DEBT MANAGEMENT AND FINANCIAL TRANSPARENCY IN GOVERNMENT BUSINESS ENTITIES

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CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Loans and equity are the main sources of external financial capital in corporate financial management. Nevertheless, there consistently arises a dilemma as to the appropriate debt to equity ratio to leverage on in business. In fact, the way in which firms particularly settle on a given level of borrowing versus equity within the firms' asset base is still a mystery (Nyamita, 2018).

A number of factors, both internal and external, influence the financial performance of corporate firms. Accordingly, the significance of financing and investing options in influencing financial performance of entities is clear in coping with demand for financing strategies to spur development and attainment of a firm's goals (Salazar, Soto & Mosqueda, 2012). According to Memba and Nyanumba (2019), financing choices lead to specific resource composition whereas non-optimized investing options often culminate to business crash.

The trade-off theory submitted by Myers (1977) reasons that the use of debt financing is largely advantageous because of the related tax-savings cash flows. The pecking order theory, on the other hand provides for hierarchical order of preference for different sources of capital available to the firm (Myers & Majluf, 2018). The agency theory, proposed by Adams (1994), argues that agents should act in the interest of their employers (shareholders). However, the agents have been alleged put their own interests first instead of prioritizing the shareholders interests. Accordingly, the level of debt impacts agency cost in several ways; reduction in free cash flow available to managers,

increase in monitoring of managers by debt holders and increase in the threat of bankruptcy which may lead to loss of benefits by managers in case of bankruptcy (Cudiamat & Siy, 2017).

According to Anyanzwa (2019), the overall amount of finance raised from equity holders through rights issue by corporate entities listed in the NSE, the largest securities exchange in East Africa, for the period between year 2004 and year 2014 was $988 million. Over the foregoing decades, there has been disturbing effects of internal monetary crisis experienced by publicly quoted companies in Kenya's capital market. Several firms degraded resulting into receivership directive, others went through financial restructuring or were delisted from the NSE all together. Examples of such organizations comprises of: KPCU in 2003, East African Packaging Limited in 2003, Uchumi Super Markets Limited in 2006, Dunlop Kenya Limited and Regent Undervalued Assets Limited in 2001, Lonhro EA Limited Ltd in 2001, Theta Group in 2001 among others (CMA statistical bulletins, 2003 – 2009). A number of the mentioned companies reported large borrowing portfolios (debt financing) in their records.

1.2 Statement of Problem

Despite the large amounts of money owed and the distressing outcomes of debt control on the success of the NSE quoted companies and well as the government, existing research offer incoherent findings connecting to the influences of loans facilities management on fiscal returns of firms. In addition, there exist no consensus on how debt management affects the financial success of listed companies in developing countries. The high incidence of bad debts in banks has recently led to the liquidation of some banks while many others have been classified as disserted. These banks were not liquidated only because of the poor quality of their loans and advance but also because of the image losers they accumulated as a result of the poor earnings abilities of these assets. This has therefore made it necessary that a study be carried out to know the relationship between debt's management and financial transparency in government business entities.

1.3 Research Question

The following are the research questions of this study seek to address:

i. To what extent does effective debt management improves profitability in government business entities?

ii. What is the relationship between effective debt management and financial transparency in government business entities?

iii. What is the relationship between effective debt management and liquidity in government business entities?

1.4 Objective of the Study

The broad objective of this study is to examine the impact of debt management on financial transparency in government business entities. The specific objectives are:

i. To determine the extent to which effective debt management improves profitability in government business entities.

ii. To examine whether there is a significant relationship between effective debt management and financial transparency in government business entities.

iii. To examine whether there is a significant relationship between effective debt management and liquidity in government business entities

1.5 Statements of Hypotheses

The following are the hypotheses of the study stated in their null form:

Hypothesis One

H0: Effective debt management does not improve profitability in government business entities.

Hypothesis Two

H0: There is no significant relationship between effective debt management and financial transparency in government business entities.

Hypothesis Three

H0: There is no significant relationship between effective debt management and liquidity in government business entities.

1.6 Significance of the Study

A study of this nature is in valuable not only to the government but also banks, shareholders, potential investors and depositors but to the economy as a whole.

To the bank's management and managers of other banks, the study draws their attention to the importance of this asset (loans and advances) to the overall success and growth of their organizations. As the largest component of a bank's total assets, there is the need for its effective and efficient management. Besides, loans and advances are also the most profitable and risky assets, hence the need for proper management for maximum profitability while minimizing the risk element.

The study is also significant to the share holders, both existing and potential ones. This springs from the fact that the proper management of this resource will enhance reasonable returns on shareholders investment.

1.7 Scope of the Study

This research work is restricted to the impact of debt management on financial transparency in government business entities. with particular reference to the Federal Inland Revenue Service (FIRS), Nigeria railway corporation, Nigeria Television Authority (NTA) Uzairue.

1.8 Limitation of the Study

The limitations of this study are itemize below:

i. Smallness of the sample size as the research could not be carried out on a larger population.

ii. Non availability of sufficient data for the research work.

iii. Problem of determining the appropriate statistical tools for data analysis

1.9 Definition of Terms

Debt: Funds mobilized from the surplus sector of the economy to the defect sector.

Profitability: Ability of an organization to sustain its profit margin.

Bridging Loan: This is usually short term loan purpose relation to funding required pending receipt of certain proceed.

Share Acquisition Scheme: This is loan for the purchase of equities noted on the Nigeria stock exchange

Liquidity Ratio: The relationship between cash and cash related Instruments to total assets

BOFID: Banks and other financial Institution Decree.

SAP: Structural Adjustment Programmed

Interest: money paid for use of money lent for or balances of debt.

Insolvency: The inability of banks to meet their financial obligations.

Non-performing loan: This is a bank loan that is subject to late payment or is unlikely to be repaid by the borrower in full.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Conceptual Framework

2.1.1 Debt Management

The main source of external finance is debt financing as equated to external funds from equity (Baltacı & Ayaydın 2018). Debts refer to financial liabilities by person or persons obtaining credit or loan to the lenders. Most of the credit facilities offered by lenders include monetary facilities and economic privileges (Edwards, 2017). These are optional or substitute means of obtaining extra finances to cater for a company's or business operational requirements. Debt management entails monitoring and managing risk exposure resulting from acquired financial liabilities. According to Rajan and Zingales (2016), debt management is an agreed plan between a debtor and a creditor that addresses the terms of an outstanding debt. Reinhart and Reinhart (2017) revealed that the procedure of decreasing private liabilities in volatile economic conditions takes place in an estimated period of six to eight years. Proper management of debt facility includes strategies employed to ensure effective and efficient debt repayments which may include restructuring of the loan disbursed. Efficient management of debt is the scope of institutional and technical measures in shaping the liabilities of a country so that the debt service burden is kept within a maintainable level (Islam & Nishiyama, 2016).

Dube (2013) opined that the prime purpose of strategies to effectively manage financial leverage portfolios involves influencing the proportions a firm incurs on expenses or the interest payments by varying the interest structure or value demanded in the credit facility. To decide between the various sources of debt financing available, firms consider the available country stocks markets and the amount in arrears required by the company (Islam & Nishiyama, 2016). While investigating the listed and non-quoted firms in the developed world, Rajan and Zingales (2016) eluded that cumulatively, borrowing models compare throughout various nations. Miller (2016) added that matching of the insolvency expenses alongside the interest charged on credit leads to sprouting of finest resources composition. As such, choices regarding the amount of liability obtained bear significant contribution to the efficiency of corporate companies.

2.1.2 Financial Transparency

Economic returns and achieving long-term goals of a firm are of key interest to each corporate manager or owner (Parker, 2000). Financial performance refers to a quantity or gauge of the efficient utilization of a firm assets and resources emanating from their principal operations to make income (Mesquita & Lara, 2003). As per Syafri (2016), financial performance alludes to the entity’s economic returns during the defined trading period. The crucial means of scrutinizing monetary execution of firms include evaluating the financial performance of the organization with respect to return on equity (ROE) and return on assets (ROA) Syafri (2016). ROE is a ratio that relates to the amount of income a corporate firm earns in relation to the aggregate of investor equity in the venture and determined on the announcement about the economic situation. This ratio gauges the quantity of owners' income in relation to their equity engaged in the company operations (Fredric, 2018). Financial performance under this study is proxied using the ROA, which is the universally acceptable measure of return by investors in a corporate institution (Rajan and Zingales, 2016). The return on assets assesses the income of the entire organizational assets. ROE is usually adopted as the aggregate indicator of productivity, and investors would prefer higher values which indicate higher financial benefits to the shareholders. ROA is a key relative calculation of the income and revenues of a firm. It is a proportion of profit to its overall resources (Khrawish, 2017). ROA establishes the capacity of a firm's administration to create revenue by exploiting the business assets within their operations.

2.1.3 Debt Management and Financial Transparency

According to Ozkan (2010), debt-holders would be apportioned a proportion of the profit of an entity as the prospect of defaulting is decreased by the venture projects. Batchimeg (2017) and Berger et al., (2005) argue that reduced period of credits will increase a company's profitability significantly. Nima, Mohammad, Saeed, & Zeinab (2016) assessed the connection between capital structure and the overall performance of Tehran stock trade businesses for the years between 2006 and 2017. Their research focused on firm performance aspects such as return on assets, gross profit margin, and capital base structure. They observed a strong connection between the dependent and independent factors, except for long term debts and gross income margin. A research by Lipunga (2018) aimed at appraising the determinants of efficiency of listed commercial banks in non-industrialized nations, with an attention on Malawi for the period 2009-2016 uncovered that the size of the bank, liquidity and obligations management proficiency have a statistically substantial impact on ROA which reflected the financial performance of the banks. Ebaid's (2009) research revealed that capital structure preference choice is not susceptible to influence on the financial performance of Cairo quoted firms between years 1997 and 2005. Dube (2013) in a research conducted to establishing the impact of loans financing on the financial performance of small and medium business firms within Zimbabwe, found evidence of the financial performance of the firms being linked with debt levels and debt management strategies. Organizations opt for debt financing in the expectation that they may increase their value through growing their turnover and consequently increasing their income.

2.1.4 Credit Management

Baxley (2018) defined credit management as "the ability of banks to monitor and regulate the credit facilities it gives out to individuals, firms, and corporate bodies". It also includes the bank's ability to create money out of the credit it extends to the public. Every commercial bank must have stated guidelines for the issue of credit to customers. They are known as credit policies and they include credit period, credit standards and collection procedures, credit period is the duration of the credit before maturity; credit standard refers to the minimum financial strength of acceptance of credit. Credit management is also concerned with the management of the cash flow liquidity and profitability of deposit money banks . Proper credit management entails that due attention is paid to the terms of credit and to test the effectiveness of the term of credit, a recoverable turnover rate should be used. Another approach to credit management is having a credit limit individuals who are assigned with credit limits and this is monitored so that no further loans are granted to those who have exceeded the credit limit. Credit limit can be determined by looking at such factors as bank references, trade references and financial statement. It is advisable that bankers install machinery for monitory credit management.

An efficient credit management must consider the collection techniques. Credit managers should endeavor to collect due amount promptly because a naira today is worth more than a naira tomorrow. Credit managers should also ensure that customers to whom credit are extended to should be monitored and supervised to ensure that such loans are not diverted by the customer to other ventures than that for which the credit was obtained. Further counseling services should be given to the customers.

Some banks with a formal credit administration department have instituted additional controls to measure the continuing quality of the loan portfolio.

A credit administration department is responsible for the following;

a) Formulating loan policy.

b) Reviewing credit standards.

c) Establishing controls so that policy is carried out.

d) Rather than having a committee structure for the approval of loans in these banks. The credit granting authority is delegated to a credit officer. The person charged with that responsibility must have excellent skill in order to pass judgment on credit.

Basic Principles of Lending.

Bank will normally take into consideration the following before credit are given out to prospective borrowers. These include;

1. The safety of the loan.
2. Amount required.
3. Purpose of the loan.
4. Period of lending/loan able period.
5. Profitability of the loan.
6. Repayment plan

2.2 Theoretical Framework

2.2.1 Liquidity Theory

Longworth (2016) noted that liquidity was an instrumental factor during the recent financial crisis. As uncertainty led funding sources to evaporate, many banks quickly found themselves short on cash to cover their obligations as they came due. In extreme cases, banks in some countries failed or were forced into mergers. As a result in the interest of broader financial stability, substantial amounts of liquidity were provided by authorities in many countries, including Canada and the United States. Since liquid assets such as cash and government securities generally have a relatively low return, holding them imposes an opportunity cost on a bank. In the absence of regulation, it is reasonable to expect banks will hold liquid assets to the extent they help to maximize the firm's profitability. Beyond this, policymakers have the option to require larger holdings of liquid assets, for instance, if it is seen as a benefit to the stability of the overall financial system. While regulation can make the financial system more resilient to liquidity shocks, calibration should recognize any associated costs to the efficiency of financial intermediation as this could result in higher borrowing costs for other agents in the system.

2.2.2 Quantitative Liquidity Theory

Baumol's (2009) inventory management model and Miller and Orr's (1966) model which recognized the dynamics of cash flows are some of the earlier research efforts attempted to develop models for optimal liquidity and cash balances, given the organization's cash flows the focus was on using quantitative models that weighed the benefits and costs of holding cash (liquidity). These earlier models help financial managers understand the problem of cash management, but they rest on assumptions that do not hold in practice. The trade-off model postulates that firms identify their optimal level of cash holdings by weighting the marginal costs and marginal benefits of holding cash. The benefits related to cash holdings are: reduces the likelihood of financial distress, allows the pursuance of investment policy when financial constraints are met, and minimizes the costs of raising external funds or liquidating existing assets. The main cost of holding cash is the opportunity cost of the capital invested in liquid assets. A firm that currently pays dividends can raise funds at low cost by reducing its dividend payments, in contrast to a firm that does not pay dividends. Firms will trade-off holding cash and investing it depending on its investment needs.

Miller and Orr (2019) model of demand for money by firms suggests that there are economies of scale in cash management. This would lead larger firms to hold less cash than smaller firms. Also, it is argued that the fees incurred in obtaining funds through borrowing are uncorrelated with the size of the loan, indicating that such fees are a fixed amount. Thus, raising funds is relatively more expensive to smaller firms encouraging them to hold more cash than larger firms. Firms with more volatile cash flows face a higher probability of experiencing cash shortages due to unexpected cash flow deterioration. Thus, cash flow uncertainty should be positively related with cash holdings. Barclay and Smith (2009) however provide evidence that firms with the highest and lowest credit risk issue more short-term debt while intermediate credit risk firms issue long-term debt. If we consider that firms with the highest credit rating have better access to borrowing. It is expected that these firms will hold less cash for precautionary reasons, which would cause debt maturity to be positively related to cash holdings.

2.2.3 Liquidity Motive Theory

The economics and finance literature analyze possible reasons for firms to hold liquid assets. Keynes (1936) identified three motives on why people demand and prefer liquidity. The transaction motive, here firms hold cash in order to satisfy the cash inflow and cash outflow needs that they have. Cash is held to carry out transactions and demand for liquidity is for transactional motive. The demand for cash is affected by the size of the income, time gaps between the receipts of the income, and the spending patterns of the cash available. The precautionary motive of holding cash serves as an emergency fund for a firm. If expected cash inflows are not received as expected cash held on a precautionary basis could be used to satisfy short-term obligations that the cash inflow may have been bench marked for. Speculative reason for holding cash is creating the ability for a firm to take advantage of special opportunities that if acted upon quickly will favor the firm.

Almeida (2002) proposed a theory of corporate liquidity demand that is based on the assumption that choices regarding liquidity will depend on firms' access to capital markets and the importance of future investments to the firms. The model predicts that financially constrained firms will save a positive fraction of incremental cash flows, while unconstrained firms will not. Empirical evidence confirms that firms classified as financially constrained save a positive fraction of their cash flows, while firms classified as unconstrained do not. The cost incurred in a cash shortage is higher for firms with a larger investment opportunity set due to the expected losses that result from giving up valuable investment opportunities. Therefore, it is expected that there be a positive relation between investment opportunity and cash holdings. The theory also predicts that firms with better investment opportunities have greater financial distress costs because the positive Net Present Value (NPV) of these investments disappears (almost entirely) in case of bankruptcy. In this case, firms with better investment opportunities will keep higher levels of cash to avoid financial distress. To the extent that liquid assets other than cash can be liquidated in the event of a cash shortage, they can be seen as substitutes for cash holdings. Consequently, firms with more liquid asset substitutes are expected to hold less cash. It is generally accepted that leverage increases the probability of bankruptcy due to the pressure that rigid amortization plans put on the firm treasury management. To reduce the probability of experiencing financial distress, firms with higher leverage are expected to hold more cash. On the other hand, to the extent that leverage ratio acts as a proxy for the ability of the firms to issue debt it would be expected that firms with higher leverage (higher ability to raise debt) hold less cash. Thus, the predicted relationship between cash holdings and leverage is ambiguous.

This research work is anchored on the liquidity motive theory as the theory explains that cash is held to carry out transactions and demand for liquidity is for transactional motive. The demand for cash is affected by the size of the income, time gaps between the receipts of the income, and the spending patterns of the cash available.

2.2.4 Code of Corporate Governance Theory

The theory provides a framework "to ensure good corporate governance practices in the public and private sectors of the Nigerian economy." by articulating a broad set of principles on corporate accountability, transparency and sustainability for both public and private companies in Nigeria. In other words, there was no uniform corporate governance standard for all companies and across all business sectors, and the companies were made subject to the codes of corporate governance applicable to the sectors in which they operate, thereby making some companies subject to more than one corporate governance regime. However, the Code, recognizing the importance of flexibility and scalability to the implementation of such cross- sectoral and non-company-size-specific Code of its nature, applies a principle-based approach to specifying the minimum corporate governance expectations placed on companies. Although the Code does not void sector specific codes of corporate governance, one can conclude that where standards as prescribed in the sector related code concerning any issue covered by the Code is lower than that specified under the Code, companies affected must adhere to the higher standard of the Code, and where standards as prescribed in the sector related code are higher than the provisions in Code, those higher standards must be followed, the Code after all, only sets minimum standards.

What is uncertain however, is how to address cases of obvious conflict between the Code and the sectoral codes.

There are twenty-eight (28) broad principles laid down by the Code, sixteen (16) of which relate to the Board of Directors and Officers of the Board (addressing diverse board related issues including composition, key functions, meeting, induction, delegation of duties, and evaluation); 4 concerning risk management, whistle blowing and audit processes (together titled Assurance); 3 on relationship with shareholders (reiterating the importance of general meetings, communication with and equitable treatment of shareholders); 2 on ethical conduct of business (which extol establishment of policies and mechanisms for monitoring insider trading, related party transactions, conflict of interest and other corrupt activities); 1 on sustainability (pushing for the adoption of environmental and socially sustainable business practices), and 2 on transparency (addressing stakeholders communication and disclosure of material information).

2.3 Empirical Review

2.3.1 Effective debt management and profitability of Government business entities In Nigeria

Okpan and Egui (2019) evaluates effective debt management using non-performing loans as proxy and profitability of some selected Government business entities in Nigeria their objective was to determine the impact of non-performing loans on profitability of some selected Government business entities in Nigeria. They Employed ordinary least square method of data analysis (OLM). The result from Panel Least square (PLS) estimate found that non-performing loans has a significant impact on the profitability of Government business entities and they recommend that drastic measure should be put in place so as to retrieve loan in the hands of customers that are not well utilized.

Ajayi (2017) studied debt management and other factors affecting government business entities profitability and used a linear regression analysis technique. The study revealed a significant inverse relationship between government business entities profitability measured by ROA and credit risk measured by default rate and capital adequacy ratio. In this study, the apriori assumption is that non-performing loans has a negative impact on profitability. Additionally, there are other internal variables such as capital adequacy, size and age that could affect the profitability (ROA & ROE).

2.3.2 Effective debt management and Financial Transparency in Government business entities in Nigeria

Saliu and Gabi (2020) studied the impact of effective debt management on financial transparency in Nigeria and the result showed that debt management had a positive association with financial transparency. The study adopted the chi square statistical tool for data analysis using primary data. They recommended that sound management of debt should be encouraged to boost financial transparency.

Aduni, Kanuri and Ihieva (2019) examine the impact of debt management on financial transparency in term of profit declaration. The research hypothesis was tested and analyzed in relation to debt management and its significant effect on financial transparency. They employed the Ordinary Least Square (OLM) method of data analysis. It was also the aim of this research to evaluate how effective it is for debt management strategies to promote financial transparency. Data for the study was an obtained through the administering structured questionnaires which were answered by respondents. The results revealed that debt management promote financial transparency.

Ogbu (2017) used panel data analysis in studying the effect of debt management on financial transparency in government business entities. The result was that an increase in debt management strategies will improve financial transparency, while an increase in total loan and advances enhance profitability. They recommended that before giving out a loan, field audit should be carried out on the customer so as to know their credit worthiness as this will help to reduce the incidence of loan loss.

3.3.3. Effective debt management and liquidity in Government Business Entities.

Elegbe and Kitii (2019) evaluates effective debt management using non-performing loans as proxy and liquidity of some selected Government business entities in Nigeria their objective was to determine the impact of non-performing loans on liquidity of some selected Government business entities in Nigeria. They Employed ordinary least square method of data analysis (OLM). The result from Panel Least square (PLS) estimate found that non-performing loans has a significant impact on the liquidity of Government business entities and they recommend that drastic measure should be put in place so as to retrieve loan in the hands of customers that are not well utilized.

Chinedu (2020) studied debt management and other factors affecting government business entities liquidity. and used a linear regression analysis technique. The study revealed a significant inverse relationship between government business entities liquidity, The apriori assumption is that non-performing loans has a negative impact on liquidity. The study recommended that other measure should be taken so as to improve liquidity and boost efficiency of government business entities in Nigeria.

2.4 Summary of the Review

The main source of external finance is debt financing as equated to external funds from equity (Baltacı & Ayaydın 2018). Debts refer to financial liabilities by person or persons obtaining credit or loan to the lenders. Most of the credit facilities offered by lenders include monetary facilities and economic privileges (Edwards, 2017). These are optional or substitute means of obtaining extra finances to cater for a company's or business operational requirements. Debt management entails monitoring and managing risk exposure resulting from acquired financial liabilities. According to Rajan and Zingales

(2016), debt management is an agreed plan between a debtor and a creditor that addresses the terms of an outstanding debt. Reinhart and Reinhart (2017) revealed that the procedure of decreasing private liabilities in volatile economic conditions takes place in an estimated period of six to eight years. Proper management of debt facility includes strategies employed to ensure effective and efficient debt repayments which may include restructuring of the loan disbursed. Efficient management of debt is the scope of institutional and technical measures in shaping the liabilities of a country so that the debt service burden is kept within a maintainable level (Islam & Nishiyama, 2016).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

This study adopted a survey research design. The study carried out a census survey of Nigeria Rail Way Corporation, Nigeria National Petroleum Corporation (NNPC), Nigeria Port Authority and others. The survey research design is one in which a group of people or items is studied, collecting and analyzing data from only a few people or items, considered to be representatives of the entire group. (Nworgu, 2006). The survey design specifies how data will be collected for the study. This method was adopted to enable the researcher elicit information from the respondents on the subject matter under the investigation.

3.2 Population of the Study

The population of the study comprises the workers in the Federal Inland Revenue Service (FIRS), Nigeria railway corporation, Nigeria Television Authority (NTA) Uzairue.

3.3 Sample Size

The sample was taken from the population stated above. A total number of 50 respondents were staffs selected from the Federal Inland Revenue Service (FIRS), Nigeria railway corporation, Nigeria Television Authority (NTA) Uzairue. Therefore the sample size used in the study is 50, selected using convenience sampling procedure. This was done to ensure representativeness of study subjects.

3.4 Sampling Techniques

This study used purposive sampling technique to select the subjects for the study and the selected subjects were administered the questionnaire. This method was used to obtain the list of respondents to be interviewed, choosing the source of data to use as only those related to the selected subject choosing documents and books to use according to their suitability in relation to the study. This method was reasonable for the purpose of the study as it consisted of specific people with specific information.

3.5 Method of Data Collection

The study adopted the primary method of data collection. The researcher's tool that was adopted in obtaining relevant data for this study was the a research questionnaire, which was sampled in likert scale form to facilitate easy data collection. These are data obtained from primary source with the aid of prepared questionnaire which were administered to the respondents for their response. In addition, oral interview were conducted with some staff of the selected ministries. The questions are sampled in a likert scale form to facilitate easy collection of data.

3.6 Method of Data Analysis

Data obtained from secondary source were analyzed using STATA Computer Software. The study used regression analysis to investigate the impact of independent variables on dependent variable. A multiple linear regression model was used to establish the significance of the model. The results obtained from the model are presented in tables to aid and ease the analysis.

Data for the study were presented in tabular form to facilitate easy understanding and analysis. Maximum likelihood estimation (MLE) technique was used in this study. The pooled probit regression was used to estimate the parameters of the stated models.

3.7 Model of Specification

The models for this study are:

$$EDM = \alpha_0 + \alpha_1 PROF + \mu_0 \text{------------------------------} (i)$$

$$EDM = \alpha_0 + \alpha_1 FINTR + \mu_0 \text{----------------------------} (ii)$$

$$\mathbf{EDM = \alpha_0 + \alpha_1 + LIQ + \mu_0} \text{-------------------------} \mathbf{(iii)}$$

Where;

EDM = Effective Debt Management

PROF= Profitability

FINTR = Financial Transparency

LIQ = Liquidity.

The 5% level of significance is adopted in this study as this is a suitable level of significance in management sciences.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

4.1 Descriptive Statistics

Table 1 presents the summary of the descriptive statistics for the dependent and independent variables for 50 observations. For the Effective debt management rating it shows that EDM has a mean rating value of 2.3167 and a standard deviation of 0.7247. The maximum in EDM rating is 4 while the minimum is 1.

For the FINTR the variable has a mean rating value of 3.6833 and a standard deviation of 0.7247. The other two variables have comparably similar mean rating values of 3.1167 and 2.8667 and standard deviations of 1.0430 and 0.9823 respectively.

The table shows that the data used in the estimation of the parameters of the model are significantly normally distributed. This is implied by the probability values of Kurtosis and chi-square of all the variables are less than 0.05. This connotes that the studied firms are not dominated by firms of any particular extreme values.

Table 1 Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max	Pr(Kurtosis)	Prob>chi2
EDM	50	2.3167	0.7247	1	4	0.0040	0.0050
FINTR	50	3.6833	0.7247	1	5	0.0021	0.0000
PROF	50	3.1167	1.0430	1	5	0.0032	0.0210
LIQ	50	2.8667	0.9823	1	4	0.0021	0.0118

Source: Computed Using STATA 14 (2022)

4.2: Correlation Analysis

Table 2: Correlation Matrix

	EDM	FINTR	PROF	LIQ
EDM	1.0000			
FINTR	-0.2899	1.0000		
PROF	-0.1394	0.2740	1.0000	
LIQ	0.1079	-0.2032	-0.3154	1.0000

Source: Computed Using STATA 14

Table 2 shows that public sector accounting disclosure, has mixed correlations with the various dependent variables used in the study. That is EDM is positively correlated with LIQ, but negatively correlated with FINTR and PROF which all measures of performance.

The table shows that no two of the variables are perfectly correlated or nearly so. Thus, the problem of multi-colinearity is absent in these models.

4.3: Regression Analysis and Testing of Hypotheses

Test Statistic

The statistical tool used in testing the stated hypotheses is the ordered logistic regression test of the maximum likelihood estimation (MLE) procedure which uses the individual significance test (z-test) and the overall significance test (Chi square-test). The goodness of fit of the model is tested using the coefficient of determination (Pseudo R-squared-statistic). The estimation of these statistics is done using the STATA 14 computer software.

Significance Level

The level of significance adopted in this study in testing the stated hypotheses of this study is 5%. This level is usually considered adequate for studies in management and other behavioural sciences.

Decision Rule

The critical p-value used in these tests is 0.05. Thus, the researcher accepts a given alternative hypothesis as being accepted if calculated p-value is less than or equal to 0.05, otherwise the researcher accepts the null hypothesis that there is no significant effect.

Hypothesis I

H_o: Effective debt management does not improves profitability in government business entities.

Computation

The test statistic is computed by STATA 14 software and the results are as shown in Table 4.

Table 4: Regression Results on Effective debt management and profitability

Ordered logistic regression		Number of obs =	50
		LR chi2(1) =	1.23
		Prob > chi2 =	0.0065
Log likelihood = -80.820152		Pseudo R2 =	0.0176
PROF **Coef.**	**Std. Err.**	**Z**	**P>z**
EDM -0.3667	0.3327	1.10	0.000

Source: **Computed Using STATA 14**

The table shows very low Pseudo R-squared values of 0. 0176. This low value of the R-squared statistic suggests that there are many other variables in explaining changes in the dependent variable. For the model, the p-values of the statistics (0.0065) shows that the model overall are suitable for estimating the stated model.

Decision

With a coefficient of 0.3667 the results indicate that Effective debt management positively impacts profitability, while the probability value of 0.0000 indicates that the positive impact is significant. This leads to the acceptance of the alternative hypothesis, thus rejection of the null hypothesis. The researcher accepts that effective debt management improves profitability in government business entities.

Hypothesis II

H_o: There is no significant relationship between effective debt management and financial transparency in government business entities.

Computation

The test statistic is computed by STATA 14 software and the results are as shown in Table 3.

Table 3: Regression Results on Effective debt management and financial Transparency.

Ordered logistic regression		Number of obs =	50
		LR chi2(1) =	3.48
		Prob > chi2 =	0.0022
Log likelihood = -46.135139		Pseudo R2 =	0.0363
FINTR **Coef.**	**Std. Err.**	**Z**	**P>z**
EDM -0.7431	0.3941	-1.89	0.059

Source: **Computed using STATA 14**

The table shows very low Pseudo R-squared values of 0.0363. This low value of the R-squared statistic suggests that there are many other variables in explaining changes in the dependent variable. For the model, the p-values of the statistics (0.0000) shows that the model overall are suitable for estimating the stated model.

Decision

With a coefficient of 0.7431 the results indicate that Effective debt management positively impacts financial transparency, while the probability value of 0.059 indicates that the negative impact is insignificant. This leads to the acceptance of the alternative hypothesis, thus rejecting the null hypothesis. The researcher accept that there is a significant relationship between effective debt management and financial transparency in government business entities.

***Hypothesis* III**

H_0: There is no significant relationship between effective debt management and liquidity in government business entities.

Computation

The test statistic is computed by STATA 14 software and the results are as shown in Table 5.

Table 5: Regression Results on Effective debt management and financial Liquidity.

Ordered logistic	regression		Number of obs =	50
		LR chi2(1) =	0.68	

		Prob > chi2 =	0.0088	
Log likelihood =	-77.166428		Pseudo R2 =	0.0244
LIQ	**Coef.**	**Std. Err.**	**Z**	**P>z.**
EDM	0.2676	0.3247	0.82	0.010

Source: **Computed Using STATA 14**

The table shows very low Pseudo R-squared values of 0.0224. This low value of the R-squared statistic suggests that there are many other variables in explaining changes in the dependent variable. For the model, the p-values of the -statistics (0.0088) shows that the model overall are suitable for estimating the stated model.

Decision

With a coefficient of 0.2676 the results indicate that Effective debt management positively impacts liquidity, while the probability value of 0.010 indicates that the positive impact is insignificant because it is less than 0.05. This leads to the acceptance of the alternative hypothesis, thus rejecting the null hypothesis. The researcher accepts that There is a significant relationship between effective debt management and liquidity in government business entities.

4.4 Discussion of Findings

This study sought to examine empirically the relationships between Effective debt management and Financial transparency in government business entities. The study used fifty (50) observations. The study adopted the ordered logistic regression of the maximum likelihood estimation (MLE) procedure. The results indicate that all the variables are significantly normally distributed at 5% level of significance. The correlation matrix indicates the dependent variables have mixed relationships independent variable.. The results also indicate the absence of multi-colinearity.

.**Profitability (PROF) variable**: With a coefficient of 0.3667 the results indicate that Effective debt management positively impacts profitability, while the probability value of 0.0000 indicates that the positive impact is significant. This leads to the acceptance of the alternative hypothesis, thus rejection of the null hypothesis. The researcher accepts that Effective debt management significantly affects profitability in Nigeria public sector.

Financial Transparency (FINTR) variable: With a coefficient of 0.7431 the results indicate that Effective debt management positively impacts financial transparency, while the probability value of 0.059 indicates that the negative impact is insignificant. This leads to the acceptance of the alternative hypothesis, thus rejecting the null hypothesis. The researcher accept that there is a significant relationship between effective debt management and financial transparency in government business entities

Liquidity (LIQ) variable: With a coefficient of 0.2676 the results indicate that Effective debt management positively impacts liquidity, while the probability value of 0.010

indicates that the positive impact is insignificant because it is less than 0.05. This leads to the acceptance of the alternative hypothesis, thus rejecting the null hypothesis. The researcher accepts that There is a significant relationship between effective debt management and liquidity in government business entities.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Findings

Having examined the impact of debt management on the profitability of deposit money banks in Nigeria, the following findings from the study are summarized below:

i. Effective debt management improves profitability in government business entities.

ii. There is a significant relationship between effective debt management and financial transparency in government business entities.

iii. There is a significant relationship between effective debt management and liquidity in government business entities.

5.2 Conclusion

Proper management of debt facility includes strategies employed to ensure effective and efficient debt repayments which may include restructuring of the loan disbursed. Efficient management of debt is the scope of institutional and technical measures in shaping the liabilities of a country so that the debt service burden is kept within a maintainable level.

The main source of external finance is debt financing as equated to external funds from equity. Debts refer to financial liabilities by person or persons obtaining credit or loan to the lenders. Most of the credit facilities offered by lenders include monetary facilities and economic privileges. These are optional or substitute means of obtaining extra finances to cater for a company's or business operational requirements. Debt management entails monitoring and managing risk exposure resulting from acquired financial liabilities. Debt management is an agreed plan between a debtor and a creditor that addresses the terms of an outstanding debt.

5.3 Recommendations

The researcher therefore advance the following recommendations in line with the findings of the research:

i. The management of government business entities especially credit officers must do diligence by adhering to prudential guidelines when given out credit facilities to staffs.
ii. Government business entities must put in place sound credit-granting process, strictly hold fast to know your customer (KYC) system, applying effective measures in measuring and monitoring of credit and ensure effective controls over credit risk.
iii. Government business entities should ensure guarantee of credits which would serve as a shield against credit loss of customers fund.

5.4 Suggestions for Further Studies

Having examine effective debt management and financial transparency in government business entities . The following areas are suggested for further studies:

i. Effective Debt management and liquidity management in Nigeria banking industry
ii. Effective Debt management and earnings management of quoted firms.

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Appendix I
COVER LETTER

Department of Accountancy,
School of Business Studies,
Auchi polytechnic,
Auchi,

Dear Sir/Madam,

I am a student of the above named institution, carrying out a research work on the topic: “Debt management and financial transparency in government business entities. The research work is purely for academics purpose and is written in partial fulfillment of the requirement for the award of HND in Accountancy.

The questionnaire will be used for the study. All the information supplied will be treated in absolute confidence and use only for the purpose of the study.

Thank you for your anticipated assistance.

Yours faithfully,

Ogunnubi Excel

Appendix II
Research Questionnaire

Instruction: *Please read through h each part of the questionnaire and complete appropriately by marking (X) the columns provided*

SECTION A: BIO-DATA

1. Sex:

a. Male [ ]

b. Female [ ]

2. Age of years

18-24 [ ]

25-34 [ ]

35 -44 [ ]

45-54 [ ]

55 and above [ ]

2. **Years of Experience:**

a. Below 5 years [ ]

b. 5-9years [ ]

c. 10 above [ ]

3. **Educational Qualification:**

a. ND [ ]

b. HND/B.Sc [ ]

c. M.Sc [ ]

d. ACA or MA [ ]

e. Others (please specify) ………………………………………

SECTION B

Instruction: ***Please note the following and what they represent***

A –Agreed

D-Disagreed

SA – Strongly Agreed

SD- Strongly Disagreed

U - Undecided

Please tick {√} whichever is correct in relation to the questions below:

S/N	Questions For Respondents	SA	A	UD	D	SD
1	Effective debt management does not improves profitability of government business entities.					
2	There is no significant relationship between effective debt management and financial transparency in government business entities.					
3	There is no significant relationship between effective debt management and liquidity in Government business entities .					
4.	Debt management affect financial transparency in Government business entities .					
5.	Debt management affect profitability in Government business entities.					
6.	There is a significant relationship between Debt management and financial missapropriation in Nigeria.					
7.	There is high rate of fraud as a result of lack of Debt management in government business entities					
8.	The government internal control system is impressive					
9.	Debt management does not significantly promote financial transparency in Government business entities.					
10.	Debt management significantly improves profitability in Government business entities.					
11.	There is high rate of financial transparency in the					

	organization due to the role of Debt management.					
12.	There is high rate of financial accountability in the organization.					
13.	There is need to employ the service of a Debt manager when dealing with issues relating to borrowing.					
14.	There is a significant relationship between fraud control and Debt management .					
15.	There is a significant relationship between internal auditing and Debt management in corporate organizations.					
16.	Debt management strategy is effective in controlling financial fraud in government business entities.					
17.	forensic accountant can reduce the incidence of debt in government business entities.					
18.	Debt management enhance firm survival .					
19.	Fraud significantly affect financial debt in Government business entities .					
20.	Debt in the government business entities is as a result of weakness in the internal control system					
21.	The directors can eradicate fraudulent practices in government business entities					
22.	There is high rate of Debt in the organization.					
23.	Manager are more reliable in preventing bankruptcy					
24	Debt does not significantly reduce profitability in Government business entities .					
25	Debt does not significantly prevent financial transparency in Government business entities .					
26	Effective debt management does not affect earnings management of government business entities .					
27	There is no significant relationship between effective debt management and non performing loan.					

28	There is no significant relationship between effective debt management and government lending					
29	Debt management affect lending policy in Government business entities .					
30	Debt management affect dividend payout in Government business entities .					