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**THE IMPACT OF ECONOMIC DEPRESSION ON CAPITAL AND ITS EFFECTS ON
FIRMS IN NIGERIA ECONOMY (AN EMPIRICAL STUDY OF SELECTED FIRMS IN
DELTA STATE)**

**ORIFE CATHERINE
Department of Accountancy
Delta State Polytechnic Ozoro
Delta State, Nigeria**

ABSTRACT

This study was carried out to investigate the impact of economy depression on capital and its effects on firms in Nigeria Economy with some selected firms within Delta State taken as a case study. A structured questionnaire was used as the instrument for data collection and administered to 110 firms in Delta State, Nigeria randomly selected. The sample size from a population of 110 firms is 90 respondents at 95% confident level. Data analysis was made using percentages and hypotheses formulated were tested using chi-square at 5% significant level. The study focuses on firms operating in Nigeria in this period of economy depression find it difficult to cope with the prevailing circumstances, some have gone into extinction, and retrench staff, cut down staff salaries. To find out the way out the way out of this mess, government can help salvage this situation by making and implementing expansionary monetary policy, of bailout fund to states, providing an enabling business environment that will attract foreign investments in order to stimulate the level of economic activities in the economy.

INTRODUCTION:

In business today, it was said that, there are 5Ms which include money, man, material, machines and management, from these 5Ms, the most important is "money" which could also be referred to as capital. It is seen as the lifeblood of every business organization. Here, I am not considering its presence in businesses but, the impact of economy depression on capital and its effects on the performance of businesses. Before now; businesses strive in the midst of insufficient capital (money). With the recent economic depression in Nigeria, most firms have laid off workers, cut of workers monetary and non-monetary rewards, and some business have gone into extinction with the overall effects in the present Nigeria economy led by President Muhammadu Buhari.

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The central ideal of this study is to evaluate the impact of the present economy depression on firm's capital and to fashion out ways in increasing the performance of firms' operations through resuscitating the depression currently being faced.

STATEMENT OF PROBLEMS

Over the past decades, there were several times of world economy depression which has affected various economies of the world, but the past one year, Nigerians have been experiencing hardship which could be traced to the present depression faced by firms. The burden is felt by individuals due to its effect on firms capital in cutting off workers salaries, laying off workers, little or no growth, reduction of profit and a host of others too numerous to mention.

OBJECTIVES OF THE STUDY

The following objectives were

- a. To know the challenges faced by firms in staff payment.
- b. To know the effect economy depression has on firms operating in Nigeria.
- c. To know if firms experience profitability growth inspite of economy depression.
- d. To know if firms could continue in operation despite economy depression.

RESEARCH QUESTIONS

The following questions were raised during this study.

- Does your firm have major challenges in staff payment?
- To what extent does economy depression affect your firm?
- Does your firm experience profitability growth this period of economy depression?
- Do you foresee continuity of your firm if this depression persists?

STATEMENT OF HYPOTHESES

For the purpose of this study, the following hypotheses are considered relevant.

- a. H_0 : Depressed firms capital affects staff payment.
 H_1 : Depressed firms capital does not affect staff payment.
- b. H_0 : Firms do not experience profitability growth.
 H_1 : Firms experience profitability growth.

SCOPE OF THE STUDY

This study is limited to some places in Delta State which includes Sapele, Warri, Ughelli and Asaba. The population of the study centres on firms in Nigeria and the sample size of one hundred and ten firms from various lines of businesses taken for the purpose of this study from the aforementioned cities in Delta State. The data collected were accurate, reliable and at low cost. The study focuses on "the impact of economy depression on capital and its effects on firms operations in Nigeria economy.

LITERATURE REVIEW

The topic has some key words which should be critically examined in order to have a detailed understanding of this work. They include; Depression Economy, Capital, Effects and firms.

Depression: Oxford Dictionary (2015) sees depression as a period when there is little economic activity and many people are poor without job. It can be deduced that depression leads to loss of job (unemployment) due to little economic activity.

Economy: It seen as the relationship between production, trade and supply of money in a particular country or regain. From the above, is it seen that there is either a positive or negative relationship among production, trade and money supply as duly used because there must be creation of products (good and services) before buying and selling (trade) can take places and trade is usually completed when there is money in circulation ion and

METHODOLOGY

Managers and owners of small and medium scale enterprises in Nigeria constituted the population of the study. The number is somewhat infinite. Therefore, the sample size is limited to hundred ten (110) firms operating in Sapele, Warri, Ughelli and Asaba in Delta State.

The prepared questionnaires were distributed to them out of which ninety (90) were retrieved. The questions were closed ended and designed to obtain a Yes or No answer.

Data collected were analyzed using percentages. In addition, the hypotheses formulated were tested using chi-square (χ^2) and the t-test at 0.05% level of significance.

Decision rule: whenever the calculated chi-square is greater than the table value, accept the null hypothesis and reject the alternative hypothesis.

TABLE 1: Does your firm have major challenges in staff payment?

Responses	Frequency	Percentage (%)
Yes	67	74
No	23	26
Total	90	100

Source: Researcher's field survey, 2016.

The Survey showed that 67 respondents representing 74% agreed that they were having challenges in staff payment while, 23 respondents representing 26% disagreed with it, that, despite the economy depression, they were able to meet staff payment regularly.

TABLE 2: Does your firm experience profitability growth?

Responses	Frequency	Percentage (%)
Yes	11	12
No	79	88
Total	90	100

Source: Researcher's field Survey, 2016.

The survey showed that 11 respondents representing 12% agreed that their firms experience profitability growth while, 79 respondents representing 88% disagreed that there has been fall in the level of profit during these periods.

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TEST OF HYPOTHESIS

In order to present an objective and unbiased judgment, the data from the questionnaire were subjected to scientific testing using the chi-square (X^2) distribution.

The chi-square (X^2) statistical tool is given by the following formula:

$$X^2 = \sum \frac{(O_i - E_i)^2}{E_i}$$

Where \sum - Summation

O_i - Observed frequency

E_i - Expected Frequency

The degree of freedom is 1, and computed with the formula below

$$DF = (R - 1) (C - 1)$$

$$DF = (2 - 1) (2 - 1)$$

$$DF = 1 \times 1$$

$$DF = 1$$

Constriction of Chi-Square Table

TABLE 3: Depressed Capital affects Staff payment

Responses	O_i	E_i	$O_i - E_i$	$(O_i - E_i)^2$	$(O_i - E_i)^2/E_i$
Yes	67	45	22	484	10.76
No	23	45	-22	484	10.76
Total	90	90	0	968	21.52

Since the calculated value of chi-square (X^2) which is 21.52 is greater than the table value 3.84, accept the Null Hypothesis which state there is significant relationship between depressed capital and staff payment in an organization which is supported by Kimberly Amadeo who said that economy depression on capital result to an extended period of negative economy activity which could lead to disengagement of staff, cut in staff salaries to mention a few.

TABLE 4: Firms do not experience profitability growth

Responses	O_i	E_i	$O_i - E_i$	$(O_i - E_i)^2$	$(O_i - E_i)^2/E_i$
Yes	11	45	-34	1156	25.69
No	79	45	34	1156	25.69
Total	90	90	0	2312	51.38

Decision Rule: Since the calculated value of chi-square (x^2) 51.38 is greater than the table value 3.84, accept the Null Hypothesis which state that depressed economy on capital affect the profitability growth of firms which could result to fall in business activities.

FINDINGS

At the end of the data analysis, the following findings were made.

- Firms faced major challenges in staff payment which led to retrenchment, cut in staff salaries and allowances.

- Economy depression on capital has negative effect on the operations of a firm due to increased cost of operations.
- Firms do not experience profitability growth due to reduction in the level of business activities in the economy.
- Most firms could not continue operations as a result of fall in business activities resulting from loss of customers.

CONCLUSION

Firms operating in Nigeria in this period of economy depression find it difficult to cope with the prevailing circumstances, some have gone into extinction, and retrench staff, cut down staff salaries with the overall effect on individuals and families.

The government can help salvage this situation by making and implementing expansionary monetary policy, bailout fund to states, providing an enabling business environment that will attract foreign investments in order to stimulate the level of economic activities in the economy.

RECOMMENDATIONS

- Government should reduce the tax rate on firms in order to encourage business owners to remain in operations.
- Government should make subsidies available to small and medium scale enterprises.
- Government should encourage intending entrepreneurs by making loans and advances available at a low cost to them.
- Government should implement expansionary monetary policy throughout the 36 states of the federation including Federal Capital Territory.

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