

REGULATORY COMPLIANCE AND FIRM PERFORMANCE: AN INVESTIGATION OF PHARMACEUTICAL FIRMS IN NIGERIA.

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Abstract

Regulation is very important for good order in any system. Regulation can only be as good as the level of compliance since regulation is not an end, but a means to an end. However, when the cost of regulatory compliance is high, and when the institutional framework for enforcement is weak, it poses problems for compliant firms. The study is an investigation of the impact of regulatory compliance on firm performance, with a focus on pharmaceutical sector in Nigeria. The researcher employed mixed method research comprising of both quantitative and qualitative case study. A total of 300 questionnaires were sent out for the collection of primary data. However, 200 questionnaires were completed and returned after two and half months of intensive data collection. The objectives were studied through gathering and analyzing data in the form of questionnaire using regression analysis. An empirical investigation was undertaken using the multivariate analytical technique, specifically the hierarchical regression model, to examine the impact of the independent variables on performance of pharmaceutical companies. A total of six (6) hypotheses were tested, out of which four (4) supported. The results of the regression analysis revealed that: (1) There is a positive relationship between quality standard regulations and firm performance; (2) There is a positive relationship between labour regulations and firm performance; (3) The positive relationship between quality standards regulations and firm performance will be higher if the institutional environment is strong rather than weak; and (4) The positive relationship between labour regulations and firm performance will be higher if the institutional environment is strong rather than weak. Based on the results, the following were suggested: Business models that place emphasis on standard and quality have a good chance of sustainability and profitability; and a good business model would observe compliance with standard and quality, even if the cost and price of the product are higher in the short run. The findings of the study suggest that compliance with labour regulations is a good business model to adopt because of the impact on workers' welfare, motivation and productivity.

Keywords: Pharmaceutical industry, tax regulation, labour regulation, performance, institutional environment, quality standard regulation.