2015) which gives information on the appropriateness of the random-effects specification are presented in Table 4.9 below.

H_0 : There are no random effects

H_1 : There is at least one random effect

Random effects Model

Table 4.9: Hausman Test for Random Effects

Hausman Test for Random Effects			
Coefficients	DF	m Value	Pr > m
3	3	0.98	0.8056

The results of the Hausman's test (Gutierrez & Sanford, 2015) indicate that there are no significant random effects, therefore neither a random-effects nor the pooled ordinary least squares (pooled OLS) regression is appropriate for the data under study. As such, this study resorts to the fixed-effect model considering the one-way fixed effect model.

H_0 : There are no fixed effects

H_1 : There is at least one fixed effect

Table 4.10 F-test for no fixed-effects (one-way fixed effects)

F Test for No Fixed Effects			
Num DF	Den DF	F Value	Pr > F
4	223	2.61	0.0362

Table 4.10 shows that there is at least one significant fixed effect in the model (p-value=0.03 < 0.05). As such, the one-way fixed-effects model is appropriate and

there are country effects and time effects. This confirms that a simple pooled OLS and random effects estimation models are inappropriate.

Table 4.11 *Parameter Estimates (one-way fixed effects)*

Parameter Estimates					
Variable	DF	Estimate	Standard Error	t Value	Pr > t
Intercept	1	1.619742	0.2578	6.28	<.0001
OWN_1	1	-0.04871	0.0780	-0.62	0.5331
MN_PW_1	1	0.389601	0.0495	7.87	<.0001
TEC_1	1	0.334285	0.0540	6.19	<.0001

Table 4.11 shows that indigenisation of manpower and of technology are significantly determining the FDI at a 5% level of significance. The indigenisation of ownership is insignificant in defining the FDI. A unit change in the indigenisation of manpower will significantly increase the FDI by about 39% whereas a unit change in the indigenisation of technology will significantly increase the FDI by about 33%.

Research question 1 is therefore answered, the answer being that while indigenization of ownership has an insignificant effect on financial development, the indigenization of manpower and that of technology's effect on financial development is significant, with indigenization of manpower contributing the most, followed by that of technology and that of ownership is the least.

Table 4.12 Fit Statistics (one-way fixed effects)

Fit Statistics			
SSE	52.4682	DFE	223
MSE	0.2353	Root MSE	0.4851
R-Square	0.6745		

R-square value in Table 4.12 shows that the estimated model, to answer this research question explains 67% of the variation in Financial Development Index (FDI). This is an indication of a good fit.

2. Is there any relationship between indigenization of ownership, of control, of manpower, of technology and corruption?

MODEL 2

The general model is defined as follows:

$$\text{CPI}_{it} = \beta_0 \text{YEAR}_i + \beta_1 \text{COUNTRY}_i + \beta_2 \text{OWN}_{it} + \beta_3 \text{MNPW}_{it} + \beta_4 \text{TECH}_{it} + v_i + \epsilon_{it},$$

Where CPI stands for Corruption Perception Index, i denotes the country and t is any one of time points. The regression model has two sets of explanatory notes. It can be seen that unlike OWN, MNPW, TECH and CPI, YEAR and Country do not vary according to time. The ϵ_i are cross-sectional effects and the v_{it} are the observation-level regression errors (Gutierrez & Sanford, 2015)

Model fitting

H_0 : There are no random effects

H_1 : There is at least one random effect

Table 4.13 Hausman Test for Random Effects

Hausman Test for Random Effects			
Coefficients	DF	m Value	Pr > m
3	3	0.00	1.0000

The results in Table 4.13 suggest that there are no random effects in the model. The results for the test of fixed effects are shown next.

One-way Fixed-effects Model

H_0 : There are no fixed effects

H_1 : There is at least one fixed effect

Table 4.14 F-test for No Fixed Effects

Num DF	Den DF	F Value	Pr > F
4	237	0.11	0.9791

Table 4.14 shows that there are no significant fixed effects in the model. Since Table 4.13 and Table 4.14 confirm that there are no random and fixed-effects needed for the model, it is therefore safe to use pooled OLS for fitting the model of CPI against indigenisation variables. The results of the pooled OLS are reported next.

Table 4.15 Parameter estimates for Pooled OLS regression

Variable	DF	Estimate	Standard Error	t Value	Pr > t
Intercept	1	-1.61602	0.6801	-2.38	0.0183
OWN_1	1	0.25511	0.1912	1.33	0.1833
MN_PW_1	1	1.279072	0.1407	9.09	<.0001
TEC_1	1	0.803242	0.1446	5.55	<.0001

The results in Table 4.15 show that the indigenisation of ownership has an insignificant effect on the Corruption Index and indigenization of manpower and of technology has a significant effect on the Corruption Index at 5% level of significance. The indigenisation of ownership has a relatively less contribution in the corruption index than the indigenisation of technology which in turn contributes relatively less than the indigenisation of manpower. All three measures of indigenisation, however, contribute positively towards the Corruption Index. A unit change in the indigenization of manpower and of technology will cause the CPI to significantly increase by about 14.1% and 14.5% respectively. This means that research question 2 has been answered - the answer being that there is a relationship between indigenization of ownership, of manpower of technology and corruption with indigenization of manpower contributing the most followed by that of technology and then that of ownership.

Table 4.16 Fit statistics for the pooled-OLS regression

SSE	493.2201	DFE	241
MSE	2.0466	Root MSE	1.4306
R-Square	0.6246		

The R-square value in Table 4.16 shows that the estimated model explains about 62% of the variation in the Corruption Index (CPI) which is an indication of an acceptable fit.

Using the actual data from corruption index the tables below illustrates the relationship between indigenization and corruption. At this point, it is relevant to remind the reader about the rankings of indigenization levels for indigenization of ownership and ranking levels of corruption. The levels of indigenization are ranked from 1- 4. 1 standing for low, 2 standing for medium, 3 for high and 4 for very high. The levels of corruption are ranked from 0 to 10, with 0 standing for highly corrupt and 10 standing for highly free from corruption

Table 4.17 Relationship between indigenization of ownership and corruption

Level of indigenization of ownership	Level of corruption data from corruption Index
1	8.9
2	6.1
3	4.6
4	2.1

Table 4.17 is therefore revealing that the lower the level of indigenization, the cleaner the corruption according to the Corruption Index (CPI) and the higher the

level of indigenization, the more corrupt the country is. . In order to confirm whether the results are statistically significant, this study considered the Spearman's Rank correlation and the results are presented next.

Table 4.18 Spearman's Rank Correlation

Spearman Correlation Coefficients, N = 245		
Prob > r under H0: Rho=0		
	CPI	OWN_1
CPI	1.00000	-0.57433
CPI		<.0001
OWN_1	-0.57433	1.00000
MEAN(OWN,2)	<.0001	

The Spearman's Rank reveals that there is a significant negative correlation between indigenization of ownership and corruption at 5% level of significance. This confirms that the "numerical" value of CPI decreases as the value of indigenization of ownership increases. In other words, as the indigenization of ownership increases, the country is more corrupt.

Table 4. 19 Relationship between Indigenization of manpower and Level of corruption.

Level of indigenization of manpower	Level of corruption data from corruption index
1	2.17
2	4.90
3	5.10
4	8.70

For indigenization of manpower, the lower the level of indigenization the more corrupt the country is and the higher the level of indigenization of manpower, the cleaner the country is from corruption. Again, Spearman's Rank Correlation is considered for confirming the statistical significance of the proposition made by Table 4.19 and the results are presented next.

Table 4.20 Spearman's Rank Correlation

Spearman Correlation Coefficients, N = 245		
Prob > r under H0: Rho=0		
	CPI	MN_PW_1
CPI	1.00000	0.80922
CPI		<.0001
MN_PW_1	0.80922	1.00000
MEAN(MN_PW,2)	<.0001	

The results show that there is a significant positive correlation between the indigenization of manpower and the CPI at 5% level of significance. This means that the numerical value of CPI increases as the level of indigenization of manpower increases. In other words, as the level of indigenization of manpower increases, the country becomes less corrupt which confirms the results in Table 20.

Table 4.21 Relationship between indigenization of technology and level of corruption

Level of indigenization of technology	Level of corruption data from Corruption Data from corruption index
1	3.1
2	4.6
3	6.5
4	9.2

With regard to indigenization of technology, the table above shows that when the level of indigenization of technology is high the level of corruption is low and when the level of indigenization of technology is low the level of corruption is high. As with other types of indigenization, Spearman's Rank Correlation is used in confirming the statistical significance of the relationship between the level of indigenization of technology and the CPI.

Table 4: 22 Spearman's Rank Correlation

Spearman Correlation Coefficients, N = 245		
Prob > r under H0: Rho=0		
	CPI	TEC
CPI	1.00000	0.71509
CPI		<.0001
TEC	0.71509	1.00000
TEC	<.0001	

The results reveal a significant positive relationship between the level of indigenization of technology and corruption at 5% level of significance. It means that the numerical value of CPI increases as the level of indigenization of technology increases. That is, as the level of indigenization of technology increases, the level of corruption decreases. These results confirm the relationship identified in Table 4.22.

From the results presented, it can be noted that there exists a statistical significant individual relationship between indigenization of ownership, of control, of manpower as well as of technology and corruption. However, the impact of the indigenization of ownership becomes insignificant when both the indigenization of technology and of manpower are included in the model.

3. Does the effect of indigenization of ownership, of control, of manpower, of technology change for worse after considering corruption?

MODEL 3

The general formula is defined as follows:

$$\mathbf{FDI}_{it} = \beta_0 \mathbf{YEAR}_i + \beta_1 \mathbf{COUNTRY}_i + \beta_2 \mathbf{OWN}_{it} + \beta_3 \mathbf{MNPW}_{it} + \beta_4 \mathbf{TECH}_{it} + \beta_5 \mathbf{CPI}_{it} + v_i + \epsilon_{it},$$

Where FDI stands for financial development, i denotes the country and t is any one of time points. The regression model has two sets of explanatory notes. It can be seen that unlike OWN, CONT, MNPW, TECH and CPI, YEAR and Country do not vary according to time. The ϵ_i are cross-sectional effects and the v_{it} are the observation-level regression errors (Gutierrez and Sanford, 2015).

Model fitting

H_0 : *There are no random effects*

H_1 : *There is at least one random effect*

Table 12. Hausman Test for Random Effects

Table 4.23 Hausman test

Coefficients	DF	m Value	Pr > m
4	4	0.16	0.9969

The Hausman test fails to reject the null hypothesis suggesting that there are no significant random effects in the model. The results for the test of fixed effects are presented next.

Table 4.24 F-test for One Fixed Effects

Num DF	Den DF	F Value	Pr > F
4	236	5.98	0.0001

The results in Table 4.24 suggest that there is at least one fixed effect in the model. As such, the appropriate model is a one-way fixed effect model.

Table 4.25. Parameter estimates for one-way fixed effects regression.

Variable	DF	Estimate	Standard Error	t Value	Pr > t
Intercept	1	1.665908	0.1919	8.68	<.0001
OWN_1	1	0.072159	0.0518	1.39	0.1647
MN_PW_1	1	0.05128	0.0440	1.17	0.2450
TEC_1	1	0.216037	0.0414	5.21	<.0001
CPI_1	1	0.224324	0.0174	12.89	<.0001

The results in Table 4.25 show that the indigenisation of ownership has an insignificant effect on financial development and that of technology and corruption has a significant effect on financial development at the 5% level of significance, with corruption contributing more than the indigenisation of technology. Research question 3 has been answered. The answer being that the effect of indigenization of ownership, of control, of manpower and of technology changes after considering corruption with corruption taking over the effect of indigenisation of manpower. This

simply means that indigenization of manpower does not work the way it should as long as the manpower succumbs to corruption.

Table 4.26: *Fit statistics for the one-way fixed effects mode*

SSE	35.1613	DFE	236
MSE	0.1490	Root MSE	0.3860
R-Square	0.7838		

The R-square value in Table 4.26 shows that the estimated model explains about 78.4% of the variation in the FDI which is an indication of a good fit.

4.7 MODEL TESTING

Model 1

Table 4.27 Fit Statistics (one-way fixed effects)

SSE	52.4682	DFE	223
MSE	0.2353	Root MSE	0.4851
R-Square	0.6745		

The R-square value in table 4.27 above shows that the estimated model explains 67.4% of the variation in Financial Development Index (FDI). This is an indication of a good fit.

To confirm Model 1, the researcher interpolated the FDI using the observed values of OWN, MN_PW and TECH for all observations in the dataset under study. The plot comparing the observed and interpolated values (predicted) is given in Figure 4.1 below:

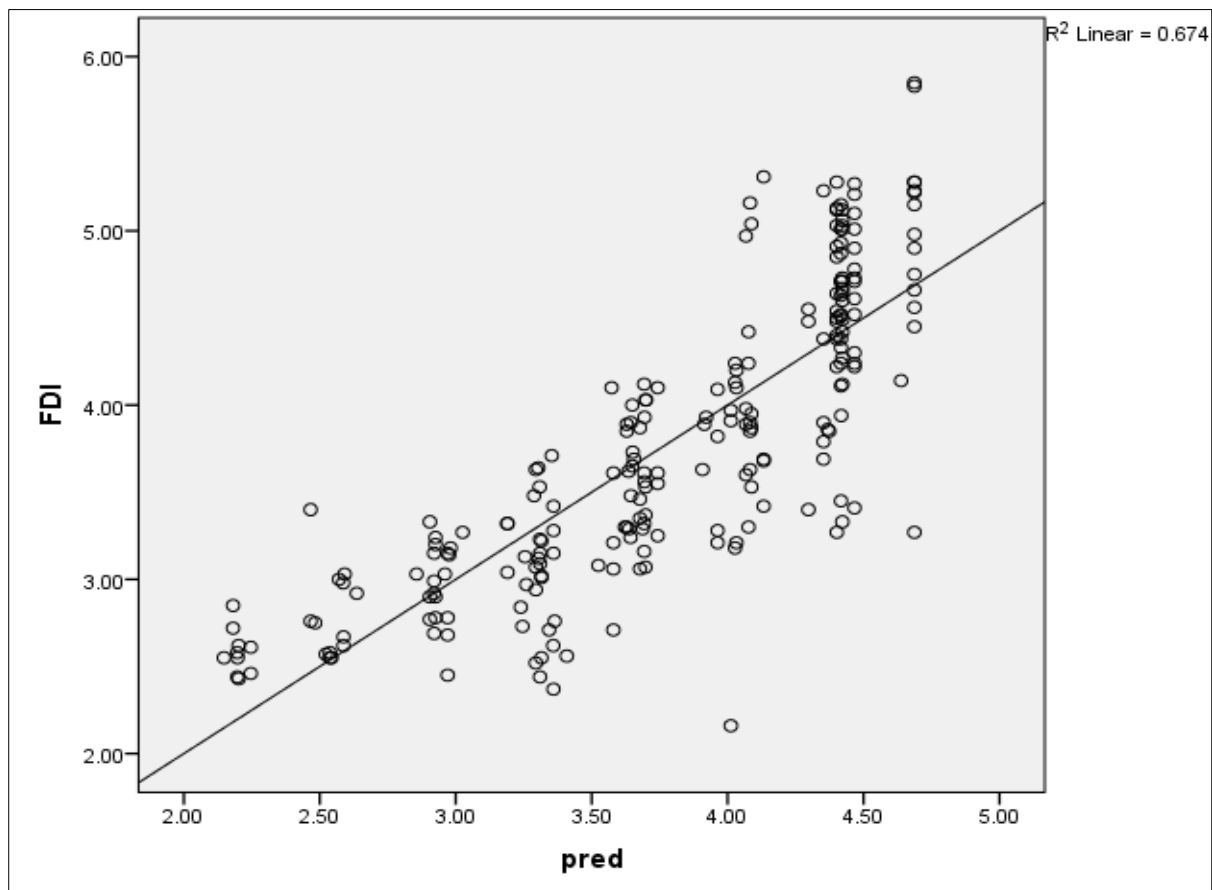


Figure 4.1

The scatter plot shows a strong positive correlation between the predicted and the observed FDI indicating that the predicted FDI explains 67.4% of the variation of the observed FDI. As such, the estimated FDI values are very close to the actual FDI, hence model 1 is good because the test shows the result of 67.4% which is exactly the result of model 1.

Model 2

Table 4.28 Fit statistics for the pooled-OLS regression

SSE	493.2201	DFE	241
MSE	2.0466	Root MSE	1.4306
R-Square	0.6246		

The R-square value in table 4.28 above shows that the estimated model explains about 62% of the variation in the Corruption Index (CPI) which is an indication of an acceptable fit.

To test the model the following scatter plot is given in figure 4.2 below

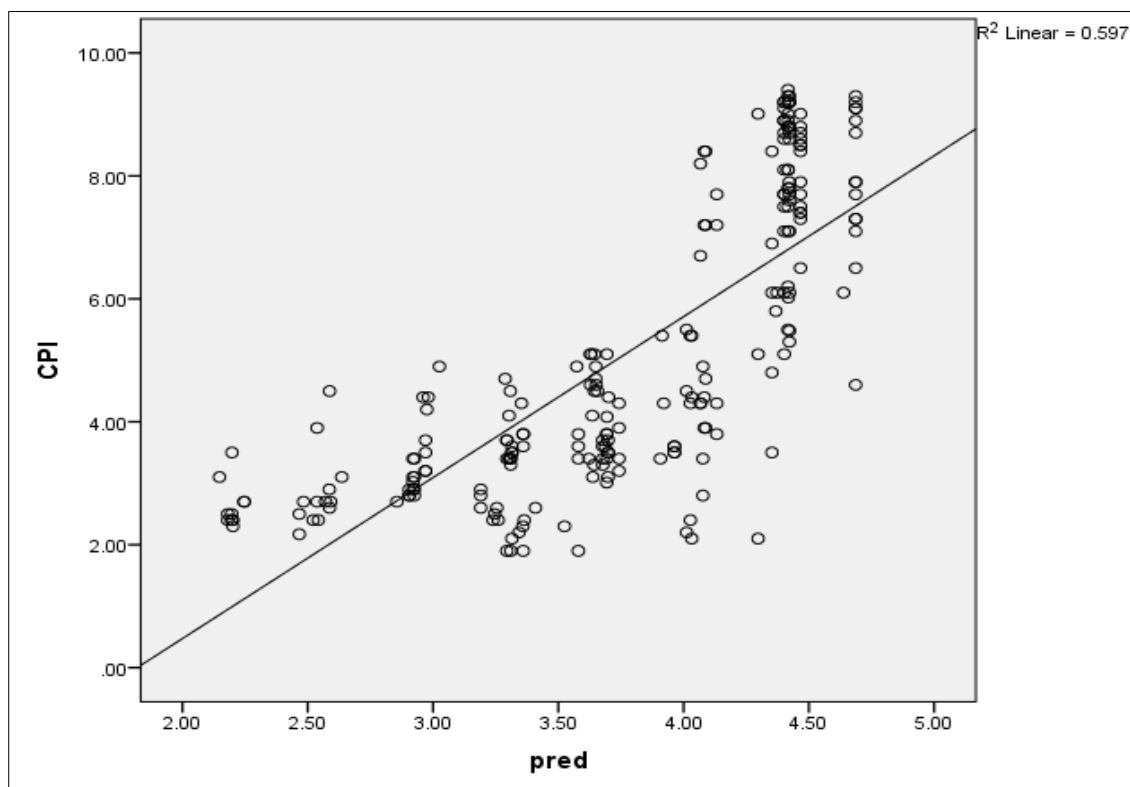


Figure 4.2

The scatter plot shows a fairly strong positive correlation between the predicted and the observed CPI indicating that the predicted CPI explains 59.7%, almost 60% of the variation of the observed CPI. As such, the estimated CPI values are very close to the actual CPI, hence Model 2 is good because the test brings out almost 60% which is very close to 62% for model 2.

Model 3

Table 4.29 Fit statistics for the one-way fixed effects model

SSE	35.1613	DFE	236
MSE	0.1490	Root MSE	0.3860
R-Square	0.7838		

The R-square value in Table 4.29 shows that the estimated model explains about 78.4% of the variation in the FDI which is an indication of a good fit.

To test the model the following scatter plot is given in figure 4.3 below.

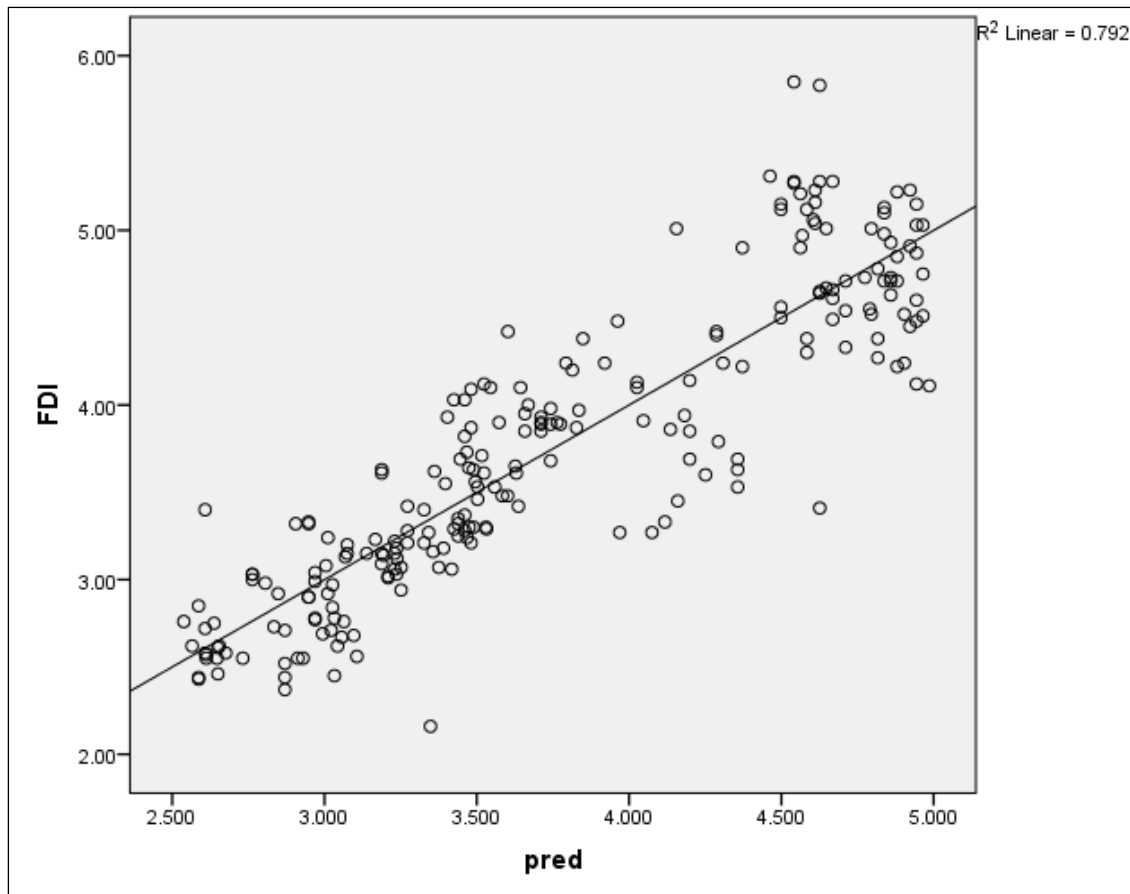


Figure 4.3

The scatter plot in Figure 4.3 shows a very strong positive correlation between the predicted and the observed FDI indicating that the predicted FDI explains 79.2% of the variation of the observed FDI. As such, the estimated FDI values are very close to the actual FDI. Model 3 (R-Square=78.3%) yield better predictions than Model 1 (R-Square=67.4%). And the test has proved it right with the scatter plot results of 79.2%. As such, including CPI in the model improved the estimation ability of the model that excluded CPI.

CHAPTER FIVE

SUMMARY, FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 INTRODUCTION

This chapter presents the summary of the study, findings, conclusion and recommendations in line with the research questions raised in the study.

5.2 SUMMARY OF THE STUDY

The aim of the study was to develop an economic model that establishes the indigenization effect on financial development and improve the financial status of indigenous people and consequently improve overall financial development for economies at large. By implication, the model should place greater prominence on the following:

1. To create wealth through participation of the indigenous people.
2. To make sure that foreign companies comply with the country's indigenization laws and regulations without seeking to enrich a few individuals.
3. To ensure that resources generated by the indigenous entrepreneurs find their way to the country's financial sector, thereby enhancing financial development.

The research hinged on the following questions:

1. What is the effect of indigenization of ownership, of control, of manpower and of technology on financial development?
2. Is there any relationship between indigenization of ownership, of control, of manpower, of technology and corruption?

3. Does the effect of indigenization of ownership, of control, of manpower and of technology on financial development change after considering the moderating variable which is corruption?

With regard to financial development, the dependent variable was measured in terms of 7 determinants or pillars which are as listed below:

Pillar 1	Institutional environment
Pillar 2	Business environment
Pillar 3	Financial stability
Pillar 4	Banking financial services
Pillar 5	Non-banking financial services
Pillar 6	Financial markets
Pillar 7	Financial access

Indigenization, the independent variable, was measured in terms of different types of indigenization which are:

Indigenization of ownership

Indigenization of control

Indigenization of manpower

Indigenization of technology

Corruption, the moderating variable, was measured through the Corruption Perceptions Index (CPI).

A population was identified as all the world countries as defined by the World Atlas and they totalled 195. The sample was composed of representative countries from all the regions in the world. The identified countries were those with complete and relevant data according to the Financial Development Index (FDI) and they added up to 49 countries which is 25% of the total population. The researcher used data collected and presented in different reports which are the Financial Development Index (FDI), Human Development Index (HDI), Technology Index (TI) and Corruption Perceptions Index (CPI) for a period of five years running from 2008 to 2012. The collected data being panel data was analysed using panel data regression analysis to come up with results.

5.3 FINDINGS

Model 1

The following are the findings of the study based stated hypotheses:

H₀1: Indigenization of ownership, of control, of manpower and of technology has no effect on financial development.

H₁: Indigenization of ownership, of control, of manpower and of technology has an effect on financial development.

1. The finding is that the indigenization variables have an effect on financial development. The effect of indigenization of manpower and that of technology on financial development is significant at 5% level of significance and that of ownership and control is insignificant. It means that all the variables have an effect on financial development the only difference is that the effect of

indigenization of manpower and that of technology on financial development is significant while the effect of ownership and control is insignificant. The null hypothesis is therefore rejected and the alternative hypothesis is accepted.

2. The analysis revealed that a unit change in indigenization of manpower will significantly increase financial development by about 39% and a unit change in indigenization of technology will significantly increase financial development by about 33%.
3. The estimated **model 1** explains 67% of the variations in financial development which means that the financial development levels as they appear in the Financial Development Index (FDI) are affected by the indigenization measures to the extent of 67% with indigenization of manpower contributing the most followed by indigenization of technology and then that of ownership and control.

Model 2

H₀₂: There is no relationship between Indigenization of ownership, of control, of manpower, of technology and corruption.

H₂: There is a relationship between Indigenization of ownership, of control, of manpower, of technology and corruption.

4. The general finding is that all the measures of indigenization contribute towards the corruption index with indigenization of manpower and that of technology having a significant relationship with corruption at 5% level of significance and that of ownership and control being insignificant. The null hypothesis is rejected and the alternative hypothesis is accepted.

5. For indigenization of ownership and control, the study reveals the relationship being that the lower the level of indigenization, the cleaner the corruption according to the corruption index (CPI) and the higher the level of indigenization, the higher the level of corruption in a given economy.
6. For indigenization of manpower, the study reveals the relationship as being that the higher the indigenization and development of manpower, the lower the corruption levels of a country. Conversely the lower the indigenization and development of manpower, the higher the levels of corruption.
7. For indigenization of technology the study reveals the relationship as being that as the level of technology increases, the level of corruption decreases and as the technology level decreases, the corruption level increases.
8. According to **model 2**, the indigenization variables explains about 62% of the variation in the corruption index.

Model 3

H₀₃: The effect of indigenization of ownership, of control, of manpower and of technology on financial development does not change after considering corruption as a moderating variable.

H₃: The effect of indigenization of ownership, of control, of manpower and of technology on financial development changes after considering corruption as a moderating variable.

9. The finding is that after considering corruption, the effect as indicated in **model 1** changes for the worse with corruption and indigenization of technology having a

significant effect on financial development at 5% level of significance. The null hypothesis is rejected and the alternative hypothesis is accepted.

10. The estimated **model 3** explains 78% of the variation in the financial development levels.
11. The finding is clear that corruption has taken over manpower which simply means that as much as manpower could be indigenized and even developed, its potential positive effect is watered down because of corruption. This is confirmed by Kashin and Ogunduyile (2011) who observed that in the process of coming up with indigenization of manpower, an unproductive, unskilled and corrupt group of pseudo-capitalists has emerged. The same finding is supported by Afolayan (2013) who asserts that indigenization may not work to the advantage of the economies as long as those who man the operations of the organizations succumb to corruption for private benefit. Literature strongly supports this point when Yahaya (2012) posits that when private benefits are involved both indigenes and foreigners are ready to undermine the provisions of the established regulations in order to “feather their own nests”.
12. Another finding with regard to corruption is that in some cases local politicians allow themselves to be involved in corrupt practices to subvert and sabotage national policies in collaboration with foreign companies. This point is confirmed by Reinhard (2012) when he states that indigenization may be done for purposes that are not noble such as ‘greasing’ hands of high-powered government officials and making wrong use of intellectual property in the name of local empowerment.
13. The results also show that indigenization of technology has a significant effect on financial development.

14. Literature has revealed that with regard to indigenization of technology at both acquisition and adapting stages, both phases have a tendency of deepening dependency of developing countries on developed countries instead of depending increasingly of technologies that they have developed themselves which are more suited to their local needs and challenges. (Jagoda & Ramanathan 2013).
15. With regard to adaptive technology, Valdivia (2013) confirms this point by stating that successful technology transfer can be attained by developing new innovations and avoid importation of high capital intensive technology which may not be appropriate for developing economies.
16. Another finding with regard to indigenization of technology is that the transfer and training in relation to indigenization of technology are not done genuinely by the providers of technology, the idea being to push the receivers of technology to continuously rely on the providers when things do not work out the way they should.
17. Comparison statistics for **model 1** (MSE =0.235; RMSE=0.485 and R-SQUARE=0.675) and **model 3** (MSE =.0.149; RMSE=0.386 and R-SQUARE=0.784) indicate that **model 3** is a better model between the two with low values of MSE and RMSE as well as a high value of R-square as shown in the tables below:

Table 5.1 Fit Statistics (one-way fixed effects) (model 1)

SSE	52.4682	DFE	223
MSE	0.2353	Root MSE	0.4851
R-Square	0.6745		

Table 5.2. Fit statistics for the one-way fixed effects model (model 3)

SSE	35.1613	DFE	236
MSE	0.1490	Root MSE	0.3860
R-Square	0.7838		

5.4 SUGGESTED MODEL (model 4)

It is clear from the findings that corruption and indigenization of technology contribute significantly to the financial development, the following model is therefore suggested:

Model 4 $FDI_{it} = \beta_0 YEAR_i + \beta_1 COUNTRY_i + \beta_2 CPI_{it} + \beta_3 TECH_{it} + v_i + \epsilon_{it}$

Where FDI stands for Financial Development Index, i denotes the country and t is any one of time points. The regression model has two sets of explanatory variable. It can be seen that unlike TECH and CPI, YEAR and Country do not vary according to time. The ϵ_i are cross-sectional effects and the v_{it} are the observation-level regression errors (Gutierrez & Sanford, 2015).

Table 5.3 Hausman Test for Random Effects

Hausman Test for Random Effects			
Coefficient	DF	m Value	Pr>M
2	2	2.89	0.2352

No significant random effects

Table 5.4: F Test for no fixed effects

F Test for no fixed effects			
Num DF	Den DF	F Value	Pr>M
4	224	4.35	0.0021

There is at least one significant random effect

Table 5.5: *Parameter estimates for one-way fixed-effects regression*

Parameter estimates					
Variable	DF	Estimates	Standard Error	t Value	Pr > [t]
Intercept	1	1.836382	0.0879	20.89	<.0001
CP_1	1	0.233591	0.0150	15.57	<.0001
Tec_1	1	0.233577	0.0332	7.04	<.0001

$$\widehat{FDI}_{it} = 1.836382 + 0.233591CPI_{it} + 0.233577TECH_{it}$$

All parameter estimates are highly significant (p-values < 0.001) at 5% level of significance. Both the Corruption Index and indigenisation of technology contribute

towards the Financial Development Index with the former having a slightly larger contribution than the latter.

Table 5.6 Fit Statistics

SSE	32.3231	DFE	224
MSE	0.144	Root MSE	0.3799
R-Square	0.7995	0.233591	0.0150

The R-square value in the table above shows that the estimated model explains about 79.9% of the variation in the FDI which is an indication of **a very good fit**.

To test the model the following scatter plot is given in Figure 5.1 below:

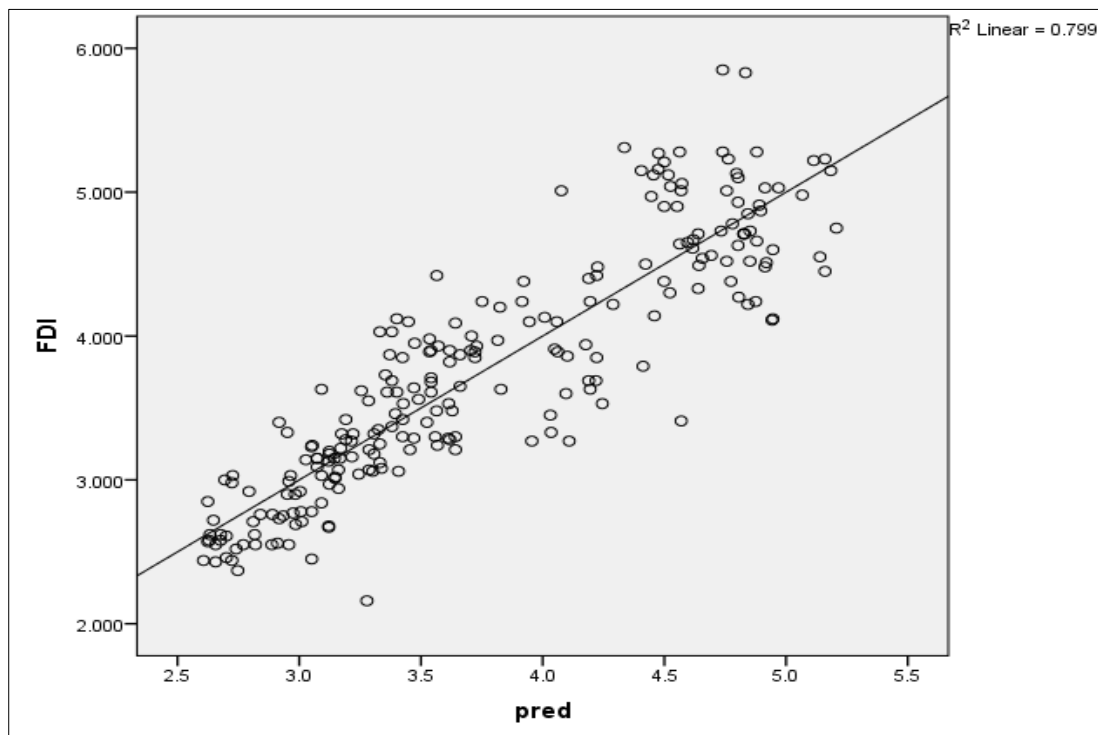


Figure 5.1

The scatter plot shows that there is a very strong positive correlation between the predicted and the observed FDI indicating that the predicted FDI explains about 80% of the variation of the observed FDI. As such, the estimated FDI values are very close to the actual FDI, hence the suggested model is very good. The suggested model test has proved it right with the scatter plot results of 79.9 - again almost 80%, which is exactly the same as the suggested model (Model 4) results.

It can be noticed that the suggested model (**Model 4**) is better than both Model 1 and Model 3 with lowest values of MSE and Root-MSE as well as the highest value of R-Square.

Comparison statistics for model 1 (MSE =0.235; RMSE=0.485 and R-SQUARE=0.675), model 3 (MSE =.0.149; RMSE=0.386 and R-SQUARE=0.784) and the suggested model (**Model 4**) (MSE = 0.144; RMSE = 0.379; and R SQUARE = 0.799 indicate that **model 4** is the best model among the three with low values of MSE and RMSE as well as a high value of R-SQUARE hence the suggested model.

5.5 MODEL CONFIRMING

$$\widehat{FDI}_{it} = 1.836382 + 0.233591CPI_{it} + 0.233577TECH_{it}$$

To confirm this model, the researcher used some data collected during the study and the model equation to illustrate the behaviour of corruption and indigenization of technology in relation to Financial Development.

Table 5.7 Prediction of FDI Level CPI and Indigenization of technology

COUNTRY	CORRUPTION INDEX (2012)	INDIGENIZATION OF TECHNOLOGY (2012)	PREDICTED FDI LEVEL
NIGERIA	2.70	1	2.70
EGYPT	2.80	2	2.99
HONG KONG	7.7	3	4.34
AUSTRALIA	8.5	4	4.76

The model can be shown in a form of a diagram as shown in figure 5.2 below.

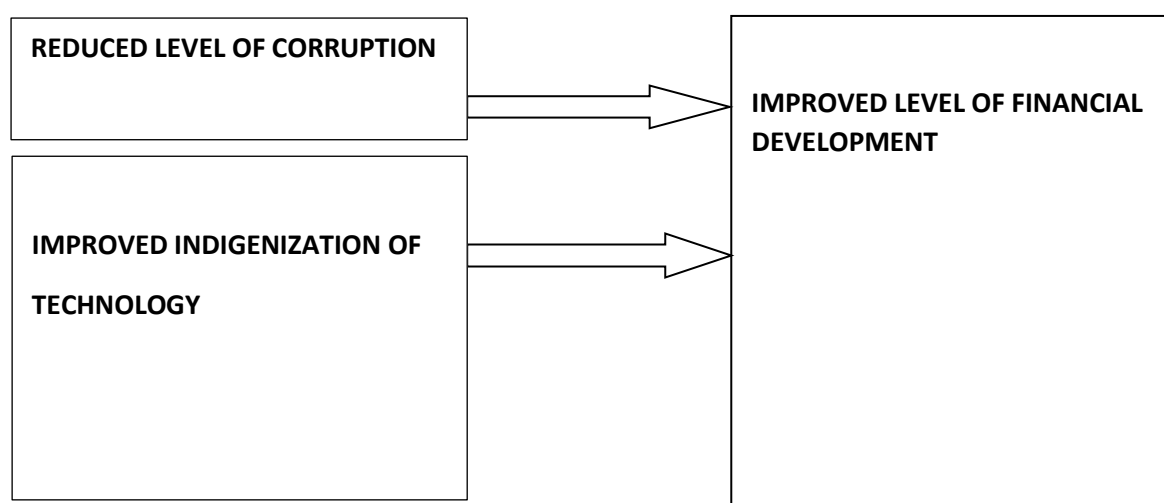


Figure 5.2 Proposed model (CORTEC)

The researcher shall call the model the ***CORTEC model***. The name of the model is coined from a combination of reduction of corruption levels and improving indigenization of technology by eliminating corruption in general and also in the

process of transferring technology to developing countries and encouraging development of local and user-friendly technologies by developing countries.

This model is premised on the fact that once corruption is minimized, the participation of the majority of the population in wealth creation will be possible, because resources enabling indigenous entrepreneurs to operate to their full capacity will be allocated fairly. When that happens the indigenous majority are empowered to participate in the production activities of the economy and this will definitely improve their welfare and will benefit the economy in general. It will also ensure that the resources generated by the indigenous entrepreneurs find their way to the country's financial sector thereby boosting financial development. It will ensure that foreign companies comply with the host country's stipulated conditions including their laws and regulations without seeking to enrich a few individuals by 'lining' their pockets or 'greasing' their hands. It will also ensure that the technology transfer process is done genuinely with all the necessary transparency so that where training of the local users of the technology is needed, it should be given without any reservations. Without that whole-hearted transfer of technology, dependent countries will always need to go back to the technology providers which is not cost-effective and that results in the receiving country not developing the way they should. The same proposed Cortec **model** encourages countries which may need to import technology to stand up confidently and come up with their own technology or be able to modify the imported one to suit their own local conditions. As such, governments can ensure that the indigenes are able to participate in wealth creation without any bias or discrimination. This approach should effectively empower indigenous people to be able to control the running of production in the various business organizations. This strategy ensures a gradual approach to attaining control thresholds in such a

manner that makes sure there is lasting empowerment, generation of much needed foreign capital inflows and limited interference with production activities.

The extent to which the ***Cortec model*** illustrates the needs of the majority of ordinary people can be illustrated using Maslow's Hierarchy of Needs model as shown in Figure 5.2.

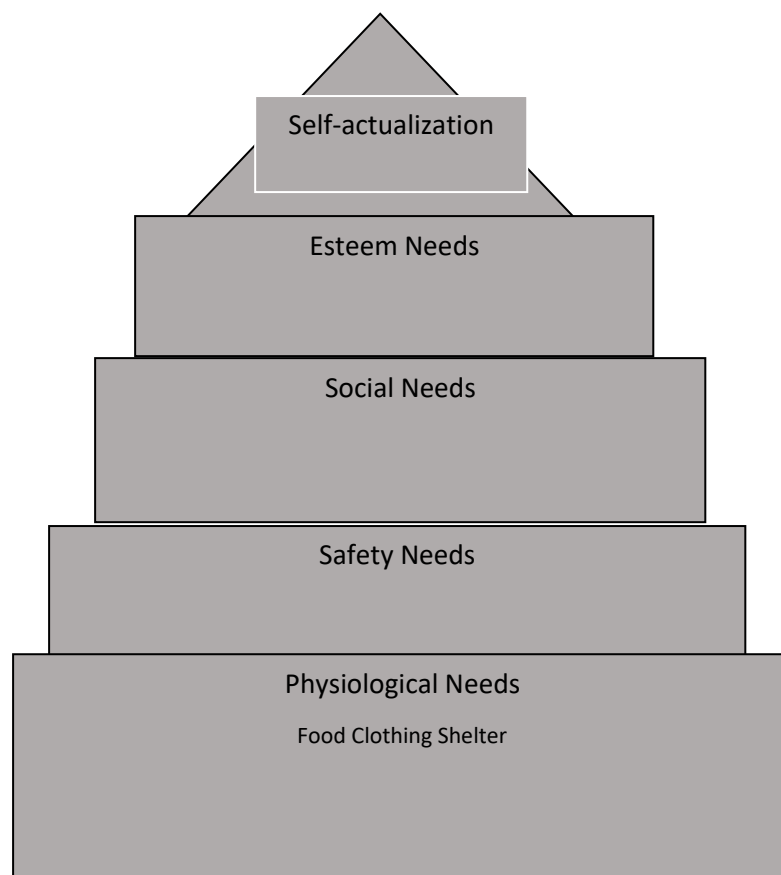


Figure 5.3 MASLOW's HIERARCHY OF NEEDS

As has already been stated in this study, empowerment of indigenous people will improve their basic welfare and reduce poverty in line with the internationally recognized millennium development goals (MDGs). The entire United Nations family voluntarily committed themselves to pursue and achieve these goals. The improved welfare of indigenous people addresses their basic low-level physiological needs

notably food, shelter, education, health and clothing. According to the proposed **Cortec model** esteem needs and self-actualization are fulfilled once technology transfer processes become genuine and where training is needed, it is done wholeheartedly, leaving the receivers of technology confident and able to move on even in terms of coming up with their own technology to suit their local conditions. Social and safety needs are met when the economy is assured that the generated resources are directed to the financial sector for them to be ploughed back in the industries of different economies for production of more resources. This gives a sense of security because it makes the whole of the economy's operations sustainable and even foreign capital will find its way into such a conducive economic environment.

It can be concluded that proposed **Cortec model** empowers indigenous people in a way that improves their basic welfare and reduces poverty in line with the Millennium Development Goals (MDGs) while extending financial benefits to the rest of the economy.

5.6 CONCLUSION

With regard to the reviewed literature and the findings from the study, the researcher concludes that indigenization on its own as an economic intervention is a noble economic activity because it empowers the indigenes of a country and enables them to control and lead to the commanding heights of their relevant economies for the benefits of their economies at large. However, the procedure of indigenization is highly infested with corruption activities which are interfering with all the indigenization variables resulting in the conclusion that indigenization indeed negatively affects financial development, which means that the low levels of financial development as shown in Table 4.8 are affected by indigenization predominantly

through corruption and indigenization of technology to the extent of 79.9%, according to the suggested model.

It is also concluded that indigenization of technology, like corruption, negatively affects financial development in a significant manner. The effect is more pronounced at the stage of technology transfer and training of the indigenous people to be able to use the transferred technology to full capacity. This happens when the providers of technology choose not to empower the receivers of technology so that the receivers of technology have no choice but to continue to go back to the providers when things do not work the way they should.

5.7 RECOMMENDATIONS

Following the above findings and conclusion, the researcher makes recommendations which have a lot to do with the curbing of corruption since it has come out clearly from the study that corruption negatively interferes with indigenization, consequently with financial development.

Political will

Political will is a major ingredient in the process of changing from the world's corruption infested past because it forms that very important foundation upon which all the super-structures of anti-corruption work rest. It provides the fertile ground which allows the seeds of anti-corruption to germinate and grow. Political will entails Governments doing what they say by mobilizing the public at large including both public sector and private sector to fight against corruption together (Hin 2012).

Based on a strong political will as the background, the study brings out **five** major recommendations which are:

1. Effective Anti-Corruption Laws and Regulations,
2. Effective Anti-Corruption Agencies,
3. Effective Adjudication,
4. Effective Administration, and
5. Effective Education.

1. Effective Anti-Corrupting Laws and Regulations

Governments should legislate simple and clear indigenization laws and regulations which include incentives so that when multinational companies choose to invest in a country should be attracted without thinking and wanting to circumvent the host country's regulations.

The anti-corruption laws themselves must clearly and exactly describe what corruption offences are, together with their consequences and spell out the powers of enforcement against them. The laws must support law enforcement with a cutting edge and that should take place once the following points are taken in consideration:

- (a) Where bribes are involved, both the giver and receiver of bribes should face the law.
- (b) The law should enable the enforcement agents to make sure that the bribe receivers are charged a penalty equal to the bribe received over and above the penalty in the form of fines and/or imprisonment terms.

(c) The laws and regulations should render the citizens of multinational companies liable for punishment for corrupt offences committed even outside their countries and should be dealt with as if they had committed those crimes in their own countries (Hin 2012).

2. Effective Anti-Corruption Agency

If there are tough laws but lax enforcement, corruption will still be rampant because the corrupted will escape detection and investigation. There must be an autonomous corruption agency which should be a stand-alone unit to enable it to freely and fairly investigate corrupt practices in both the public and private sectors and be able to deal with corruption at all levels without considering the hierarchy the offender might be. The autonomy of an anti-corruption agency implies that any other law enforcement agency which comes across or receives reports on corruption will have to hand over the case to a country's anti-corruption agency (Doig & Norris 2012).

3. Effective Adjudication (or punishment)

It does not matter how effective thorough and tight enforcement of laws is, that must be made complete by effective detection, judgment and prosecution. Detection, judgment and subsequent court conviction should be followed by specific and heavy deterrence on offenders as well as potential offenders so that they should think twice before committing corrupt actions (Hin 2012).

4. *Effective Administration and Good Governance*

Together with the statutory measures dealing with corrupt offenders, a pro-active approach to curb corruption should be implemented by governments. Strict rules and regulation have to be established and put in place to govern the conduct of both public and private sector officers. An efficient administration is one in which both public and private officers value both integrity and incorruptibility. Top government officers responsible for government departments should come up with administrative measures to reduce the chances of public officers getting involved in corruption and wrongdoings. Some of the measures include the following:

- (a) Governments should streamline cumbersome administrative procedures and slash red tape to provide an efficient and transparent civil service so that no one needs to rely on corrupt civil servants to get things done.
- (b) Public Officers' salaries should be reviewed regularly to ensure that they are paid adequately and comparably to the private sector.
- (c) Reminding Government contractors at the time of signing of contracts that bribing public officers administering the contracts shall certainly result in their contracts being terminated. A clause that embraces this concept should form part of the standard contract conditions. This is so because the strong relationship between the happening of corrupt practices and the extent of bureaucracy suggests the desire to eliminate as many unnecessary regulations while safeguarding the main regulatory functions of the state. It is best to just simply eliminate laws and programmes that breed corruption (Kassahun 2011).

5. *Effective Education*

Governments should review school curricula to include a study of ethics and moral values education at a young age, from kindergarten to any highest level of tertiary education (Hin 2012). There should be a media education that encourages the public to report corruption activities; promote public awareness of the evils of corruption and the need for a fair and just society. There must be media publicity as well to ensure that cases are being well-published through press releases, media conferences and interviews. Corruption Prevention talks and Ethics Development seminars should be held for public service and private sector officers as well (Kwok 2014).

Other recommendations

6. *Deploying smart technology*

Frequent direct contact between government officials and citizens usually opens a way for corrupt transactions. One way to address this problem is to use readily available technologies to discourage close relationships between officials and civil society. In this regard, e-governance has proved to be an effective key to reduce corruption (Andersen, Bentzen, Dalgaard & Selaya 2011). When most government transactions go online, opportunity for corruption is minimized.

7. *Avoid too high taxes*

Governments should not levy too high taxes because that usually encourages every person and even foreign companies to want to evade tax. If taxes are not

very high, companies both local and foreign and even individuals would not have a good reason to want to evade tax. There should also be an efficient tax-collecting system by governments to ensure smooth collection of tax from everyone who falls in the taxable bracket (Transparency International, 2012).

8. *Government fund disbursement and monitoring mechanism*

There should be a fair and reasonable fund disbursement mechanism to the business sector which should cover a broad spectrum of participants to enable anyone interested in productive activities to participate and thereby able to positively contribute to the financial development of a given economy.

Some incentives should be provided to the indigenous business people especially the SMEs. This will ensure they work hard and not plan to defraud the economy. Appropriate deterrent penalties should be put in place to deal with those abusing the disbursement mechanism (Transparency International 2012).

To business organizations

1. Make it mandatory for senior officers to go for periodic continuous education in business ethics (Kwok 2014).
2. Make it mandatory that senior managers be members of professional organizations who uphold ethical codes of conduct (Kwok 2014).
3. Zero corruption tolerance should be part of code of conduct for all business organizations (Hin 2012).
4. Every organization should have an independent and empowered procurement committee (Doig & Norris 2012).

5. Where bribes are involved, prompt prosecution should take place making sure the giver and the receiver of bribe both face prosecution (Hin 2012).
6. All managers at different levels in charge of departments are to be held accountable for any corruption detected in their department so that where a subordinate is guilty of corruption the person in charge must be administratively be held accountable (Hin, 2012).
7. Income security with improved pay scales together with strict monitoring and swift grievance redress may avoid blue-collar corruption at workplaces (Hin, 2012).
8. Build in a system that eliminates political interference starting from a very low level in an organization (Hin, 2012).

To individuals

1. Individuals should have access to business ethics education to inform their decision-making processes (Kwok, 2014).
2. Individuals should be educated to be innovative and confident in whatever they are good at and do it to their best. They should respect dignity of labour and learn to sweat for their livelihood, for this will improve their welfare and the economies' welfare and will encourage them not to use corrupt ways to achieve their economic goals (Kwok, 2014).

After the recommendations have been implemented there should be a smooth flow of money throughout the sectors of economies as shown in a figure 5.4 below:

PROPOSED CIRCULAR FLOW OF MONEY WITH FIVE SECTORS

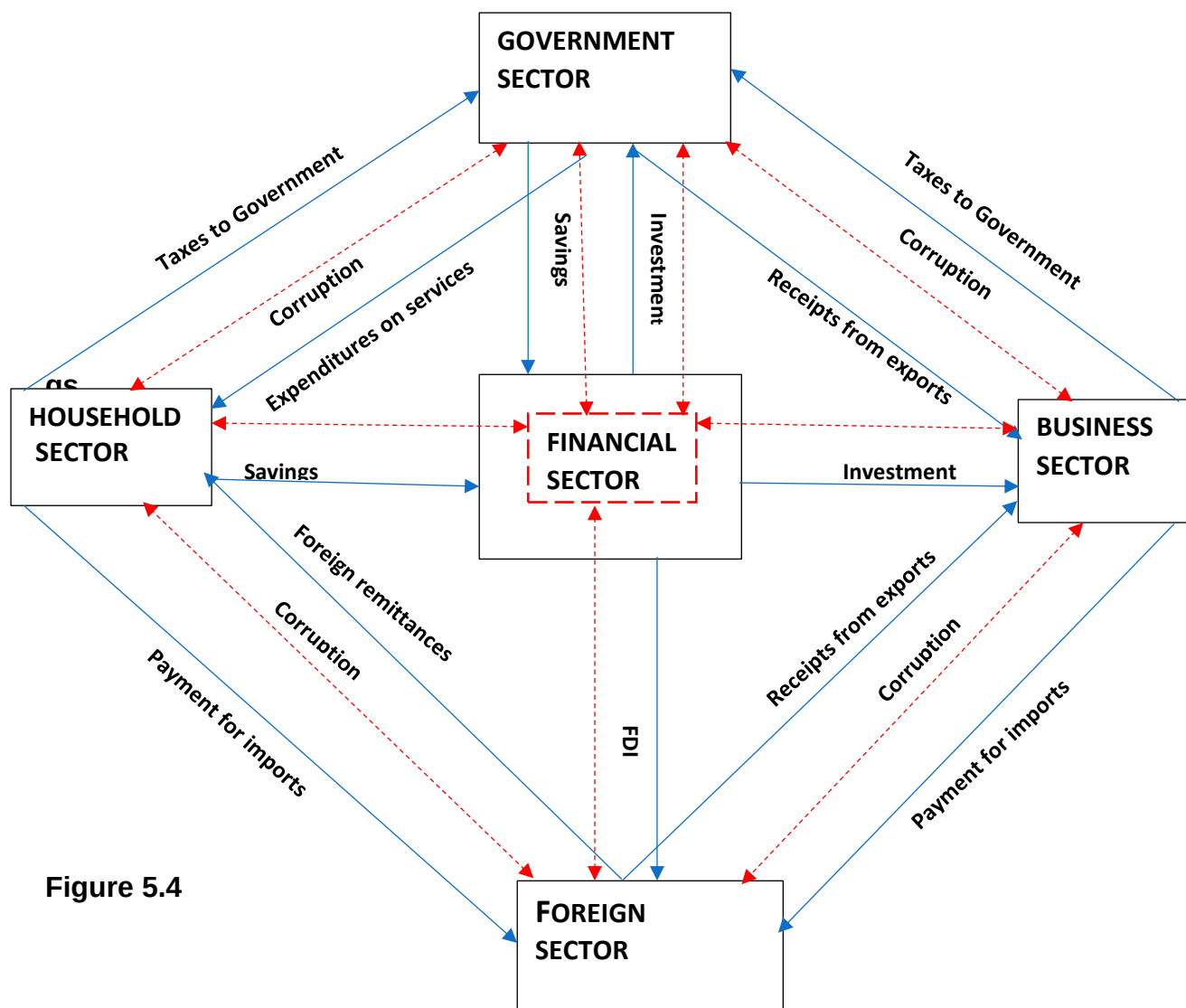


Figure 5.4

KEY

- Flow of money affected by high levels of corruption
- Flow of money improved by curbing of corruption
- Small size of financial sector as affected by corruption
- Big size of financial sector as reflected by reduced corruption

The model given in Figure 5.4 indicates that Indigenization has grossly negatively influenced financial development through corruption. The recommendations given above have a lot to do with curbing of corruption in the government sector, foreign sector, business sector and household sector and the financial sector. When all the suggestions given above come to fruition, financial development throughout the world should certainly improve and all the stakeholders as given in the model will stand to benefit. The business sector as one of the beneficiaries is then able to give financial support to the indigenous business people who in turn will generate more and be able to expand the financial development of their countries.

BIBLIOGRAPHY

Aboal, D. Noya, N. & Rius, A. 2014. Contract Enforcement and Investment: A Systematic Review of the Evidence. *World Development Journal*, 64 (1), 322-338.

Adams, R.B. 2012. Governance and Financial Crisis. *International Review of Finance*, 12(1):7-38.

Acemoglu, D. & Robinson, A. 2012. Why Nations Fail – the origins of power, prosperity and poverty. *World Book Review*, pp 1-4.

Adedeji, A. 2011. Comprehending and Mastering African Conflicts: The Search for Sustainable Peace and Good Governance. *Journal of the International African Institute*, 71(1):179 281.

Adeyemo, D.O. 2012, Public Enterprises Reform in Nigeria. *Journal of Social Sciences*, 10 (3), 223-231.

Adewale, P. 2011. Monumental Failure of Privatization in Nigeria. *Journal of Business Management and Economics*, 2 (2), 59-68.

Adrian, Etula & Muir, S. 2014. Financial Intermediaries and the Cross-Section of Asset Returns. *Journal of Finance*, 69 (6), 2557-2596.

Adu, G. Marbuah, G. & Mensah, J.T. 2013, Financial Development and Economic Growth in Ghana: Does the Measure of Financial Development Matter? *Review of Development*, 3 (4), 192-203.

Afolayan, A. 2013. Hilarity and Nigerian Condition. *Journal of Pan African Studies*, 6 (5), 32-50.

Agbemava, E. Nyarko, I.K. Asimah, V. Sedzro, E & Antor, G.K. 2016. The Impact of Savings on Capital Mobilisation. *African Journal of Business Management*, 10 (2), 33-43.

Agbloyor, E.K. Abor, J. Adjasi, C.K.D. & Yawson, A. 2013 Exploring the Causal Links Between Financial Markets and Foreign Direct Investment in Africa. *Research in International Business Finance*, 28 (1), 118-134.

Agbonlahor, M.U., Enilolobo, O.S., Sodilaya, C.I. & Oke, J.T. 2012. Accelerating Rural Growth through Collective Action: Groups Activities and Determinants of Participation in Southwestern Nigeria. *Journal of Rural Social Sciences*, 27 (1), 114-156.

Aggral, P. 2013. Impact of Corporate Governance on Corporate Financial Performance. *Journal of Business and Management*, 13(3), 01-06.

Agur, I. 2013. Multiple Bank Regulations and Risk Taking. *Journal of Financial Stability*, 9 (3), 259 -269.

Ajie, H.A. & Wokekoro, O.E. 2012. The Impact of Corruption on Sustainable Economic Growth and Development in Nigeria. *Economic Journal of Economic Development Research and Investment*, (1), 9-16.

Akinpelu, Y.A., Ogunseye, T.O., Bada, O.T. & Agbayangi, B.A. 2013. The Socio-Economic Determinants of Corruption in Nigeria. *European Journal of Humanities and Social Sciences*, 19 (1), 1-17.

Akubue, A. 2012. Appropriate Technology for Socio-Economic Development in the Third World. *Journal of Technology Studies*, 3 (5), 280-299.

Alabi, M.O., Onimisi, U.U. & Christian, E. 2011. Privatization of Public Enterprises and Nigeria's Sustainable Development. *Current Research Journal of Social Sciences*, 2 (3), 204-210.

Alalade, S.Y.A., Anadeke, B.B. & Okezie, O, 2014, Financial Performance of Selected Manufacturing Companies in Lagos State Nigeria. *International Journal of Economics, Finance and Management Sciences*, 2 (5), 285-296.

Alemu, Z.G. 2015. The Challenge of Job Creation in Nigeria. *Africa Economic Brief*, 6 (8). 1-16.

Amidu, M. & Wolfe, S. 2013. Does Bank Competition and Diversification Lead to Greater Stability? Evidence from Emerging Markets. *Review of Development Finance*, 2(3), 1-21.

Amran, N.A. & Ahmad, A.C. 2013. Effects of Ownership Structure on Malaysian Companies Performance. *Asian Journal of Accounting and Governance*, 4 (1) 51-60.

Andersen, T.B., Bentzen, J., Dalgaard, C.J. & Selaya, P. 2011. Does the Internet Reduce Corruption? Evidence from U.S.A and Across Countries. *The World Bank Economic Review*, 25 (3), 387-417.

Andrieskaya, I. & Semenova, M. 2015. Does Banking System Transparency Enhance Bank Competition? Cross Country Evidence. *Journal of Financial Stability*, 23 (1), 33-50.

Araujo, J.A. & Cabral, J. 2015. The Relationship between Income Inequality and Economic Growth in Brazil: 1995-2012. *Journal of Development Economics*, 46 (180), 97-125.

Asikhiya, O.H. 2016. SMEs, Wealth Creation and Poverty Alleviation in Nigeria.

Journal of Economics and Behavioral Studies, 8 (4), 17-31.

Babatunde, K.A., Oyeniran, W.I., David, O.O. & Ibrahim, W. 2013. Nigerian

Investment Promotion Commission and Foreign Direct Investment in Nigeria. *Journal of Business and Management Review*, 2 (9), 24-35.

Badu, K., Boasiako, A. 2010. Public Administration: Local Government and

Decentralization in Ghana. *Journal of African Studies and Development*, 2 (7), 166-176.

Barassi, M.R. & Zhou, Y. 2012. The Effect of Corruption on Financial Direct

Investment: A Parametric and Non-Parametric Analysis. *European Journal of Political Economy*, 28 (3), 302-312

Barth, J.R., Chortareas, E.G., Girardone, C. & Ventouri, A. 2012. Bank Supervision,

Regulation and Efficiency: Evidence from the European Union. *Journal of Financial Stability*, 8 (4), 292-302.

Beck, T., Demirguc-Kunt, A. & Maksimovic, V. 2013. Bank Competition and Access

to Finance: International Evidence. *Journal of Money, Credit and Banking*, 36 (3b), 627-648.

Beck, T. & Demirguc-Kunt, A. 2006. Small and Medium-size Enterprises: Access to

Finance as Growth Constraint. *Journal of Banking and Finance*, 30 (11), 2931-2943.

Beck, T., De Jonghe, O. & Schepens, G. 2013. Bank Competition and Stability:

Cross-Country Heterogeneity. *Journal of Financial intermediation*, 22 (2), 218-244.

- Beck, T., Demirguc-Kunt, A., Leaven, L. & Levine, R. 2011. Finance, Firm Size and Growth. *Journal of Money Banking and Credit*, 30 (2), 1379-1405.
- Beck, T., Levine, R. & Levkov, A. 2010. Big Bad Banks? The Winners and the Losers in the United States. *The Journal of Finance*, 65 (5), 1637-1667.
- Behr, P. & Schmidt, R.H. 2010. Market Structure, Capital Regulation and Bank Risk Taking. *Journal of Financial Services Research*, 37 (1), 131-158.
- Bekaert, G. & Harvey, C.R. 2011. Research in Emerging Markets Finance Looking to the Future. *Emerging Markets Review*, 3 (4), 429-448.
- Bernier, L. 2014. Public Enterprises as Policy Instruments: The Importance of Public Entrepreneurship. *Journal of Economic Policy Reform*, 17 (3), 253-266.
- Blackburn, K. Bose, N. & Capasso, S. 2012. Taxation Evasion, the Underground Economy and Financial Development. *Journal of Economic Behavior and Organization*, 83 (2), 243-253.
- Blanco, L. 2013. Finance, Growth, and Institutions in Latin America: What are the Links? *Latin American Journal of Economics*, 50 (2), 1-18.
- Bloom, N., Eifert, B., Mahajan, A., Roberts, J. & McKenzie, D. 2013. Does Management Matter? Evidence from India. *Quarterly Journal of Economics*, 128 (1), 1-51.
- Blum, J. Manning, N. & Srivastava, M. 2012. Public Sector Management Reform: Towards a Problem Solving approach. *Economic Premise*, No. 100 Washington DC.

Bogolib, T.M. 2013. The Public Sector of Mixed Economy in the Modern World
Quarterly Journal of Economics Policy, 8 (1), 1-12.

Bruhn, M. 2011. Licence to sell: The Effect of Business Registration Reform on
Entrepreneurial Activity in Mexico. *Review of Economics and Statistics*, 93 (1), 382-
396.

Buch, C.M. & Goldberg, L. 2014. *International Banking and Liquidity Risk
Transmission: Lessons from Across Countries*, Federal Reserve Bank of New York
Staff Report pp. 675.

Calomiris, C.W. & Nissim, D. 2014. Crisis-related Shifts in Market Valuation of
Banking Activities. *Journal of Financial Intermediation*, 23 (3), 400-435.

Cammett, M. & Posusney, M.P. 2010. *Labour Standards and Labour Market
Flexibility in the Middle East: Free Trade and Freer Unions*, 45 (2), 250 - 279.

Carpenter, S.B., Demiralp, J. & Senyuz, B. 2016. Volatility in Federal Funds Market
and Money Market Spreads during Financial Crisis. *Journal of Financial Stability*, 25
(1), 225-233.

Charles, W. & Nissim, D. 2014. Crisis-related Shifts in Market Valuation of Banking
Activities. *Journal of Financial Intermediation*, 23 (3), 400-435.

Chee-Keong, C. & Chan, S. 2011. Financial Development and Economic Growth: A
Review. *African Journal of Business Management*, 5 (6), 2017-2027.

Chilcote, R.H. 1974. A Critical Synthesis of Dependency Literature. *Latin American
Perspective Journal*, 1 (1), 253-267.

Chinn, D. & Ito, H. 2006. What Matters for Financial Development? Capital Controls, Institutions and Interactions. *Journal of Development Economics*, 81 (1), 163-192.

Cihak, M., Demirguc-Kunt, A., Feyen, E. & Levine, R. 2013. Financial Development in 205 Economies, 1960-2010. *Journal of Financial Perspectives*, 1 (2), 17-36.

Competitiveness Report, 2012. *By the World Economic Forum (WEF)*.

Dasanayaka, S. 2013. Poverty Eradication through Technology Integration Approach: A Case Study of Sri Lanka. *Journal of Pro-Poor Growth*, 1 (1), 57-55.

David, E. Hung, M. & Matos, P. 2012. Corporate Governance in the 2007-2008 Financial Crisis: Evidence from Financial Institutions World Wide. *Journal of Corporate Finance*, 18 (1), 389-411.

Delgado, M.S. McCloud, N. & Kumbhakar, S.C. 2014. A Generalized Empirical Model of Corruption, Foreign Direct Investment and Growth. *Journal of Macroeconomics*, 42, 298-316.

Demirguc-Kunt, A. & Levine, R. 2011. Financial Sector Policies and Long Run Growth. *Journal of Financial Economics*, 35 (1), 2107-2137.

Demirguc-Kunt, A. & Huizinga, H.P. 2010. Bank Activity and Funding Strategies: The Impact on Risk and Return. *Journal of Financial Economics*, 98 (3), 626-650.

Demirguc-Kunt, A., Feyen, E. & Levine, R. 2013. The Evolving Importance of Banks and Securities Markets. *The World Bank Economic Review*, 27 (3), 476-490.

Demirguc-Kunt, A. 2013. Re-examining the role of the State in the Financial Sector. *Journal of Financial Stability*, 9 (4), 451-830.

Devendra, C. 2013. Investment on Pro-Poor Development Projects on Goats: Ensuring Success for Improved Livelihoods. *Asian-Australasian Journal of Animal Sciences*, 26 (1), 1-18.

Doig, A. & Norris, D. 2012. Improving Anticorruption Agencies as Organizations. *Journal of Financial Crime*, 19 (3), 255-273.

Dougherty, C. 2011. Introduction to Panel Data Models: Oxford University Press.

Dos Santos, T. 1971. The structure of Dependence, Reading in U.S. Imperialism, pp. 226.

Dutta, N. & Roy, S. 2011. Foreign Direct Investment, Financial Development and Political Risks. *The Journal of Developing Areas*, 44 (2), 303-327.

Dutordoir, M. Strong, N. & Ziegen, C. 2014. Does Corporate Governance Influence Convertible Bond Issuance? *Journal of Corporate Finance*, 24 (1), 80-100.

Easterly, W. & Levine, R. 2012. The European Origins of Economic Development. National Bureau of Economic Research, No. w18162.

Economist Intelligence Unit (EIU), 2012.

England, E. 2012. Privatization: Analysing the Process of Privatization, Theory and Practice. *Journal of International Affairs*, 3 (8), 1–51.

Esso, L. 2010. Integrating and Causal Relationship between Financial Development and Economic Growth in ECOWAS Countries. *Journal of Economics and International Finance*, 2 (3), 36-48.

Eziie, O. 2013. Multinational Corporations and the Nigerian Economy. *International Journal of Academic Research in Business and Social Sciences*, 3 (4), 222-699.

Fajuna, S. Tunde, E. & Sheriff, M.G. Human Resource Management. *Journal of Management and Strategy*, 2 (2), 57-62.

Ferraro, V. 2008. Dependency Theory: An Introduction. *The Development Economics Reader*, pp. 58-64.

Florio, M. 2014. Contemporary Public Enterprises: Innovation, Accountability and Governance. *Journal of Economic Policy Reform*, 17 (3), 202-208.

Francis, B.B. Hasan, I. Song, L. & Yeung, B. 2014. What Determines Bank Specific Variations in Bank Stock Return? *Journal of Financial Intermediation*, 23 (4), 437-620.

Frank, A.G. 1972. The Intellectual Roots of Dependency Thinking. *Journal of Development Studies*, 6 (1), 23-56.

Freckleton, M. Wright, A. & Craigwell, R. 2012. Economic Growth, Foreign Direct Investment and Corruption in Developed and Developing countries. *Journal of Economic Studies*, 39 (6), 639-652.

Gaucan, V. 2010. Introduction to the Foreign Exchange Market. *Journal of Knowledge Management, Economics and Information Technology*, 1(1), 1-15.

Greenwood, J. Sanchez, J.M. & Wang, C. 2013. Quantifying the Impact of Financial Development on Economic Development. *Review of Economic Dynamics*, 16(1), 336-347.

Greiling, D. & Grub, B. 2014. Sustainability Reporting in Australia and Germany's Local Public Enterprises. *Journal of Economic Policy Reform*, 17 (3), 209-223.

Guidara, A. Lai, V.S. Soumare, I. & Tchana Tchana, F. 2013. Banks' Capital Buffer, Risk and Performance in Canadian Banking System: Impact of Business Cycles and Regulatory Changes. *Journal of Banking and Finance*, 37 (9), 3373-3387.

Gutierrez, R.G. & Sanford, K. 2015. Extracting Value from Multiple Customer Observations, SAS Institute Inc. pp. 1-10.

Hakeem, M. & Oluitan, O. 2012. Financial Development and Human Capital in South Africa: A Time Series Approach. *Research in Applied Economics Journal*, 4 (3), 1-21.

Hamid, M. Morrison, A. & Shapiro, J. 2011. Corporate Governance and Banking: what have we Learned from the Financial Crisis? Federal Reserve Bank of New York Staff Report, Number 52, pp. 1-42.

Hanauer, N. & Beinhocker, E. 2014. What Prosperity is, Where Growth Comes From, Why Markets work and How We resolve the Tension between a Prosperous World and a Moral One? *Democracy: A Journal of Ideas*, 31(1), 45-69.

Hin, K.T. 2012. Corruption Control in Singapore, Corrupt Practices Investigation Bureau (CPIB), Singapore, Resource Material Series No. 83.

International Monetary Fund (IMF), 2012. *By the United Nations System*.

Ito, H. & Chinn, M. 2012. What Matters for Financial Development, Capital, Controls and Interactions. *Journal of Development Economics*, 81,163-192.

Jagoda, K. & Ramanathan, K. 2013. A Stage-Gate Model for Planning and Implementing International Technology Transfer. Doctoral Thesis, University of Western Sydney, Australia.

Jalil, A. & Feridum, M. 2011. Impact of Financial Development on Economic Growth: Empirical Evidence from Pakistan. *Journal of the Asia Pacific Economy*, 16 (1), 71-80.

Jalil, A. & Ying, M. 2008. Financial Development and Economic Growth: Time Series Evidence from Pakistan. *Journal of Economic Corporation*, 29 (2), 29-68.

Jeffry, E.I.E. 2012. Understanding the Poor Performance of Nigerian Public Enterprise focusing on Theories of Administrative Weaknesses. *Interdisciplinary Journal of Contemporary Research in Business*, 4 (5), 1-17.

Jokung, O. & Clark, E. 2014. The Role of Regulatory Credibility in Effective Bank Regulations. *Journal of Banking and Finance*, 38 (3), 1- 50.

Joshua, O. & Danpome, M.G. 2013. Impact of Nigerian Investment Promotion Commission on Nigeria Trade and Investment Policy. *International Journal of Humanities and Social Science*, 3 (4), 174-181.

Karlan, D. & Zinman, J. 2010. Expanding Credit Access: Using Randomized Supply Decisions to Estimate the Impacts. *Review of Financial Studies*, 23 (1), 433-464.

Kassahun, S. 2011. Good Governance: An Antidote to Corruption in Africa. *Journal of Sustainable Development in Africa*, 13 (5), 1-24.

Kashin, B. & Ogunduyile, S.R. 2011. Culturally Inspired Design of Education: A Nigerian case study, 95, 307-622.

Kose, M.A., Otrok, C. & Prasad, E. 2012. Global Business Cycles: Convergence or Decoupling? *International Economic Review*, 53 (2), 511-538.

Kousadikar, A. & Singh, T.K. 3013. Advantages and Disadvantages of Privatization in India. *International Journal of Advances System and Social Engineering Research*, 3 (1), 18-22.

Kwok, T. 2014. Fighting Corruption through Education, Anti-Corruption Consultant, pp. 1-11.

Levine, R. 2011. Regulating Finance and Regulations to promote Growth. *Journal of Banking and Finance*, 4 (2), 152 -178.

Fourth Republic: Successes and Continued Challenges. *Journal of Arts, Science and Commerce*, 2 (2), 59-76.

Luiz, J. & Gaspari, R. 2013. The Indigenization of Business Ownership in an Emerging Market: Doing business in South Africa. *International Business and Economics Research Journal*, 6 (12), 73-89.

Lynch, A. Puckett, A. & Yan, and X.S. 2014. Institutions and the turn-of-the year Effect: Evidence from Actual Institutional Trades. *Journal of Banking and Finance*, 49 (1), 56-68.

- Magure, B. 2012. Foreign Investment, Black Economic Empowerment and Militarised Patronage Politics in Zimbabwe. *Journal of Contemporary African Studies*, 30 (1), 67-82.
- Mahajan, N. & Verma, S. 2014. Financial Development and Economic Growth: A Case of Indian Economy. *International Journal of Economics, Finance and Management*, 3 (1), 1-7.
- Mahmoud, M.F. 2012. A Solution to Problems of Public Enterprises. *Journal of Economics and Administration*, 5 (1), 33-49.
- Manafi, R., Mahmoudian, A. & Zabihi, A. 2013. Study of the relationship between Corporate Governance and Financial Performance of the Companies listed in Tehran Stock Exchange Market. *Mediterranean Journal of Social Sciences*, 6 (5), 55-61.
- Mantecon, T. 2011. Mitigating Risks in Cross Border Acquisition. *Journal of Banking and Finance*, 33 (4), 640-651.
- Manu, B. Adjasi, C., Abor & Harvey, M. 2011. Financial Stability and Economic Growth: A Cross – Country Study. *International Journal of Financial Services Management*, 5 (2), 1504-1920.
- Matunhu, J. 2011. A Critique of Modernization and Dependency Theories in Africa: Critical Assessment. *African Journal of History and Culture*, 3 (5), 65-72.
- Mawire, P.R. 2013. The Missing Link: Implications of the Modernization Theory and the Dependency Theory in Africa's Quest for Development. *Journal of Humanities and Social Sciences*, 13 (5), 41-44.

Meghana, I. Demircuc-Kunt, A. & Vojislav, D. 2011. Firm Innovation in Emerging Markets: Role of Finance, Governance and Competition. *The Journal of Financial and Quantitative Analysis*, 46 (6), 1545-1580.

Mhadhbi, K. 2014. Financial Development and Economic Growth: A dynamic Panel Data Analysis. *International Journal of Econometrics and Financial Management*, 2 (2), 48-58.

Miah, D., Ahmed, N. & Sharmeen, K. 2015. The Economic Institutions of Corporate Governance: A Comparative Study between Bank-Based and Market-Based Systems. *World Journal of Social Sciences*, 5 (1), 36-50.

Miller, K.D. 2013. A Framework for Integrated Risk Management in International Business. *Journal of International Business Studies*, 23 (2), 311-331.

Mojekwu, J.N. & Ogege, S. 2012. Foreign Direct Investment and the Challenges of Sustainable Development in Nigeria. *Journal of Research in International Business and Management*, 2 (7), 190-198.

Mompaler, A. Lassala, C. & Ribeiro, D. 2013. Efficiency of Banking Services: A Comparative Analysis of Internet Primary and Branching Banks in the US. *Service Business Journal*, 7 (4), 641-663.

Morales, M.F. 2014. Financial Intermediation in a Model of Growth through Creative Destruction. *Journal of Macroeconomic Dynamics*, 7(3), 363-393.

Mrinalini, N. Nath, P. & Sandhya, G.D. 2013. Foreign Direct Investment in R&D in India. *Journal of Current Science*, 105 (6), 767-772.

Mukandawira, T. 2014. The Spread of Economic Doctrines and Policy Making Post-Colonial Africa. *Journal of African Studies Review*, 57 (1), 171-198.

Murombo, T. 2016. The Effectiveness of Initiatives to Promote Good Governance, Accountability and Transparency in Extractives Sector in Zimbabwe. *Journal of African Law*, 60 (2), 230-263.

Muogbo, U.S. 2013. Impact of Privatization on Corporate Performance: A Study of Selected Industries in Nigeria. *International Journal of Humanities and Social Science Invention*, 2 (7), 81-89.

Nallathiga, R. 2015. An Assessment of Infrastructure Level and Growth Performance of Indian States. *Journal of Infrastructure Development*, 7 (1), 76-100.

Nasir, N.M. Ali, N. & Khokhar, I. 2014. Economic Growth, Financial Depth and Lending Rates Nexus: A Case of Oil Dependent Economy. *International Journal of Financial Research*, 5 (2), 1-10.

Ngongan, E. 2014. Physical Infrastructures and Attractiveness of Private Capital in Sub-Saharan African (SSA) Countries. *Journal of Economics Library*, 1 (1), 1-13.

Nhema, A.G. 2015. Privatisation of Public Enterprises in Developing Countries: An Overview. *International Journal of Humanities and Social Science*, 5 (9), 1-10.

Nitin, K. 2014. A Study of Corporate Governance in Indian Banking Sector. *Indian Streams Research Journal*, 4 (5), 1-10.

Ogbuagu, A. & Chibuzo, S. 2013. The Nigerian Indigenization Policy: Nationalism or Pragmatism? *Journal of African Affairs*, 82 (327), 241-266.

- Ogohi, D.C. 2014. Analysis of the Performance of Public Enterprises in Nigeria. *European Journal of Business Management*, 6 (25), 1-10.
- Odit, M.P., Dookhan, K. & Marlylin, J.C. 2011. The Impact of Risk Management and Portfolio Diversification on the Mauritian Banking Sector. *International Journal of Management & Information Systems*, 15 (2), 117-128.
- Oima, S. & Ojwang, L. 2013. Market-Based and Bank-Based Financial Structure on Economic Growth in Selected ECOWAS Countries. *International Journal of Education and Research*, 1 (2), 1-10.
- Oke, S. Olayemi, O. & Michael, J.O. 2013. Real Interest Rate and Savings Mobilisation in Nigeria. *International Journal of Development and Economic Stability*, 1 (2), 28-40.
- Usiobarifo, A.O. 2013. SMEs Wealth Creation and Poverty Alleviation in Nigeria. *Journal of Economics and Behavioural Studies*, 8 (4), 17-31.
- Pender, J. Marrie, A. & Reeder, R. 2012. Rural Wealth Creation: Concepts, Strategies and Measures. *Economic Research Report*, No,131, USDA, ERS, Washington DC.
- Pierce, J.L. Rubenfeld, S.A. & Morgan, S. 1991. Employee Ownership: A Conceptual Model of Process and Effects. *Academy of Management Review*, 16 (1), 121-144.
- Porter, R. 2014. Pursuing the Path of Indigenization in the Era of Emergent International Law Governing the Rights of Indigenous People. *Human Rights and Development Journal*, 4(2), 1-55.

Quazi, R.M. 2014. Corruption and Foreign Direct Investment in East Asia and South Asia: An Econometric Study. *International Journal of Economics and Financial Issues*, 4 (2), 231-242.

Ravi, S.P. 2015. Does Corruption in a Country Affect the FDI? A Study of Rising Economic Super Powers in China and India. *Open Journal of Social Sciences*, 3 (1) 99-104.

Reinhard, M.T. 2012. Indigenization and the Foreign Corruption Practices Act (FCPA). *Oil Gas Financial Journal*, 21 (2), pp. 1-12.

Saygili, M. 2013. Financial Liberalization, Limited Contract Enforcement and Productivity. *Journal of Globalization and Development*, 4 (1), 95-130.

Sarmargandi, N., Fidrmuc, J. & Ghosh, S. 2015. Is the Relationship Between Financial Development and Economic Growth Monotonic? Evidence from a Sample of Middle-Income Countries. *World Development Journal*, 68 (3), 66-81.

Shahla, A. & Da Roza, A. 2012. Alternative Dispute resolution Design in Financial Markets –Some are More Equal than Others. *Pacific Rim Law and Policy Journal*, 21 (3), 485-531.

Stultz, R.M. 2010. Credit Default Swaps and the Credit Crisis. *Journal of Economic Perspectives*, 24(1), 73-92.

Subasinghe, C. 2013. Foreign Direct Investment (FDI) and Financial Development. *Journal of Political and Social Issues*, 1 (1), 6-10.

- Sunitha, R. & Raju, J.K. 2013. Risk Management in Banking Sector. *Tactful Management Research Journal*, 1 (9), 1-37.
- Sunkel, O. 1969. National Development Policy and External Dependence in Latin America. *The Journal of Development Studies*, 6 (1), 23-48.
- Tabak, B.M. Faizo, D.M. & Cajueiro, D.O. 2012. The Relationship between Banking Market Competition and Risk-Taking: Do Size and Capitalization Matter? *Journal of Banking and Finance*, 36 (12), 3366-3381.
- Transparency International, 2012.
- Todorovic, I. 2013. Impact of Corporate Governance on Performance of Companies. *Journal of Economics*, 9 (2), 47-53.
- Turk-Ariss, R.T. 2010. On the Implications of Market Power in Banking: Evidence from a Developing Country. *Journal of Banking and Finance*, 34 (4), 765-775.
- Ugorji, E.C. 2013. Privatization of State-Owned Enterprises in Nigeria: Strategies for Improving the Performance of the Economy. *Journal of Comparative Political Studies*, 27 (4), 537-560.
- UNCTAD, 2014. *By the United Nations General Assembly*.
- United Nations Department of Economic and Social Affairs (UNDESA), 2012.
- United Nations Educational Scientific and Cultural Organization (UNESCO) Institute of Statistics, 2012.
- United Nations Statistics Division, 2012.

Uwazie, I. U. Igwemma, A. A. & Ukah, F.I. 2015. Contribution of Undre Gunder Frank to Theory of Development and Underdevelopment: Implications on Nigeria's Development Situation. *Journal of Economics and Sustainable Development*, 6 (18), 1-13.

Uzunkaya, M. 2012. Economic Performance in Bank-Based and Market-Based Financial Systems: Do non-Financial Institutions Matter? *Journal of Applied Finance and Banking*, 2 (5), 159-176.

Vadde, S. 2011. Performance of Non-Banking Financial Companies in India- An Evaluation. *International Refereed Research Journal*, 2 (1), 123-131.

Valdivia, W. 2013. Technology Transfer Policy: Bayh-Dole has Distribution Consequences. *America's Journal of Technology*, 11 (2), 1 -12.

Vincent, F. & Ting, H. 2012. Financial Development Investor Protection and Corporate Commitment to Sustainability. *Journal of Management Decisions*, 50 (1), 130-146.

Vintila, G. & Gherghina, S.C. 2012. An Empirical Investigation of the Relationship between Corporate Governance Mechanisms, CEO Characteristics and Listed Companies' Performance. *International Business Research Journal*, 5 (10), 175-191.

Voroneanu, B.C. 2013. Current Trends in the Approach of Credit Relationship between Banks and Companies. *Journal of public Administration and Law*, 1 (3), 89-96.

Wehigner, G.2012. Bank Deleveraging, the Move from Bank to Market-Based Financing and SME Financing. *OECD Journal of Financial Market Trends*, pp 1-16.

Wight, J. 2011. Public Policy, Human Instincts and Economic Growth. *Journal of Political Economy*, 15 (3), 55-75.

Wright, R. E. 2011, *The Wealth of Nations Rediscovered: Integration and Expansion in American Financial Markets*, Cambridge University Press.

World Bank 2012. *By the United Nations System*.

World Investment Report 2012. *Division of UNTAD*.

Yahaya Y. L. 2012. Indigenizing African Development Capacity, *Society for International Development journal*, 55 (4), 513-518.

ANNEXURES

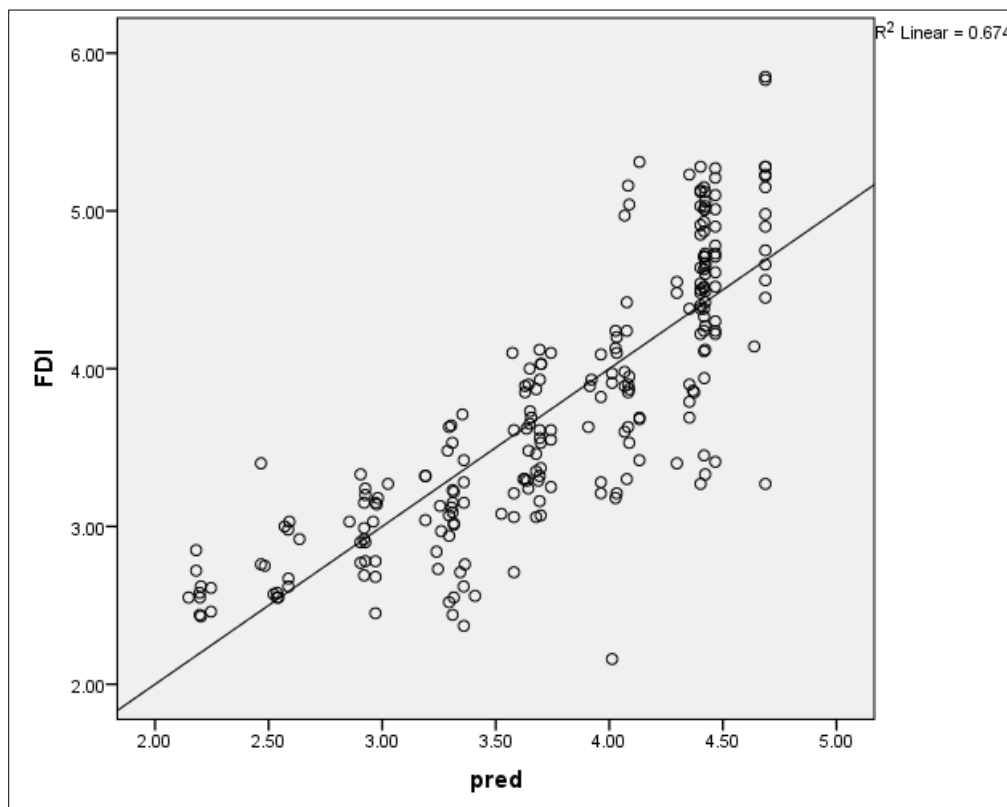
1. What is the effect of indigenization of ownership, of control, of manpower and of technology on financial development?

$$\widehat{FDI}_{it} = -0.04871 OWN_{it} + 0.389601 MN_PW_{it} + 0.389601 TECH_{it} \quad (\text{MODEL 1})$$

Where FDI stands for the estimate of financial development index, i denotes the country and t is any one of time points, OWN stands for indigenisation of ownership, MAN_PW denotes the indigenisation of manpower and TECH stands for indigenization of technology.

MODEL TESTING

To confirm Model 1, the researcher interpolated the FDI using the observed values of OWN, MN_PW and TECH for all observations in the dataset under study. The plot comparing the observed and interpolated values (pred) is presented next:

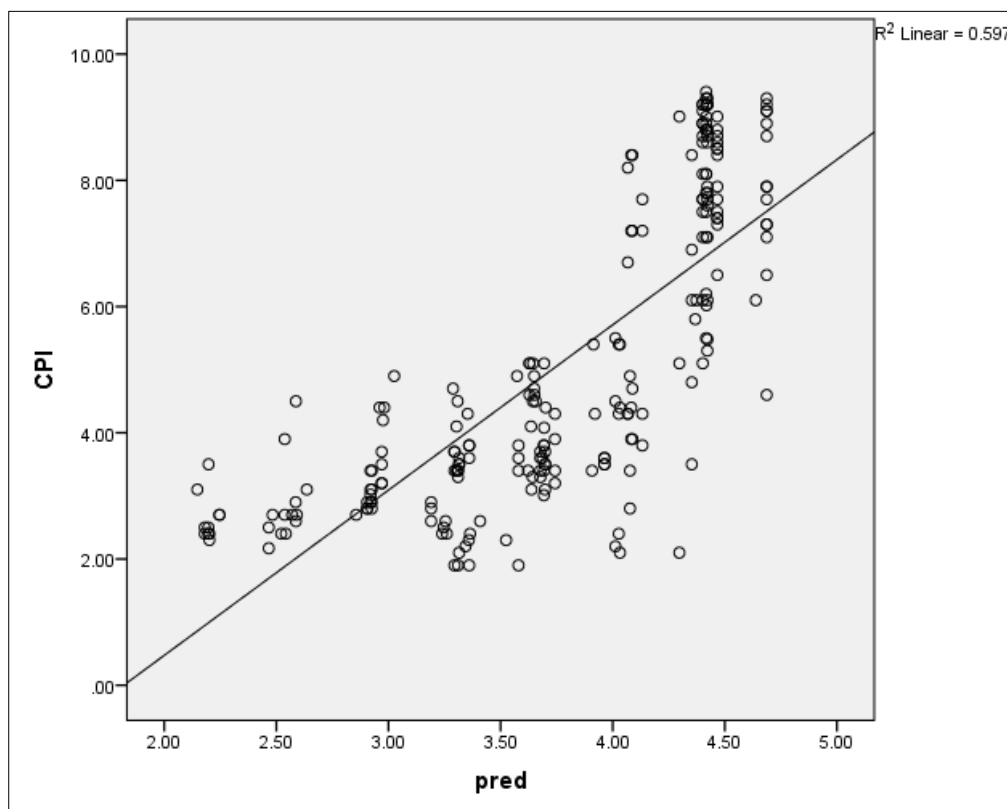


The scatter plot shows that there is a strong positive correlation between the predicted and the observed FDI indicating that the predicted FDI explains 67.4% of the variation of the observed FDI. As such, the estimated FDI values are very close to the actual FDI, hence model 1 is good.

2. Is there any relationship between indigenization of ownership, of control, of manpower, of technology and corruption?

$$\widehat{CPI}_{it} = -1.61602 + 0.25511OWN_{it} + 1.279072MNPW_{it} + 0.803242 TECH_{it}$$

(MODEL 2)

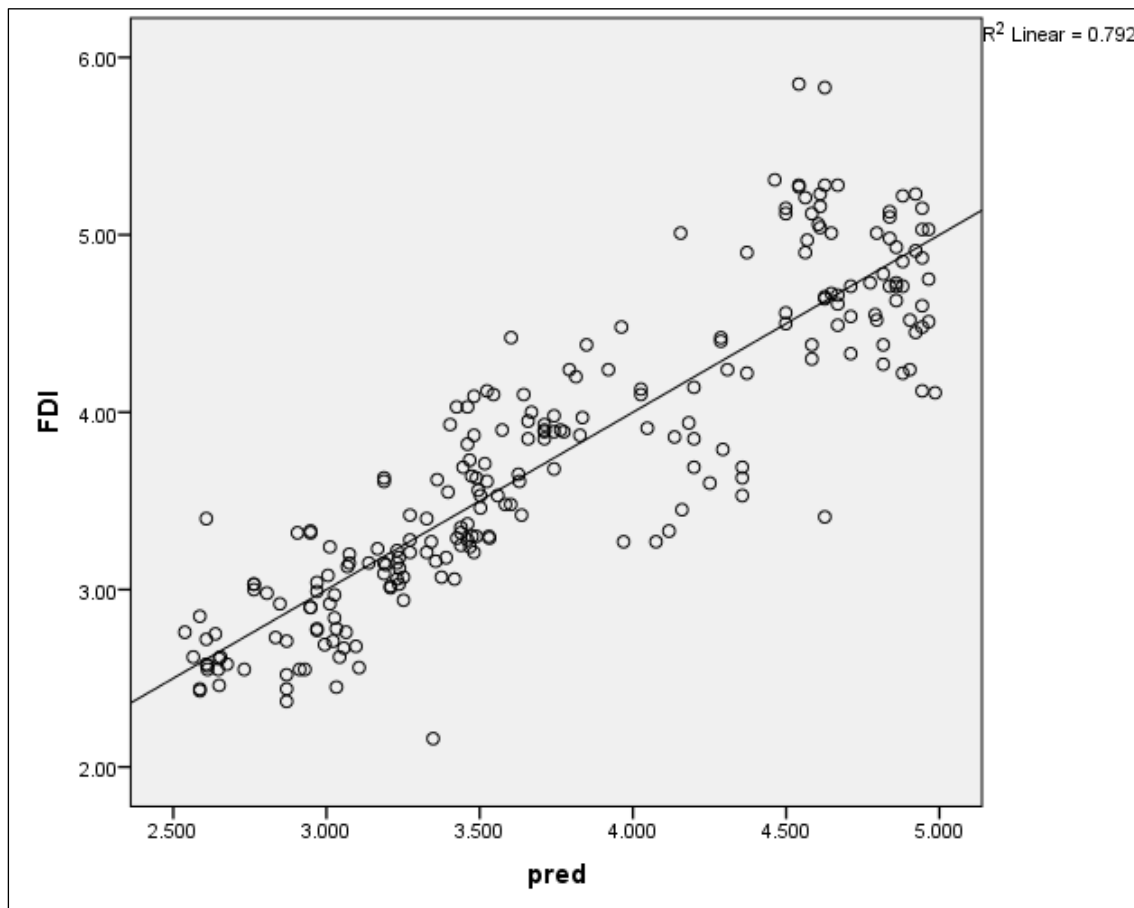


The scatter plot shows that there is a fairly strong positive correlation between the predicted and the observed CPI indicating that the predicted CPI explains 59.7% of the variation of the observed CPI. As such, the estimated CPI values are very close to the actual CPI, hence Model 2 is good.

3. Does the effect of indigenization of ownership, of control, of manpower, of technology change after considering corruption?

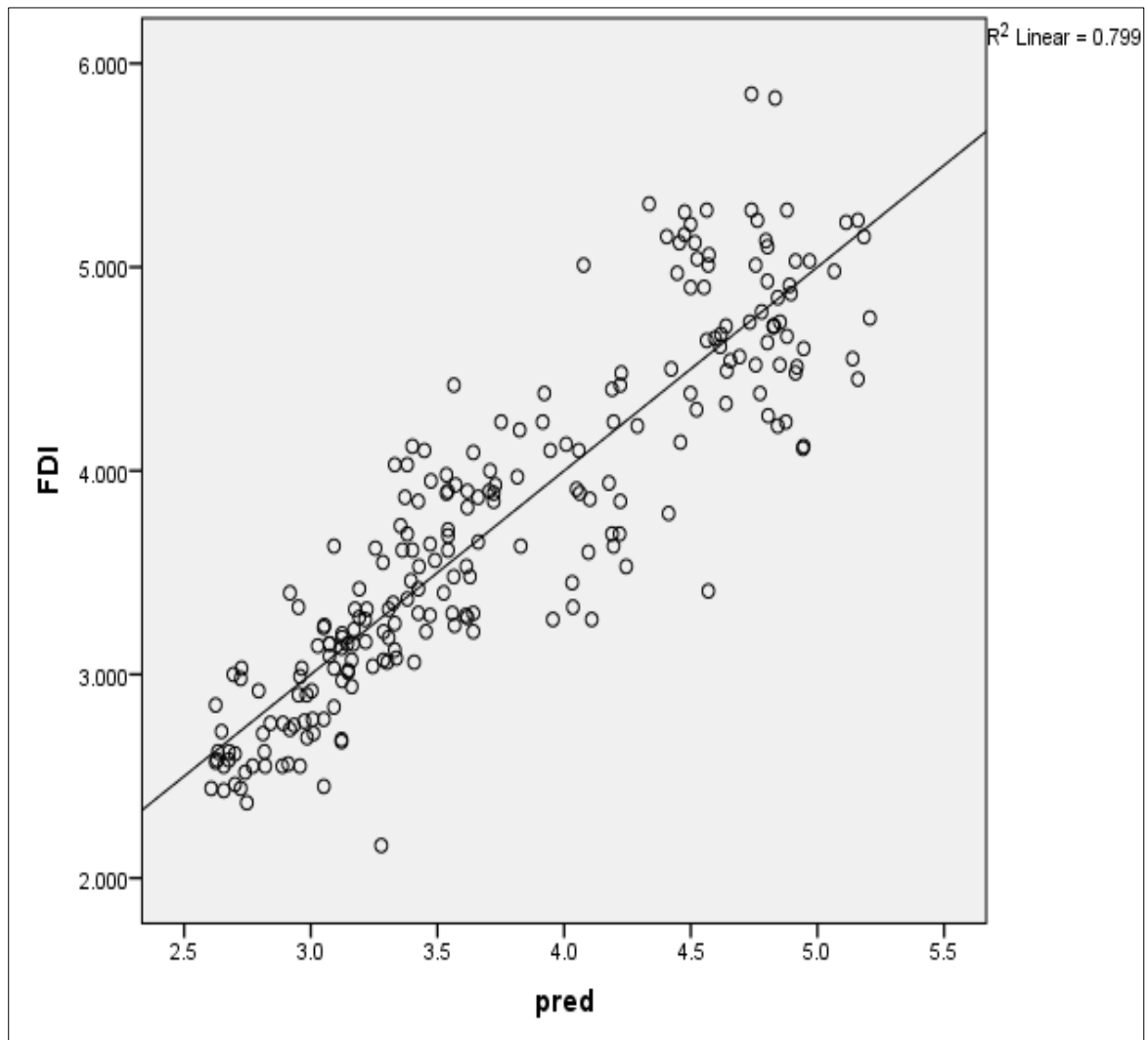
$$\widehat{\text{FDI}}_{it} = 1.665908 + 0.072159\text{OWN}_{it} + 0.05128\text{MN_PW}_{it} + 0.216037\text{TECH}_{it} + 0.224324\text{CPI}_{it}$$

(MODEL 3)



The scatter plot shows that there is a very strong positive correlation between the predicted and the observed FDI indicating that the predicted FDI explains 79.2% of the variation of the observed FDI. As such, the estimated FDI values are very close to the actual FDI. Model 3 (R-Square=79.2%) yield better predictions than Model 1 (R-Square=67.4%). As such, including CPI in the model improved the estimation ability of the model that excluded CPI.

Suggested model



LIST OF 49 COUNTRIES USED IN THE STUDY

NUMBER	REGION	COUNTRY
1	Sub-Saharan Africa	Nigeria
2		South Africa
3		Ghana
4		Tanzania
5		Kenya
6	Middle East and North Africa	Israel
7		Bahrain
8		Jordan
9		Saudi Arabia
10		Kuwait
11		Morocco
12		Egypt
13	Eastern Europe & Cent Asia	Russia
14		Ukraine
15		Turkey
16	European Union & W. Europe	Finland
17		Sweden
18		Switzerland
19		Netherlands
20		Norway
21		Germany
22		United Kingdom
23		Belgium
24		Poland
25		Italy
26		Spain
27	Americas	United States of America
28		Chile
29		Brazil
30		Panama
31		Colombia
32		Mexico
33		Argentina
34		Peru
35		Venezuela

36	Asia Pacific	Singapore
37		Hong Kong
38		Australia
39		Japan
40		South Korea
41		Malaysia
42		Thailand
43		China
44		India
45		Indonesia
46		Bangladesh
47		Vietnam
48		Philippines
49		Pakistan