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Fat Tails Value at Risk

Impact of Deficit Financing

Highlights

Risk and Palladium Returns

Contraband on Govt. Revenue

Discovering Thoughts, Inventing Future

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Viabilidad del Modelo de Gestión de la Innovación para Microempresas Familiares del Sector Alimenticio

By Diana Katiuska Peña Ponce, Jenny Parrales Reyes, Veronica Ponce Alvarez, Monica Quiñonez Cercado, Jorge Calderon Garcia & Ana Maribel Ponce Castro

Universidad Estatal del Sur de Manabí

Abstract- *Purpose:* Las microempresas juegan un rol preponderante en la economía del Ecuador dado queestas constituyen actualmente la base del sistema económico de libre mercado, son la fuente generadora de la mayor parte de empleoy representan un elemento de cohesión social en un entorno globalizado. En este sentido, el propósito del presente trabajo de investigación es demostrar la viabilidad desde el punto de vista teórico de un modelo teórico para la gestión de la innovación en microempresas familiares del sector alimenticio de Jipijapa. Para la validación del mismo se emplearon métodos y técnicas que demostraron la viabilidad del mismo.

Methodology/Approach: Los métodos empleados en la investigación fueron el método de criterio de expertos a través del método de la preferencia y el criterio de usuarios mediante la técnica Iadov. El primero permitió demostrar la factibilidad desde el punto de vista teórico del modelo, y con el segundo se analizó la factibilidad de la metodología de implementación a partir del criterio de los potenciales usuarios.

Findings: Los principales hallazgos de la investigación radican en la aplicabilidad del modelo de gestión de la innovación para microempresas familiares dada la flexibilidad del mismo.

Keywords: *modelo; gestión de la innovación; microempresa familiar; criterio de expertos; criterio de usuarios.*

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Viabilidad del Modelo de Gestión de la Innovación para Microempresas Familiares del Sector Alimenticio

Diana Katiuska Peña Ponce [α], Jenny Parrales Reyes [σ], Veronica Ponce Alvarez [ρ], Monica Quiñonez Cercado [ω], Jorge Calderon Garcia [¥] & Ana Maribel Ponce Castro [§]

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Findings: Los principales hallazgos de la investigación radican en la aplicabilidad del modelo de gestión de la innovación para microempresas familiares dada la flexibilidad del mismo.

Research Limitation/Implication: Se destaca como limitante de este trabajo la búsqueda de los expertos que avalaran la viabilidad del modelo analizado.

Originality/Value of Paper: La originalidad del trabajo está dado en el uso de técnicas que aportan criterios importantes en la aplicabilidad del modelo.

Category: Research Paper

Keywords: modelo; gestión de la innovación; microempresa familiar; criterio de expertos; criterio de usuarios.

I. Introduction

En la actualidad, hay tres formas básicas para impulsar el crecimiento económico: el crecimiento de la población, la adopción de las industrias de mayor productividad, o el inicio de mejoras de productividad más amplias. Debido a que la innovación puede aumentar la cantidad de producción por unidad de trabajo, ésta puede jugar un papel crucial en la productividad y en un mayor crecimiento económico.

En este orden de ideas, datos del Departamento de trabajo de Estados Unidos estimó que la innovación ha producido alrededor de la mitad de todo el crecimiento económico del país en los últimos 50 años, (U.S. Department of Labour, 2007). La Organización para la Cooperación y Desarrollo Económico, también ha declarado que el 50 por ciento del PIB de las principales economías de dicha organización está basado en el conocimiento, (OCDE, 2005).

Así la acción coordinada del trabajo de los sistemas de innovación, es la que permite mejorar la productividad, competitividad y, de forma más amplia, el desarrollo de los territorios, (Vásquez-Barquero, 2009; Pellegrino y Savona, 2013). Esto, debido a que las empresas transforman el ahorro en inversión, y el estímulo a redes y agrupaciones entre entidades, propicia la aparición de economías de escala, de proximidad y reduce los costos de transacción.

La importancia del rol de las micro, pequeñas y medianas empresas en esta fase de transformación económica se constituye en un elemento preponderante dado el aporte que éstas tienen en la economía, sin dejar de reconocer la necesidad de optimizar los métodos de gestión que se han utilizado, para lo cual se deben basar en una correcta fundamentación teórica y metodológica que avale la correspondencia con los actuales retos en materia de innovación, tecnología y conocimiento a nivel internacional.

Sin embargo, los actuales modelos para gestionar la innovación están diseñados para grandes empresas resultando ineficientes para las de menor dimensión y por ende resulta complicada la convergencia de las microempresas con las empresas de mayor tamaño, estableciendo grandes diferencias, sobre todo en áreas económicas, productivas y sociales.

Arribándose a la idea de que se deben aprovechar las ventajas que ofrece la innovación, basado en enfoques que estén acordes al tamaño,

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flexibilidad, proximidad al mercado y predisposición al cambio y de esta forma explotar las ventajas resultantes de las economías de escala disponiendo de estructuras de gestión que sean adaptables, incluyendo actividades de capacitación y acceso a la información, cultura de cambio y adaptación a los avances tecnológicos que les permita a las microempresas gestionar de forma adecuada la innovación.

En Ecuador, se conoce que cerca del 90 % de las empresas pertenecen a grupos familiares, en especial a micro, pequeñas y medianas empresas, siendo una forma de organización empresarial que en momentos de crisis han ayudado a reconstruir el país. Sin embargo, la regularidad es que las micro, pequeñas y medianas empresas a diferencia de las empresas de mayor dimensión poseen mayores dificultades en los procesos de gestión resaltando las insuficiencias en la gestión de la innovación, desarrollo tecnológico, capacitación, problemas de liquidez, costos de operación, falta de competitividad y calidad, lo cual tiene su fundamento en la baja productividad y la incapacidad de buscar nuevas oportunidades de negocios o mejoras sistemáticas en su estructura productiva.

La alternativa de realizar un modelo para gestionar la innovación en microempresas familiares surge con la relación de que un modelo es un medio complementario para estudiar diferentes fenómenos y objetos. Los modelos son el punto de partida, un medio para analizar y sintetizar situaciones complejas, (Haddad y Andrade, 1989; Frechtling, 1996; Caiero, 2001; Mankiw, 2001; Vogt, 2002; Martín, 2006; Ferriol, 2011; Almuiñas y Galarza, 2011; Vargas, 2013).

A partir de este precepto, se concibe al modelo para la gestión de la innovación en microempresas familiares del sector alimenticio como un conjunto de relaciones que permitirán de forma simple y comprensible ofrecer una alternativa de solución ala problemática actual.

El objetivo del presente estudio es demostrar la viabilidad desde el punto de vista teórico del modelo de gestión de la innovación diseñado para las microempresas familiares del sector alimenticio en Jipijapa, Ecuador.

II. Methodology

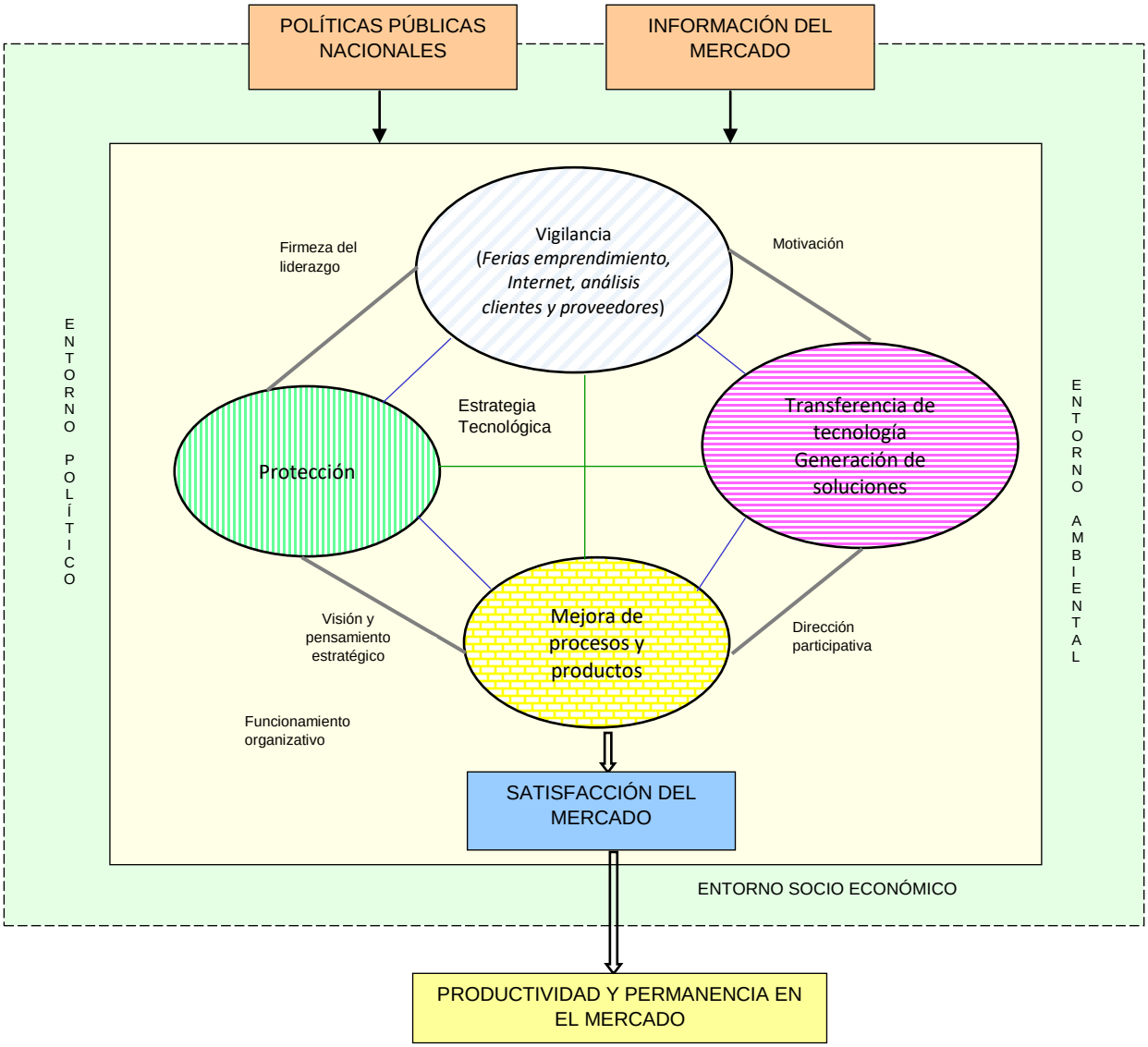
La validación de los modelos es pertinente para sobre la base de ello garantizar su confiabilidad, aplicabilidad y viabilidad, (Chávez, *et al.*, 2015; Espín, 2017). Para demostrar la viabilidad del modelo de gestión de la innovación para microempresas familiares del sector alimenticio en Jipijapa se emplea el método de expertos y la técnica VA Iadov.

Para realizar la evaluación de expertos a los resultados de la investigación se empleó el Método de la Preferencia, por su exactitud, objetividad y rapidez. Este permite superar las limitaciones, relacionadas con la complejidad de su aplicación y del procesamiento de los datos y alcanzar una imagen integral y más amplia de la posible evolución del resultado científico sometido a valoración.

Para la determinación de los expertos se debe tener en cuenta el concepto siguiente: “Se entiende por experto, tanto a un individuo, como a un grupo de personas u organizaciones capaces de ofrecer valoraciones conclusivas de un problema y hacer recomendaciones respecto a sus momentos fundamentales con un máximo de competencia”, (Lissabet, 1998).

El modelo y metodología a evaluar se presentan a continuación:

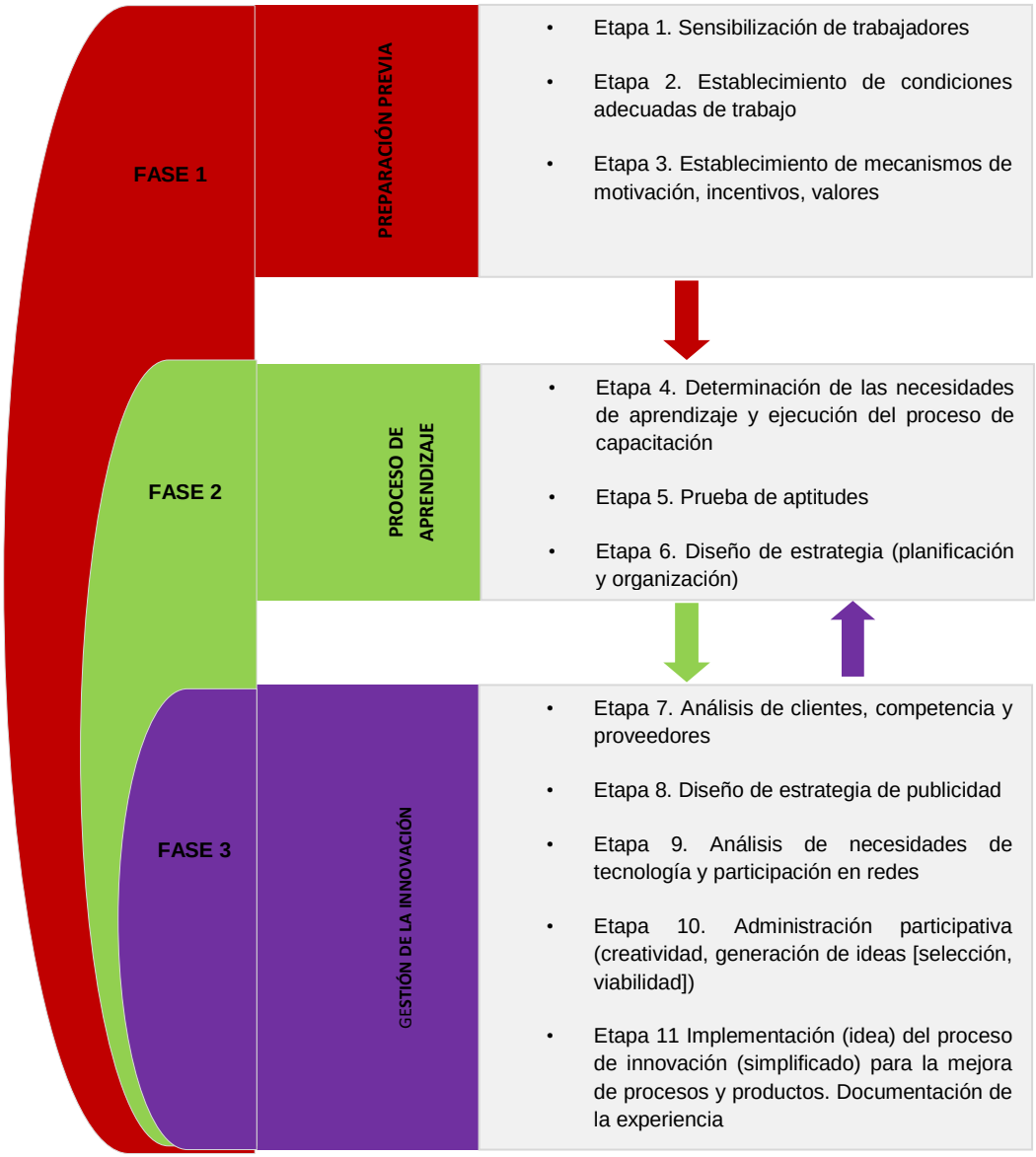
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Fuente: Elaboración propia

Figura 1: Modelo de gestión de la innovación para microempresas familiares

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Fuente: Elaboración propia

Figura 2: Metodología para la operacionalización del modelo propuesto

a) *Ejecución del Método de criterio de expertos (Método de la preferencia)*

Primera etapa, consiste en la formulación del objetivo de la evaluación por los expertos.

"Demostrar la viabilidad del modelo de gestión de la innovación para microempresas familiares del sector alimenticio en Jipijapa, Ecuador".

Segunda etapa, selección de los expertos

Se preseleccionó un grupo de expertos, compuesto por profesionales de nacionalidad ecuatoriana, tomando como criterio de selección la efectividad de la actividad profesional que desempeñan.

Para valorar el nivel de experticia de los especialistas, se empleó el coeficiente de competencia, (Souto, 2015). Los resultados obtenidos se observan en el Tabla 1, a partir del análisis realizado se seleccionaron 15 expertos. Según plantea Lissabet, (1998), el numero óptimo de expertos a seleccionar debe estar entre 15 y 30.

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Tabla 1: Determinación del coeficiente de competencia K

Experto	Coeficiente de Conocimiento	n1	n2	n3	n4	n5	n6	Coeficiente de Argumentación	Coeficiente de Competencia	Valoración
E1	0,9	0,3	0,5	0,05	0,05	0,05	0,05	1	0,95	ALTO
E2	0,8	0,3	0,4	0,05	0,05	0,05	0,05	0,9	0,85	ALTO
E3	0,4	0,2	0,5	0,05	0,05	0,05	0,05	0,9	0,65	BAJO
E4	0,8	0,2	0,4	0,05	0,05	0,05	0,05	0,8	0,80	ALTO
E5	0,8	0,2	0,4	0,05	0,05	0,05	0,05	0,8	0,80	ALTO
E6	0,8	0,3	0,5	0,05	0,05	0,05	0,05	1	0,90	ALTO
E7	0,9	0,2	0,5	0,05	0,05	0,15	0,05	1	0,95	ALTO
E8	0,6	0,2	0,3	0,05	0,05	0,05	0,05	0,7	0,65	BAJO
E9	0,8	0,3	0,4	0,05	0,05	0,05	0,05	0,9	0,85	ALTO
E10	1	0,3	0,5	0,05	0,05	0,05	0,05	1	1,00	ALTO
E11	0,6	0,2	0,5	0,05	0,05	0,05	0,05	0,9	0,75	MEDIO
E12	0,8	0,3	0,4	0,05	0,05	0,05	0,05	0,9	0,85	ALTO
E13	0,8	0,3	0,5	0,05	0,05	0,05	0,05	1	0,90	ALTO
E14	0,8	0,2	0,3	0,05	0,05	0,05	0,05	0,7	0,75	MEDIO
E15	0,7	0,3	0,5	0,05	0,05	0,05	0,05	1	0,85	ALTO
E16	0,8	0,3	0,4	0,05	0,1	0,1	0,05	1	0,90	ALTO
E17	0,8	0,2	0,5	0,05	0,1	0,1	0,05	1	0,90	ALTO
E18	0,5	0,1	0,5	0,05	0,05	0,05	0,05	0,8	0,65	BAJO
E19	0,7	0,2	0,5	0,05	0,15	0,05	0,05	1	0,85	ALTO
E20	0,8	0,1	0,4	0,05	0,1	0,1	0,05	0,8	0,80	ALTO

Donde, $K = \frac{Kc+Ka}{2}$

Para efectos de selección de los expertos se consideraron los siguientes criterios: grado científico, experiencia en el ámbito de la investigación, participación en proyectos relacionados con el tema de estudio, publicaciones científicas y publicación de materiales y consultorías.

Tercera etapa, elaboración de la guía.

La guía elaborada consta de nueve criterios o aspectos, la escala de valoración está compuesta de cinco categorías, donde cada experto a partir de su experticia marcará la casilla que considere pertinente. Estos criterios incluyen: Aporte teórico y práctico, pertinencia del modelo, actualidad del modelo, concepción metodológica del modelo, coherencia lógica de fases y pasos concebidos, aplicabilidad de la propuesta en el contexto de las microempresas familiares, nivel de sustentabilidad de la propuesta, importancia de los beneficios esperados a partir de la aplicación de la propuesta y la valoración de la contribución del modelo. Finalmente, la guía incluye la opción de incluir criterios adicionales a la propuesta presentada.

Cuarta etapa, elección de la metodología a seguir.

La evaluación de los expertos se desarrolló por el Método de la Preferencia, se realizó de forma individual entregando por escrito las opiniones sobre las bondades, deficiencias e insuficiencias que presenta el modelo de gestión de la innovación para microempresas familiares del sector alimenticio.

Quinta etapa, la ejecución de la metodología se inicia con la entrega a cada experto del resultado objeto de evaluación y la guía de aspectos a valorar.

Sexta etapa, procesamiento de la información obtenida de los expertos.

En la tabla 2 aparecen los resultados obtenidos por cada uno de los expertos en los diferentes aspectos de la guía para realizar la evaluación del modelo. Esta información se recolectó y analizó. A partir de ella se realizan un análisis empleando el coeficiente de concordancia de Kendall (W), luego se realiza la prueba de significación de W, los resultados de esta se presentan en la tabla 3.

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Tabla 2: Resultados obtenidos en la evaluación del modelo realizado por expertos

Resultados									
Frecuencia De Categorias Por Item									
Categoria	Aporte teórico y práctico	Pertinencia del modelo	Actualidad del modelo	Concepción metodológica del modelo	Coherencia lógica de fases y pasos concebidos	Aplicabilidad de la propuesta	Nivel de sustentabilidad de la propuesta	Importancia de beneficios esperados	Contribución del modelo
Muy satisfactorio	5	8	9	8	9	6	9	8	10
Satisfactorio	10	7	6	7	6	8	6	7	5
Moderado	0	0	0	0	0	1	0	0	0
Débil	0	0	0	0	0	0	0	0	0
Muy bajo	0	0	0	0	0	0	0	0	0
Puntos De Corte			Coeficiente De Concordancia W				Items Por Categoria		
Categoria	L Inf	L Sup		0,66			Item	N-P	Cat. Del Item
	>	<=							
Muy satisfactorio		0,658					Aporte teórico y práctico	-0,399	C1
Satisfactorio	0,658	3,633					Pertinencia del modelo	-0,528	C1
Moderado	3,633	3,900					Actualidad del modelo	-0,570	C1
Débil	3,900	3,900					Concepción metodológica del modelo	-1,182	C1
Muy bajo	3,900						Coherencia lógica de fases y pasos concebidos	-1,207	C1
							Aplicabilidad de la propuesta	0,217	C1
							Nivel de sustentabilidad de la propuesta	-0,631	C1
							Importancia de beneficios esperados	-0,528	C1
							Contribución del modelo	-0,615	C1

Tabla 3: Resultados del análisis

Prueba de significancia para W
$x^2 = m\,(n-1)W$
$x^2 = 15 * 8 * 0{,}66$
$x^2 = 79{,}68$
$df = n - 1 = 8$
$x^2\ (8;\ 0{,}001) = 26{,}12$

En la Figura 3 se observan las medias obtenidas para cada indicador a partir del criterio de los expertos.

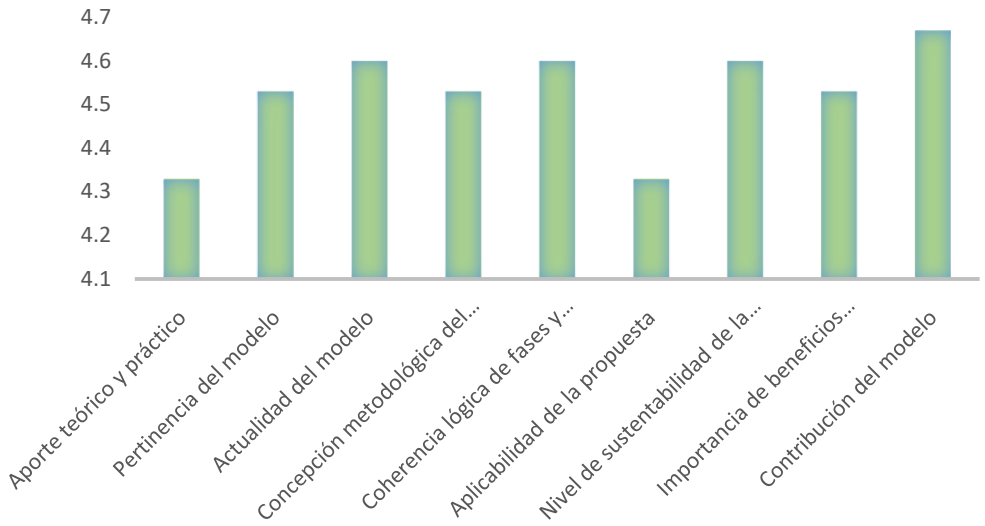


Figura 3: Validación del modelo a través del método de expertos

Como se seleccionaron 15 expertos el error de la evaluación es del 5%, es decir la confiabilidad del criterio emitido por los expertos será del 95%.

Los resultados de la evaluación del modelo de gestión de la innovación para microempresas familiares del sector alimenticio, realizada por los expertos, son de significación estadística (79,68>26,12), es decir existen evidencias para plantear, a un 99% de confiabilidad, que los 15 expertos concuerdan en la efectividad del modelo planteado, tanto en la concepción teórica como en los resultados que se obtendrán con su aplicación en las microempresas familiares.

b) Valoración de la factibilidad de la metodología propuesta a través del criterio de usuarios

Para el proceso de validación de la metodología diseñada se seleccionó el 20% de la muestra de microempresarios (120 empresarios encuestados) que se utilizó para la presente investigación.

Se emplea el criterio de usuario a partir de la técnica de VA Iadov como método de validación (para el presente caso se consideran usuarios los empresarios que utilizarán el modelo y metodología desarrollada). Como usuarios de la metodología se seleccionaron 24 (veinticuatro) propietarios de microempresas familiares del sector alimenticio. Para ello se diseñó un cuestionario con cinco preguntas estructuradas de acuerdo ala metodología propuesta, aplicando y contextualizando las mismas a la situación específica.

En el cuestionario se intercalan tres preguntas cerradas y dos abiertas, cuya relación el encuestado desconoce y constituye una vía indirecta para determinar el nivel de satisfacción, que se obtiene al establecer el nexo entre las respuestas a las preguntas cerradas a través del "Cuadro Lógico de Iadov", (López y González, 2001). Esta técnica procesa la información del cuestionario y determina números índice en la escala de 1 a 6: 1 = Clara satisfacción; 2= Más satisfecho que insatisfecho; 3=No definido; 4=Más insatisfecho que satisfecho; 5=Clara insatisfacción; 6=Contradicción. Los resultados obtenidos a partir de la aplicación de esta técnica se observan en la Tabla 4.

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Tabla 4: Resultados obtenidos a través de la técnica de IADOV para validación de la metodología propuesta

Pregunta 4	Pregunta 1								
	NO			NO SÉ			SI		
	Pregunta 5								
	SI	NO SÉ	NO	SI	NO SÉ	NO	SI	NO SÉ	NO
Me gusta mucho	1 (16)	2	6	2	2	6	6	6	6
Me gusta más de lo que me disgusta	2	2	3	2 (6)	3	3	6	3	6
Me da lo mismo	3	3	3	3	3 (2)	3	3	3	3
Me disgusta más de lo que me gusta	6	3	4	3	4	4	3	4	4
No me gusta nada	6	6	6	6	4	4	6	4	5
No sé qué decir	2	3	6	3	3	3	6	3	4

En la Tabla 5 se resume el nivel de satisfacción individual de los microempresarios consultados; como se puede apreciar el 66,7% evidencia una clara satisfacción con la metodología propuesta, y un 25% manifestaron más satisfacción que insatisfacción con dicha metodología. De forma general, un 91,7% de los empresarios encuestados declararon sentirse satisfechos con la metodología de implementación del modelo propuesto.

Tabla 5: Resumen de la satisfacción individual de los usuarios con la metodología propuesta

	Criterio	Cantidad	%
1.	Clara satisfacción	16	66,7
2.	Más satisfecho que insatisfecho	6	25
3.	No definido	2	8,3
4.	Más insatisfecho que satisfecho		
5.	Clara insatisfacción		
6.	Contradicción		
	Total	24	100

Fuente: Elaboración Propia

Con la información obtenida se procedió a calcular el índice de satisfacción global ISG, obteniendo un valor de 0,791 lo que evidencia la aceptación general de la metodología propuesta, tal como se aprecia en la Figura 4.

$$ISG = \frac{A(+1) + B(+0{,}5) + C(0) + D(-0{,}5) + E(-1)}{24}$$

$$ISG = \frac{16(+1) + 6(+0{,}5) + 2(0) + D(-0{,}5) + E(-1)}{24}$$

$$ISG = 0{,}791$$

Listado de aspectos positivos y negativos.

¿Qué es lo que más le gustó dela metodología?

1. Es factible y aplicable (18)
2. Las fases propuestas (16)
3. Se adapta a la realidad de las microempresas familiares (17)

¿Qué es lo que menos le gustó dela metodología?

1. El tiempo necesario para aplicar todas las etapas (10)
2. La información necesaria para aplicar la metodología (8)

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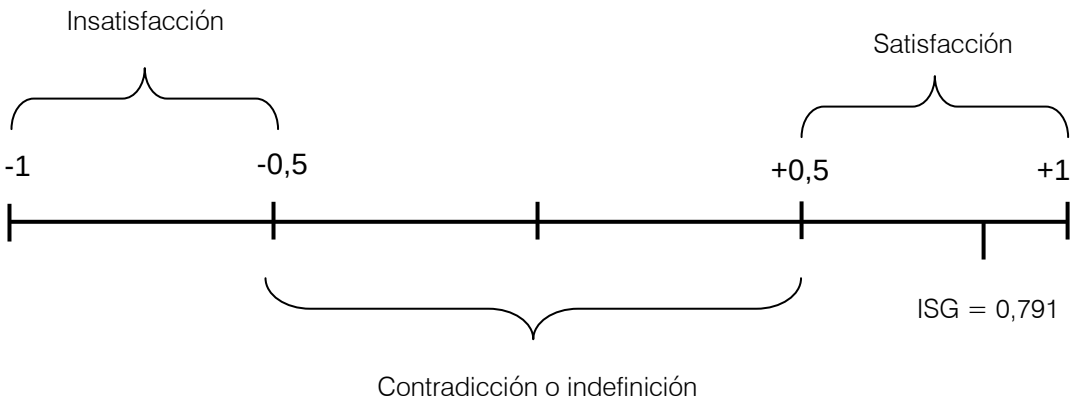


Figura 4: Satisfacción general de los usuarios con la metodología

En atención a lo anterior, se puede concluir que los usuarios del proceso de investigación validan el modelo y la metodología propuestos. Por lo tanto se demuestra la viabilidad del modelo de gestión de la innovación para microempresas familiares del sector alimenticio en Jipijapa, Ecuador.

III. Conclusiones

- El modelo fue validado a través del método de expertos, para lo cual se seleccionaron quince expertos de competencia en el tema. La propuesta se validó a partir de nueve criterios, obteniéndose resultados favorables. La aplicación del método de la preferencia permite obtener un índice de concordancia bueno entre los expertos 0,66 para el modelo en estudio.
- La validación de la metodología se realizó a través del criterio de los usuarios, se seleccionaron 24 microempresarios del sector de la alimentación de Jipijapa, mediante la aplicación de la técnica de VA Iadov se obtuvo un índice de satisfacción general de 0,791.
- Se demuestra la viabilidad del modelo y metodología de gestión de la innovación para microempresas familiares del sector alimenticio al momento de ejecución y aplicabilidad.

Acknowledgments

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Fat Tails, Value at Risk, and the Palladium Returns

By Turen Guo, Jianhua Ding & Bin Guo
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Abstract- The past decade has witnessed the rapid growing of the world palladium market. Thus, it is even more important to develop effective quantitative tools for risk management of palladium assets at this moment. In this paper, we investigate five different types of widely-used statistical distributions and employ the industry standard risk measurement, Value at Risk, for risk management of daily palladium spot returns. We first apply four different criteria to compare the goodness of fit of the five distributions, and then calculate the VaRs based on the parameters estimated from the first step. Our results indicate the Skewed t distribution has the best in-sample fitting and generate VaR values closest to the nonparametric historical VaR values.

Keywords: *skewed t distribution; goodness of fit; risk management.*

GJMBR-B Classification: *JEL Code: C46; C58; G10*



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Fat Tails, Value at Risk, and the Palladium Returns

Turen Guo [α], Jianhua Ding [σ] & Bin Guo [ρ]

Abstract- The past decade has witnessed the rapid growing of the world palladium market. Thus, it is even more important to develop effective quantitative tools for risk management of palladium assets at this moment. In this paper, we investigate five different types of widely-used statistical distributions and employ the industry standard risk measurement, Value at Risk, for risk management of daily palladium spot returns. We first apply four different criteria to compare the goodness of fit of the five distributions, and then calculate the VaRs based on the parameters estimated from the first step. Our results indicate the Skewed t distribution has the best in-sample fitting and generate VaR values closest to the nonparametric historical VaR values.

Keywords: skewed t distribution; goodness of fit; risk management.

I. Introduction

During the recent decades, many researchers and practitioners have been drawn by various kinds of alternative investments to diversify their portfolios. Market participants are extremely excited about the potential investment vehicles which could serve as safe hedging for conventional asset classes, such as stocks, foreign exchanges and fixed income bonds. The precious metal of palladium, which has been widely used in automotive, chemical, electrical, jewellery and dental industries, naturally serves as a popular candidate. Similar as any other products, the price of palladium are determined by the supply and demand. Currently, the two largest producers are Russia and South Africa, which consist of more than 75% of annual world mine supplies. On the demand side, the rising giant, China, accounts for more than 70% of annual global demand increases of palladium. Moreover, the increasing demand in China is mainly responsible for the price increase since the year of 2004. According to the United States Geological Survey, the global mine production of palladium was slightly more than 250 tons in 2010, and the world demand of palladium was nearly 350 tons in 2010.

Since so many investors have been drawing to the global palladium market and the market capitalization has increased so dramatically during the last decade, it becomes a more urgent task for market practitioners and academia to develop effective risk management tools. In this paper, we focus on the development of quantitative risk management tools. We take advantage of the widely-used concept, Value at Risk (VaR), and investigate empirical performance of a variety of heavy-tailed distributions in risk measures calculations. Our statistical distributions cover: the normal, the Student's *t*, the Skewed *t*, the normal inverse Gaussian (NIG), and the generalized hyperbolic (GH) distributions. Our results indicate the Skewed *t* distribution could generate most suitable VaR values and outperform other types of popular statistical distributions.

a) Literature Review

Since these five different statistical distributions were introduced into the literature, there have been extensive studies on their performance in fitting asset returns. Both the normal and the Student's *t* distributions have been in the literature for more than a hundred years (see Helmert, 1876). Hansen (1994) introduces the Skewed t distribution and discussed its performance in fitting the US stock returns. There are many other types of asymmetric *t* distribution, and we chose the one in Hansen (1994) for its simplicity. Also, Barndorff-Nielsen (1977) developed the GH distribution for the US stock returns. As surveyed by see Figueroa-Lopez, et al. (2011) that the NIG distribution is one of the most popular subclasses of the GH distribution in financial modeling, and thus we are also interested in it in this paper. We have also investigated some other subclasses of the GH distribution, such as the normal reciprocal inverse Gaussian (NRIG), and the results are similar and available upon request. Our work is closely related to the work in Guo (2017a). Guo compared these five widely-used statistical distributions in fitting the SP 500 index returns and showed the Skewed *t* distribution has the best in-sample fitting and predicts the most accurate risk measure values. One could also see other similar studies in Bueno, Fortes and Vlachoski (2017) and Kayaba, Hirano, Baba, Matsui and Ueda (2017).

In this paper, we reconsider these five types of statistical distributions but focus on the precious metal market. Our special interests are on palladium, one of the rare metals which have gained increasing attentions in the financial market and academia. There are quite a few studies on palladium asset returns. Adrangi and

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Chatrath (2002) focused on ARCH-type models and provided evidence of nonlinear dependencies in palladium and platinum futures markets with controls for seasonality and contract-maturity effects generally explaining the nonlinearities in the data. Diaz (2015) investigated the spots prices of the two scarce precious metals, platinum and palladium. Diaz found intermediate memory in the return structures of both precious metals, which implies the instability of platinum and palladium returns' persistency in the long run. Auer (2015) also used GARCH models to investigate the impact of the specific calendar day on the conditional means of palladium returns, and showed that during the period from July 1996 to August 2013 there is no significant impact of the specific calendar day observed. Some researchers also investigated the hedging effect of the palladium. For instance, Pierdzioch, Risse and Rohloff (2016) used Bayesian additive regression trees to reexamine whether investments in precious metals are a hedge against exchange-rate movements and showed that investments in gold and silver are strong hedges against depreciations of major exchange rates but the hedging properties of palladium and platinum are mainly confined to the Australian dollar and Canadian dollar. Similar studies could also be found in Hammoudeh, Malik and Mc Aleer (2011). Finally, Caporale, Spagnolo and Spagnolo (2017) adopted a vector autoregressive model to investigate the relationship between macro news and commodity returns and indirectly showed the palladium could serve as a safe asset to the stock market in US.

In this paper, our main interests are developing an effective quantitative risk management tool based on the concept of VaR. The paper is structured as follows. In Section 2, we introduce the heavy-tailed distributions. Section 3 summarizes the data. The estimation results are in Section 4. Finally, we conclude in Section 5.

II. Heavy-Tailed Distributions

In this section, we introduce four types of widely-used heavy-tailed distribution in addition to the normal distribution: (i) The Student's *t* distribution; (ii) The Skewed *t* distribution; (iii) The normal inverse Gaussian distribution (NIG); and (iv) The generalized hyperbolic distribution (GH). All the distributions have been standardized to ensure mean and standard deviation equal to zero and one respectively. Their probability density functions are given as follows.

(i) Student's t Distribution

$$f(e_t \mid \nu) = \frac{\Gamma(\frac{\nu+1}{2})}{\Gamma(\frac{\nu}{2})[(\nu-2)\pi]^{1/2}}\left(1+\frac{e_t^{\,2}}{(\nu-2)}\right)^{-\frac{\nu+1}{2}}, \quad (1)$$

Where ν indicates degrees of freedom and e_t is daily equity market index return.

(ii) Skewed t Distribution

$$f(e_t \mid \nu, \beta) = \begin{cases} bc\left(1+\frac{1}{\nu-2}\left(\frac{be_t+a}{1-\beta}\right)^2\right)^{-(\nu+1)/2} & e_t < -a/b \\ bc\left(1+\frac{1}{\nu-2}\left(\frac{be_t+a}{1+\beta}\right)^2\right)^{-(\nu+1)/2} & e_t \geq -a/b \end{cases}, \quad (2)$$

Where e_t is the standardized log return, and the constants a, b and c are given by $a = 4\beta c\left(\frac{\nu-2}{\nu-1}\right)$, $b^2 = 1+3\beta^2-a^2$, and $c = \frac{\Gamma(\frac{\nu+1}{2})}{\sqrt{\pi(\nu-2)}\Gamma(\frac{\nu}{2})}$. The density function has a mode of $-a/b$, a mean of zero, and a unit variance. The density function is skewed to the right when $\beta>0$, and vice-versa when $\beta>0$. The Skewed *t* distribution specializes to the standard Student's *t* distribution by setting the parameter $\beta>0$.

(iii) Normal Inverse Gaussian Distribution (NIG)

$$f(e_t \mid \mu, \alpha, \beta, \delta) = \frac{\alpha\delta K_1(\alpha\sqrt{\delta^2+(e_t-\mu)^2})}{\pi\sqrt{\delta^2+(e_t-\mu)^2}}\exp(\delta\sqrt{\alpha^2-\beta^2}+\beta(e_t-\mu)), \quad (3)$$

Where K_λ (.) is the modified Bessel function of the third kind and index $\lambda=0$ and $\alpha>0$. The NIG distribution is specified as in Prause (1997). The NIG distribution is normalized by setting $\mu = -\delta\beta/\sqrt{\alpha^2-\beta^2}$ and $\delta = \frac{\left(\sqrt{\alpha^2-\beta^2}\right)^3}{\alpha^2}$, which implies $E(e_t)=0$ and $Var(e_t)=1$.

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(iv) Generalized Hyperbolic Distribution

$$f(e_t \mid p,b,g) = \frac{g^p}{\sqrt{2\pi}\left(b^2+g^2\right)^{\frac{1}{2}\left(p-\frac{1}{2}\right)} d(p,b,g) K_p(g)} q\left(\frac{e_t - m(p,b,g)}{d(p,b,g)};\ p,b,g\right), \quad (4)$$

Where $\tilde{R}_n = \frac{K_{n+p}(g)}{g^n K_p(g)}$, $d(p,b,g) = \left[\tilde{R}_1 + b^2\left\{\tilde{R}_2 - \tilde{R}_1^2\right\}\right]^{-\frac{1}{2}} \geq 0$, and $m(p,b,g) = -b\,d(p,b,g)\tilde{R}_1$.

p, b and g are parameters. The generalized hyperbolic distribution is a standardized version of Prause (1997).

III. Data

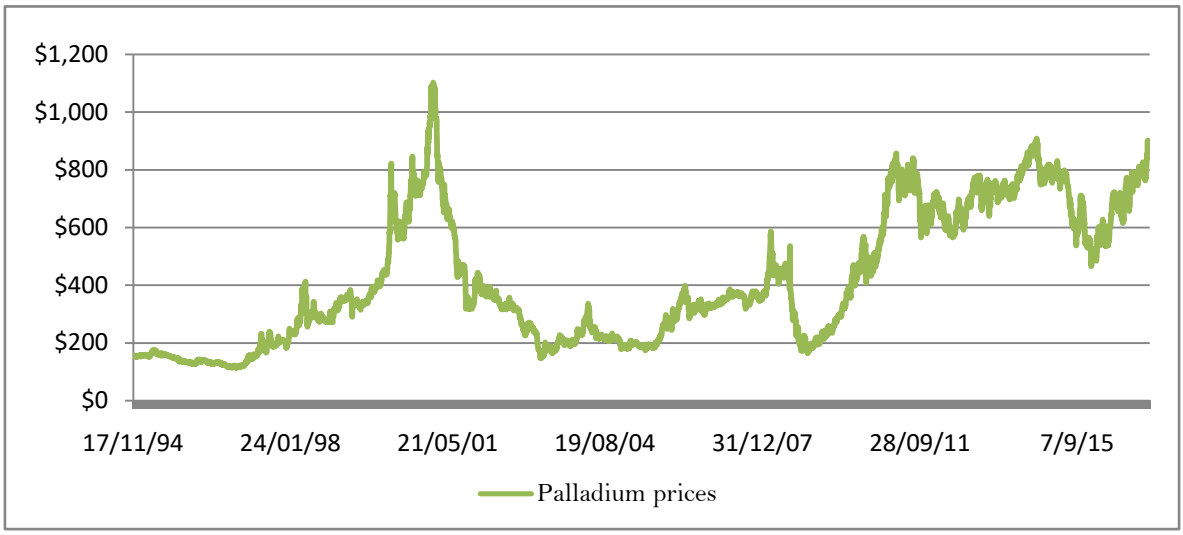


Figure 1: Daily Palladium Prices

We collected the data from Bloomberg, which sourced the data from the London Platinum and Palladium Market (LPPM). The LPPM is the most important over-the-counter trading market for platinum and palladium and one of the world's major commodity trading associations. The trade in LPPM was established in the early 20th century, typically by existing dealers of gold and silver. Our data covers the period from November 17, 1994 to June 30, 2017 with total 6459 observations. Figure 1 illustrates the daily palladium spot prices in the LPPM. The figure indicates the palladium spot prices have never researched the peak level of $1102.5 per ounce in January 27, 2001 in the last decade. Figure 2 illustrates the dynamics of the palladium spot returns. Except the two negative and positive spikes in the recent financial crisis, the return series exhibits several similar stylized facts as in other types of asset return series as in Cont (2001): no return prediction, fait tails, volatility clustering, conditional fat tails, and so on.

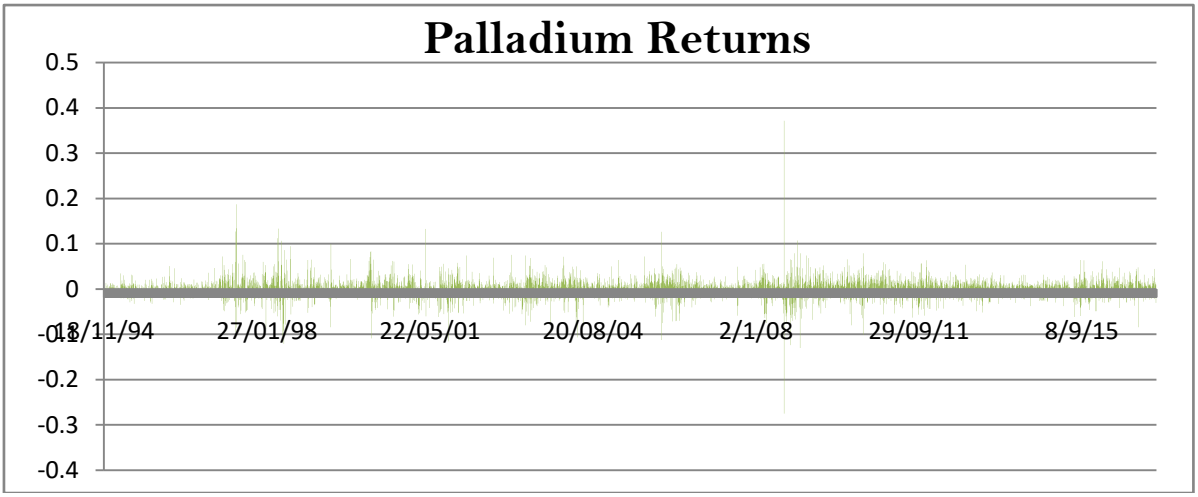


Figure 2: Daily Palladium Returns

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Table 1 exhibits basic statistics of the daily palladium spot returns. The results show the daily palladium spot returns are leptokurtotic and positively skewed. The extreme downside move is slightly less than the extreme upside move, which is at odds with most of other asset returns which are more likely to exhibit negative skewness.

Table 1: Descriptive Statistics

Min	Max	Mean	Std	Skewness	Kurtosis
-27.46%	37.16%	0.05%	2.01%	0.66	28.84

Figure 3 is the histogram of the raw data. We fit the returns by the normal distribution and the figure clearly exhibits significant heavy tails.

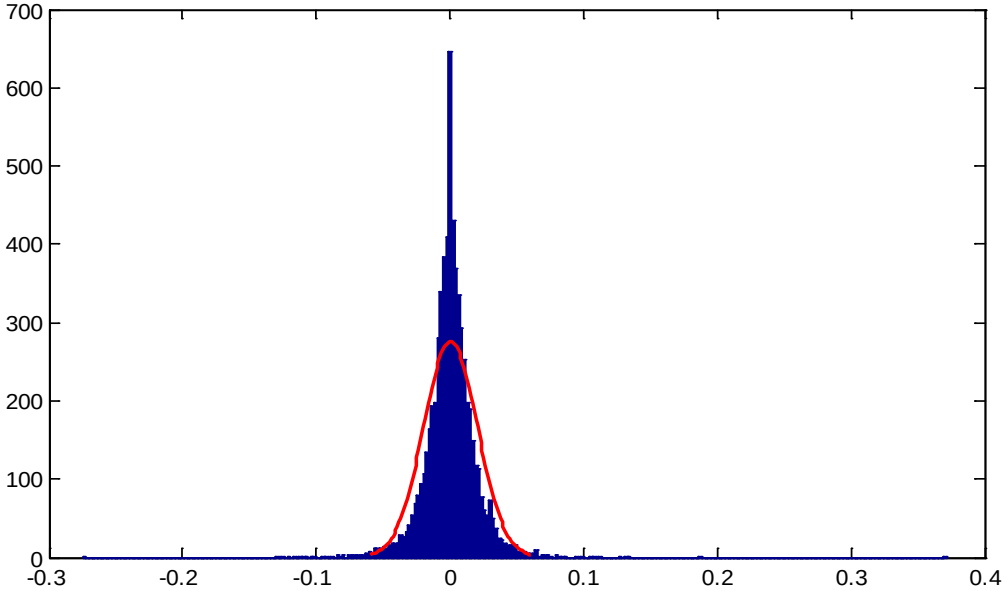


Figure 3: Histogram of daily palladium spot returns

IV. Empirical Results

a) Parameters Estimation

The raw return series is normalized to allow zero mean and unit standard deviation. We use the maximum likelihood estimation (MLE) method to fit the series and the estimation results of the key parameters are given in Table 2. All the parameters are significantly different from zero at 10% significance level.

Table 2: Estimated Values of Key Parameters

	Normal	Student's t	Skewed t	NIG	Generalized Hyperbolic
Symmetric	Y	Y	N	N	N
Fat-tailed	N	Y	Y	Y	Y
Estimated Parameters		Nu=2.76	Nu=2.83; beta=0.023	alpha=1.31; beta=0.017	p=-123; b=-.032; g=0.07

b) Goodness of Fit

There are many different types of criteria for statistical distributions selection. In this paper, we focus on the following different criteria for the selection of the four heavy-tailed distributions and the benchmark normal distribution in fitting the daily returns: (i) Kolmogorov-Smirnov statistic; (ii) Cramer-von Mises criterion; (iii) Anderson-Darling test; and (iv) Akaike information criterion (AIC). For detailed discussions about the pros and cons of the four different criteria, one could refer to Huber-Carol, et al. (2002) and Taeger and Kuhnt (2014).

(i) Kolmogorov-Smirnov statistic is defined as the maximum deviation between empirical CDF (cumulative distribution function) $F_n(x)$ and tested CDF $F(x)$:

$$D_n = \sup_x |F_n(x) - F(x)|, \qquad (5)$$

Where,

$$F_n(x) = \frac{1}{n}\sum_{i=1}^{n} I_{[-\infty,x]}(X_i).$$

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(ii) Cramer-von Mises criterion is defined as the average squared deviation between empirical CDF and tested CDF:

$$T = n\int_{-\infty}^{\infty}[F_n(x) - F(x)]^2 dF(x) = \frac{1}{12n} + \sum_{i=1}^{n}\left[\frac{2i-1}{2n} - F_n(x_i)\right]^2, \quad (6)$$

(iii) Anderson-Darling test is defined as the weighted-average squared deviation between empirical CDF and tested CDF:

$$A = n\int_{-\infty}^{\infty}\frac{(F_n(x) - F(x))^2}{F(x)(1-F(x))}dF(x),$$

And the formula for the test statistic A to assess if data comes from a tested distribution is given by:

$$A^2 = -n - \sum_{i=1}^{n}\frac{2i-1}{n}\left[\ln(F(x_i)) + \ln(1-F(x_i))\right]. \quad (7)$$

(iv) Akaike information criterion (AIC) is defined as:

$$AIC = -2k - 2\ln(L), \quad (8)$$

Where L is the maximum value of the likelihood function for the model, and k is the number of estimated parameters in the model.

The comparison results are showed in Table 3, indicating the Skewed t distribution has the best goodness of fit compared with other selected types of distribution, followed by the generalized hyperbolic distribution, and the Student's t distribution.

Table 3: Comparison of selected types of distribution

	Normal	Student's t	Skewed t	NIG	Generalized Hyperbolic
K-S Test	0.097	0.092	0.090	0.092	0.091
Cv-M Test	0.186	0.182	0.180	0.182	0.181
A-D Test	2.503	2.352	2.297	2.338	2.311
AIC	25621	24538	24139	24750	24374

c) Hypothetical Rare Scenarios

Since the main objective of this paper is to develop effective quantitative risk manage tools, in this section we take advantage of the widely-used tool, Value at Risk (VaR). The concept of VaR was originally developed by JP Morgan in the early 1990s, and soon emerged as a standard quantitative risk management tool in the industry. VaR is defined as: for a given position, time horizon, and probability *p*, the *p* VaR is defined as a threshold loss value, such that the probability that the loss on the position over the given time horizon exceeds this value is *p*.with the estimated parameters in Section 4.1, we calculate VaRs for different confidence levels:

$$VaR_\alpha(e_t) = \inf\{e \in \mathbb{R} : P(e_t > e) \le 1-\alpha\}, \quad (9)$$

Where $\alpha \in (0,1)$ is the confidence level. We select the following levels for downside moves: {99.99%, 99.95%, 99.9%, 99.5%, 99.0%}, and for upside moves: {0.01%, 0.05%, 0.1%, 0.5%, 1.0%}. From Equation (9), the hypothetical rare scenarios based on the VaR levels are given as in Table 4. Table 4 indicates that the Skewed t distribution has the closest VaRs to the nonparametric historical VaRs compared with other types of distributions.

Table 4: Scenarios for daily palladium spot return shocks

Left Tail					
Confidence	99.99%	99.95%	99.90%	99.50%	99.00%
Empirical	-27.97%	-26.33%	-22.79%	-19.68%	-17.82%
Normal	-20.06%	-18.84%	-18.21%	-17.19%	-16.56%
T	-27.17%	-25.28%	-23.88%	-21.18%	-19.29%
Skewed T	-27.76%	-26.43%	-22.27%	-19.89%	-18.14%
NIG	-25.14%	-23.95%	-22.02%	-20.94%	-19.19%
GH	-27.24%	-25.56%	-23.21%	-20.45%	-18.49%
Right Tail					
Confidence	0.01%	0.05%	0.10%	0.50%	1.00%
Empirical	34.73%	30.50%	29.00%	25.80%	23.92%
Normal	20.06%	18.84%	18.21%	17.19%	16.56%
T	27.17%	25.28%	23.88%	21.18%	19.29%
Skewed T	35.53%	31.16%	29.56%	26.09%	24.21%
NIG	36.75%	34.26%	31.11%	28.91%	26.84%
GH	38.40%	34.69%	31.68%	28.72%	25.66%

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V. Conclusions

The past decade has witnessed the rapid increase of the world palladium market. Thus, it is even more important to develop effective quantitative risk management tools at this moment. In this paper, we investigate five different types of widely-used statistical distributions and employ the industry standard risk measurement, Value at Risk, for risk management of daily palladium spot returns. We first apply four different criteria to compare the goodness of fit of the five distributions, and then calculate the VaRs based on the parameters estimated from the first step. Our results indicate the Skewed *t* distribution has the best in-sample fitting and generate VaR values closest to the nonparametric historical VaR values. There is one potential direction for further research. In Figure 2, we observed the volatility clustering phenomenon, which is usually captured by the generalized autoregressive conditional heteroskedasticity (GARCH) process in financial econometric modeling as in Guo (2017b). It would be interesting to incorporate the GARCH model into our current setting to discuss the relevant results.

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La RSE Dans Les PME Camerounaises: Etude Exploratoire À Partir Des Schèmes Cognitifs Des Propriétaires-Dirigeants

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Abstract- This study is interested in the owner-manager of the SME and particularly in the analysis of his cognitive schemes concerning CSR. Using cognitive mapping as a technique for representing and analysing cognitive patterns, the results of this study reveal that human resources, consumers and to a lesser extent the community are the stakeholders whose well-being is of concern to SME's owners manager. However, their motivations for implementing CSR are not the same. For some, CSR is a lever for achieving strategic objectives, while for others it is an objective in itself, and not a means for achieving other ends.

Keywords: *SMEs, CSR, owner-managers, cognitive schemes.*

GJMBR-B Classification: *JEL Code: A10*



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La RSE Dans Les PME Camerounaises: Etude Exploratoire À Partir Des Schèmes Cognitifs Des Propriétaires-Dirigeants

Tchatchoua Thierry [α], Math Mazra [σ] & Et Djebba Vagai [ρ]

Résumé- **Cette étude s'intéresse au propriétaire-dirigeant de la PME et particulièrement à l'analyse de ses schèmes cognitifs concernant la RSE. Utilisant la technique de la cartographie cognitive comme technique de représentation et d'analyse des schèmes cognitifs, les résultats de cette étude révèlent que les ressources humaines, les consommateurs et dans une moindre mesure la communauté sont les parties prenantes dont le bien-être préoccupent les propriétaires-dirigeants de PME. Cependant leurs motivations à l'implémentation de de la RSE ne sont pas les mêmes. Pour certains la RSE constitue un levier pour l'atteinte des objectifs stratégiques tandis que pour d'autres il s'agit en soi d'un objectif, et non d'un moyen pour l'atteinte d'autres fins.**

Motsclés : PME, RSE, propriétaire-dirigeant, schèmes cognitifs.

Abstract- **This study is interested in the owner-manager of the SME and particularly in the analysis of his cognitive schemes concerning CSR. Using cognitive mapping as a technique for representing and analysing cognitive patterns, the results of this study reveal that human resources, consumers and to a lesser extent the community are the stakeholders whose well-being is of concern to SME's owners manager. However, their motivations for implementing CSR are not the same. For some, CSR is a lever for achieving strategic objectives, while for others it is an objective in itself, and not a means for achieving other ends.**

Keywords: SMEs, CSR, owner-managers, cognitive schemes.

I. Introduction

La RSE est devenue une des expressions les plus en vogue du monde des affaires. Presque toutes les grandes entreprises ou multinationales s'y mettent et publient régulièrement des rapports de RSE ou présentent des campagnes soulignant leurs activités de RSE. Elle constitue également un objet de recherche privilégié en sciences de gestion dans la mesure où ce champ de réflexion est de plus en plus répandu, dans le monde scientifique.

Le concept de RSE n'est pourtant pas un concept récent. Développée dans les années 1950 par des auteurs anglo-saxons, et notamment par Bowen en 1953, la RSE revêt actuellement des enjeux différents, tant dans les grandes que les petites et moyennes entreprises.

Toutefois, le mouvement de recherche sur la RSE a été essentiellement orienté vers les très grandes entreprises; compte tenu du fait qu'elles ont une contribution significative au niveau de la production et des échanges économiques, donc génèrent également des externalités conséquentes en matière environnementale et sociale, cela conduit les organismes internationaux à demander à ces grandes entreprises d'intégrer la prise en compte de ses effets dans le management de leurs entreprises. En effet, l'idée qui prévalait était que ce concept concernait surtout les grandes entreprises; Si on a pu s'interroger pendant quelque temps sur la pertinence de la promotion de la RSE dans les PME, cette question apparaît aujourd'hui dépassée, le problème étant plutôt de savoir quelles sont les pratiques de RSE dans les PME.

Les raisons qui amènent à considérer que les PME sont autant concernées que les grandes entreprises par la RSE peuvent être nombreuses. Si on estime généralement que les grandes entreprises sont essentiellement motivées par le risque de réputation, on pourrait penser que les PME, dont la visibilité est moins grande et le degré d'exposition médiatique plus faible, peuvent se dispenser de mettre en œuvre des démarches de RSE. En fait, il n'en est rien, car leur proximité avec l'environnement, leur familiarité avec les acteurs locaux et leur implication dans le maillage territorial leur confère au contraire une responsabilité particulière.

En outre compte tenu de leur importance et leur prépondérance dans le tissu économique, les PME sont aujourd'hui sollicitées pour adopter un comportement responsable (Munteanu, 2014). En effet, même si l'impact individuel d'une PME peut paraitre relativement limité, les conséquences cumulées de ces entreprises tant au plan économique, social ou environnemental sont substantielles (Ammenberg et Hjelm, 2003).

Diverses études ont mis en évidence la particularité des partiques de RSE des PME par rapport à celle des grandes structures (Courrent et Spence, 2014; Spence et al., 2007; Spence et al., 2011). Toutefois, Les travaux portant sur l'implication des PME

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dans la RSE sont à ce jour encore limitées par rapport à ceux portant sur la RSE dans les grandes entreprises (Munteanu, 2014). Ce constat est aujourd'hui établi en dépit des conclusions de quelques études (Ciliberti et al., 2008).

En outre, la majorité des études consacrés au sujet se regroupent principalement dans les pays développés (Ortiz-Avram et Kühne, 2008; Russo et Perrini, 2010). Les conclusions de telles études étant difficilement transposables aux pays en développement en général et africains en particulier, il nous est paru intéressant d'explorer ce sujet dans le contexte camerounais, compte tenu du fait que la RSE est un concept très peu connu et partagé dans les milieux des entreprises d'origine africaine (Atidegla ,2005). En effet, au Cameroun les pratiques de RSE sont davantage le fait des filiales des multinationales qui a travers leurs fondations caritives (fondation Orange, fondation MTN,) œuvrent à l'implémentation de la RSE à côté du développement de leurs activités principales.

Peu de recherches aussi bien dans les pays développés qu'en développement se sont intéressées à ce que pensent les propriétaires-dirigeants de PME de la RSE. Ceci constitue une remise en cause profonde de leurs spécificités (Torrès, 1997), dont l'une des principales réside dans la place centrale des propriétaires-dirigeants dans la gestion de l'entreprise (Ben hassine et Ghozzi-Nekhili, 2013).

Partant de ce constat, le but de cet article est de contribuer à la recherche sur la RSE en contexte PME en mettant l'accent sur l'acteur central qu'est le propriétaire - dirigeant et particulièrement sur ses schèmes cognitifs.

II. Revue de la Littérature

a) *La RSE: un Concept, Plusieurs Définitions*

La RSE est conçue comme une "*soft law*", c'est-à-dire que les règles de droit qui en résultent sont non obligatoires. Elle demeure à ce jour une obligation morale pour les organisations, en ce sens que son non-respect n'entraîne pas de sanctions. L'article pionnier dans le champ de la responsabilité sociale, intitulé *The Changing Basis of Economic Responsibility*, date de 1916. Écrit par l'économiste américain, Clark (1916), l'auteur, pourtant défenseur de la théorie économique, propose un contrôle social des affaires, c'est-à-dire un élargissement des responsabilités de l'entreprise dans le volet social. Mais c'est grâce à Bowen (1953) avec son ouvrage *Social Responsibilities of the Businessman*, que la RSE connut un écho mondial.

Cependant, même après plusieurs décennies, durant lesquelles de nombreux chercheurs se sont penchés sur la question, aucun réel consensus ne semble s'être établi afin de délimiter de manière définitive la notion de RSE. Les recherches de Dahlsrud (2008) ont montré qu'entre 1980 et 2003, 37 définitions de la RSE avaient été proposées tant par les théoriciens que par les institutions. Bien que cette floraison de définitions ou d'acceptions du terme traduise l'intérêt sans cesse croissant que suscite ce concept, il faut reconnaitre qu'elle traduit également la difficulté de délimiter le champ de la RSE.

Pour Bowen (1953), la RSE représente l'obligation pour les dirigeants de poursuivre les politiques et de prendre les décisions qui sont en cohérence avec les valeurs de la société. Plusieurs auteurs vont abonder dans ce sens. Pour Davis (1960), la RSE concerne les actions et les décisions que prennent les hommes d'affaires pour des raisons qui vont, en partie, au-delà des intérêts purement techniques et économiques de l'entreprise. Cet auteur admet que la responsabilité d'un homme d'affaires et de son entreprise dépasse la simple recherche des performances économiques. Frederick (1960), quant à lui, considère que, la RSE suppose une attitude civique à l'égard des ressources économiques et humaines, et une volonté d'utiliser ces ressources pour satisfaire des but sociaux élevés et pas simplement l'intérêt étroitement circonscrit d'une groupe de personnes fussent-ils actionnaires.

Pour Mc Guire (1963) la responsabilité sociale suppose que l'entreprise n'a pas seulement des obligations légales ou économiques, mais qu'elle a aussi des responsabilités envers la société qui vont au-delà de ces obligations.

Carroll (1979), considère quant-à lui que la Responsabilité Sociale doit être abordée selon trois approches que sont la réactivité organisationnelle, les différentes catégories de la RSE et les préoccupations sociales de l'organisation. Selon cet auteur, la RSE est l'ensemble des obligations que l'entreprise a vis-à-vis de la société (en englobant) les catégories économiques, légales, éthiques et discrétionnaires. Cet auteur détermine quatre catégories de responsabilité: celle discrétionnaire, celle éthique, celle légale et celle économique. Selon ce modèle, les grandes préoccupations de l'entreprise se divisent en six catégories: les consommateurs, les discriminations, l'environnement, la sécurité des produits, la sécurité au travail et les actionnaires.

En 2001, la Commission des Communautés européennes définit le concept de RSE dans son Livre Vert: « Le concept de responsabilité sociale des entreprises signifie essentiellement que celles-ci décident de leur propre initiative de contribuer à améliorer la société et rendre plus propre l'environnement. (…). Cette responsabilité s'exprime vis-à-vis des salariés et, plus généralement, de toutes les parties prenantes qui sont concernées par l'entreprise mais qui peuvent, à leur tour, influer sur sa réussite (…). Bien que leur responsabilité première soit de générer des profits, les entreprises peuvent en même temps contribuer à des objectifs sociaux et à la protection de l'environnement, en intégrant la responsabilité sociale

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comme investissement stratégique au cœur de leur stratégie commerciale, de leurs instruments de gestion et de leurs activités » (CE, 2001: 5). Cette définition montre alors que la RSE n'est pas une alternative aux activités centrales de l'entreprise, elle s'applique à la gestion même de toute entreprise.

Pour la Commission interdépartementale du développement durable, la RSE est« un processus permanent d'amélioration dans le cadre duquel les entreprises intègrent de manière volontaire, systématique et cohérente des considérations d'ordre social, environnemental et économique dans la gestion globale de l'entreprise ; à cet égard, la concertation avec les parties prenantes de l'entreprise fait partie intégrante du processus » (CIDD, 2005, p.6).

Toutes ces définitions, bienque différentes les unes des autres, font ressortir deux dimensions fondamentales de la RSE. D'une part, elles font valoir que la responsabilité sociale réside dans le fait d'aller au-delà de la loi et de la réglementation. Le deuxième élément important que font ressortir les définitions réside dans l'idée corollaire que l'entreprise n'est pas seulement redevable envers ses actionnaires, mais qu'elle doit également tenir compte de l'ensemble des intervenants avec qui elle a des liens ou sur lesquels elle a un impact.

Partant de ce constat, la définition que nous retenons dans le cadre de cette étude est celle de la commission européenne (2001, p.6) qui définit la RSE comme: « un concept par lequel les entreprises intègrent les préoccupations sociales et environnementales dans leurs opérations d'affaires et dans leurs interactions avec leurs parties prenantes sur une base volontaire ».

L'ambiguïté de la définition de la RSE se répercute évidemment dans ses pratiques, notamment dans les PME.

b) Spécificités de la RSE dans les PME

Dès 1991, Keneret Smith (1991) soulignent le fait que peu de recherches sont menées sur la RSE en contexte PME. Les institutions européennes l'admettent également ; « on sait peu de choses des attitudes et des activités des PME en ce qui concerne leur implication en RSE » (Commission Européenne, 2002, p. 7). Or la RSE n'est pas, loin s'en faut, ignorée des PME.

Depuis quelques années, des initiatives se sont multipliées sur le sujet et un mouvement de recherche prenant en considération les PME s'est mis en route (Quairel-Lanoizelée et Auberger., 2005, Moore et Spence, 2006 ; Morsing et Perrini, 2009 ; Perrini, 2006 ; Perrini et al., 2007 ; Russo et Tencati, 2008). Plusieurs recherches montrent que les PME s'engagent dans la RSE mais différemment que ne le font les grandes entreprises (Moore et Spence, 2006; Perrini et al., 2007). La RSE en PME n'est pas standardisée à travers des procédures précises comme on peut le voir dans le cas des grandes entreprises qui font souvent référence aux mêmes outils. Car, très souvent les PME font de la RSE de façon purement informelle (Commission Européenne, 2007).

Cependant, les études laissent entrevoir des résultats très hétérogènes quant à la réalité des pratiques responsables dans les PME (Observatoire des PME européennes, 2002; Auberger et Quairel, 2005 ; Berger-Douce, 2006, 2008).

En effet, Il est difficile pour les PME de s'engager sur tous les aspects compris dans la notion de RSE.L'étude de Wilson (1980) révèle que les préoccupations en matière de RSE dans les PME sont diversement perçues. De cette étude, il ressort que la responsabilité envers le consommateur à travers sa satisfaction liée à la qualité du produit, du service, et des besoins est davantage prise en compte dans les PME; suivent, la responsabilité envers les employés a travers les salaires , les conditions de travail, le partage des bénéfices et la responsabilité envers la communauté à travers les donations, respect de l'environnement, des lois et règlements enfin la recherche du profit.

Wilson (1980) divise les dirigeants de PME en deux catégories: les dirigeants de type P orientés profit et les dirigeants de type V considérant d'autres valeurs en dehors de la profitabilité. Pour les dirigeants de type V, le « bien de la société » est aussi important que la profitabilité.

Les travaux de Cabagnols et Le bas (2006) montrent également que les PME s'engagent moins intensément dans des actions environnementales, que les grandes.

Le tableau ci-dessous énumère les pratiques de RSE généralement recensées dans les PME.

Tableau 1: Actions RSE dans les PME (Jenkins, 2006)

Environnement	Employés	Société / Communauté
Utilisation d'énergies renouvelables	Evènements sociaux pour les collaborateurs	Dons à des associations
Réductions des produits dangereux pour l'environnement	Formations et programmes de développement	Engagement dans lavie locale de la société

Afin de prendre en compte la diversité des pratiques de RSE des propriétaires-dirigeants de PME au regard de leur engagement sociétal et/ou environnemental, Berger-Douce (2007) distingue quatre types d'engagement dans la RSE: engagement rituel, engagement réactif, l'engagement proactif et l'engagement mobilisateur.

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L'engagement rituel traduit un engagement dans les pratiques RSE résultant des pressions externes ou des opportunités comme la recherche d'un avantage concurrentiel ou l'amélioration de l'image sans que le dirigeant ne soit obligatoirement convaincu du bien-fondé de sa démarche.

L'engagement mobilisateur est de nature stratégique. L'engagement du propriétaire-dirigeant de la PME dans ce cas est une réponse aussi bien aux contraintes environnementales qu'aux besoin de gestion interne. Il s'agit d'un engagement dans les pratiques RSE du dirigeant dans la perspective que cet engagement produise des effets induits contribuant à l'atteinte des objectifs stratégiques de l'entreprise. Il peut s'agir d'un moyen d'amélioration des conditions de travail (Masurel, 2007) ainsi que de gagner la loyauté, la confiance, et la motivation de son personnel (Berger-Douce; 2008).

L'engagement proactif renvoi à une volonté forte du dirigeant d'implémenter des actions en faveur de la RSE en l'absence de contraintes externes. L'engagement de type réactif traduit un engagement contraint du dirigeant a la RSE du fait de la règlementation.

Allant dans le même sens Saulquin et Schier (2007) ont défini une typologie des perceptions des dirigeants de PME vis-à-vis de la RSE en quatre catégories: contrainte, levier d'ouverture, levier de dynamique interne, et levier stratégique. Ainsi selon ces auteurs le dirigeant de la PME peut adopter soit une posture mécaniste lorsqu'il perçoit la RSE comme une contrainte, soit une posture opportuniste et cosmétique lorsqu'il perçoit la RSE comme un levier d'ouverture, soit une posture processuelle quand il la perçoit comme un levier de dynamique interne et enfin une posture engagée lorsqu'il la perçoit comme un levier stratégie.

Un pas de plus vers une conception de la RSE comme construction cognitive est franchi avec Ben Boubaker-Gherib *et al.* (2009) qui conçoivent un modèle conceptuel basé sur les perceptions des dirigeants. Leur modèle est basé sur une typologie de perceptions qui oscillent entre : le « devoir faire » et le « vouloir faire ». Suivant cette approche, l'engagement des PME dans la RSE est déterminé par ses valeurs personnelles du dirigeant ou mieux encore par ses schèmes cognitifs.

c) Les Schèmes Cognitifs Du Propriétaire-Dirigeant: De Quoi s'agit-il ?

La plupart des auteurs qui étudient les PME constate l'impossibilité d'évoquer la gestion de celles-ci en éludant la question du poids des propriétaires-dirigeants (Bayad et Nebenhaus, 1998). Les décisions stratégiques et organisationnelles courantes sont considérées comme corrélées au schème cognitif du propriétaire-dirigeant (Julien, 1993, Marchesnay, 1991).

Le schème cognitif est l'unité à ce jour la plus réduite pour l'étude de l'individu en tant qu'acteur pensant. L'importance des schèmes cognitifs dans l'étude des individus est révélée à la suite des travaux de Dearborn et Simon (1958).

Les schèmes cognitifs ou mentaux représentent la façon qu'a un individu d'appréhender la réalité présente, passée et future (Cossette, 2004). Il s'agit d'une sorte de grilles de lecture de la réalité qui permettent le déchiffrage d'une situation, grâce à la perception d'un ensemble de liens de cause à effet, et d'agir en conséquence (Wirtz, 2002). Ils permettent à l'individu de donner sens à tout ce qui l'entoure. Cependant, les schèmes ne doivent pas être confondus avec la réalité, puisqu'ils n'en sont qu'une représentation assez subjective, un schéma simplifié et distordu de la situation objective (March et Simon, 1958).

Ce processus de création de sens s'apparente à une heuristique individuelle qui permet en quelque sorte de simplifier la réalité en traduisant ce qui se passe dans et autour de l'organisation, en lui conférant des significations et en faisant des liens avec la réalité organisationnelle. Ces significations résultent de processus subjectifs et interprétatifs qui sont ancrés dans des contextes organisationnels et sociétaux spécifiques. Les schèmes cognitifs sont le produit de processus culturels et institutionnels (pays, région, famille, religion, écoles, expérience professionnelle etc.) qui prennent place à différents niveaux dans la vie d'un individu. Les connaitre et les prendre en considération dans l'étude des organisations est déterminant, car l'une des clefs du de la gestion des organisations réside dans la pensée des dirigeants, dans ses contenus et dans ses mécanismes (Laroche et Nioche, 1994).

En effet, l'approche cognitive des organisations considère que la pensée du dirigeant de l'entreprise est l'élément clé pour comprendre et expliquer ses décisions managériales (Gendre-Aegerter, 2008). L'organisation, comme produit et comme processus, est profondément humaine et la compréhension qu'on peut en développer ne peut être, au mieux que très superficielle si elle ne tient pas compte des individus concernés, particulièrement de leurs schèmes. Les travaux de March et Simon (1958) sur la théorie de la rationalité limitée ont depuis longtemps montré que les décisions managériales reflétaient dans une large mesure les idiosyncrasies du dirigeant. C'est ce qui fait dire à Laroche et Nioche (1994, p. 46) que:« les organisations ne peuvent être comprises sans faire référence aux structures cognitives de leurs acteurs et tout particulièrement de celles des dirigeants ».

Selon cette approche, l'organisation est perçue comme en partie ou en totalité créée par les individus qui agissent sur elle et non comme un organisme obéissant à une série de lois scientifiques (Cossette, 2003). Elle remet en cause le modèle solidement installé celui de l'organisation « boite noire » (Lauriol, 1996). Elle remet également en cause la conception néo-classique de la rationalité des individus pour s'appuyer sur la

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pensée simonienne de la rationalité, à savoir la rationalité limitée.

Cette école ne prétend pas éliminer les incertitudes croissantes qui pèsent sur les modes d'action et de réflexion des propriétaires- dirigeants face à la complexité du monde réel, mais elle cherche à comprendre les mécanismes cognitifs qui guident l'action managériale des propriétaires-dirigeants. Car, pour comprendre les actes d'un individu, il faut regarder les motifs qui lui donnent naissance et qui sont de deux types : les motifs « en vue de » et les motifs « parce que ». Les premiers renvoient à la finalité de l'action, c'est à dire au but qu'on veut atteindre ; ils sont donc tournés vers le futur. Les seconds sont plutôt associés aux éléments du passé qui déterminent le projet, tant dans la fin poursuivie que dans les moyens de l'atteindre. Car les actions individuelles dans lesquelles chacun s'engage sont guidées par la signification qu'il attribue aux événements et par les aspects de la réalité qui lui semblent pertinents pour arriver à ses fins (Berger et Luckman, 1966).

On ne peut effectivement comprendre le comportement humain à partir des propriétés objectives du monde ; il faut aussi prendre en compte la manière dont le monde est perçu et représenté dans l'esprit des individus à travers leurs schèmes cognitifs.

Dès lors, il convient d'étudier les schèmes cognitifs des propriétaires-dirigeants pour la compréhension et l'analyse des pratiques de la RSE en contexte PME.

III. Démarche Méthodologique et Résultats

a) *Démarche Méthodologique*

Dans le cadre de cette recherche, nous avons choisi de mobiliser une méthodologie exploratoire basée sur l'étude de cas multiples. Ainsi, la collecte des données s'est faite sur la base d'un échantillon de 2 propriétaires-dirigeants de PME qu'il convient de considérer comme deux cas à étudier.

Au Cameroun, la loi N°2010/001 du 13 avril 2010 portant promotion des PME, dispose que par PME, on entend toute entreprise dont l'effectif permanent des employés ne dépasse pas 100 personnes et dont le chiffre d'affaires n'excède pas un milliard de franc CFA. Ainsi, les propriétaires-dirigeants faisant partie de cette étude sont à la tête de PME respectant les critères définis par cette loi.

Vue la nature exploratoire de notre étude, nous avons souhaité disposer d'un échantillon diversifié, tant du point de vue du profil des propriétaires-dirigeants (sexe, âge, niveau d'études) que du secteur d'activité de la PME.

Tableau 2: Les propriétaires-dirigeants de PME de notre échantillon

Propriétaire -dirigeant	Sexe	Age	Niveau d'études	Secteur d'activité de la PME	CA de la PME	Effectif de la PME
A	masculin	63ans	Bac+3 (Licence en sciences de gestion)	sidérurgie	80 Millions FCFA	80
B	féminin	39 ans	Bac+5 (Ingénieur en chimie)	Agroalimentaire	47 Millions FCFA	56

A la différence des comportements observables, les schèmes cognitifs des individus ne sont pas accessible directement au chercheur qui doit mobiliser différentes techniques pour approcher la façon de penser de l'acteur. Issue des travaux en psychologie cognitive (Tolman, 1948) puis intégrée dans une approche cognitive des organisations, la cartographie cognitive a été mobilisée dans le cadre de cette étude pour décrire et analyser les schèmes cognitifs des propriétaires-dirigeants de PME.

L'application de la méthode des cartes cognitives à la formulation des schèmes cognitifs a été préconisée par Cossette (2003) et par Verstraete et Saporta (2006). Une carte cognitive est une image représentant les idées d'un individu. « Il s'agit d'une représentation graphique de la représentation mentale que le chercheur se fait d'un ensemble de représentations discursives énoncées par un sujet (ou un groupe de sujets) à partir de ses propres représentations cognitives à propos d'un objet particulier. » Cossette et Audet (1994, p.15).

Pour la construction et l'analyse de ces cartes cognitives, nous avons suivi la démarche préconisée par Cossette (2003). Ainsi, nous avons procédé de la manière suivante:

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Phases	Description
Phase I: L'exploration	Cette phase a consisté au recueil des données auprès des propriétaires-dirigeants de PME. La collecte des données s'est faite par interviews individuelles de type semi-directif à l'aide d'un guide d'entretien[1]. Chaque entretien a été enregistré et retranscrit dans son intégralité
Phase II: Le codage	Le codage s'effectue sur la base de retranscriptions d'interviews. Il s'agit d'identifier et de répertorier les concepts et les liens d'influence entre les concepts afin de créer une carte cognitive encore non validée pour chaque dirigeant. Pendant la phase de codage un effort de maintien du langage original de chaque sujet a été réalisé. Une carte non validée est alors esquissée grâce au logiciel Décision Explorer®.
Phase III: La validation	Cette phase a consisté à renforcer la validité de l'étude afin d'éviter une mauvaise interprétation du discours des propriétaires dirigeants. La validation s'est faite sous La forme d'un deuxième entretien individuel au cours duquel chaque propriétaire-dirigeant a eu connaissance de sa carte cognitive et y a apporté son approbation. Au cas où certains liens entre concepts n'avaient pas l'assentiment de ces derniers, nous procédions à des ajustements qu'ils estimaient nécessaires.
Phase IV: L'analyse	Suite aux éventuelles modifications de la phase précédente, une nouvelle carte cognitive est créée le cas échéant. Apres cette seconde entrevue, nous avons réalisé à l'aide du logiciel Décision Explorer, une analyse de chaque carte cognitive validée.

b) Résultats

Il s'agit d'une part de présenter les cartes cognitives des propriétaires-dirigeants et d'autre part de procéder à l'analyse desdites cartes.

i. *Présentation des Cartes Cognitives*

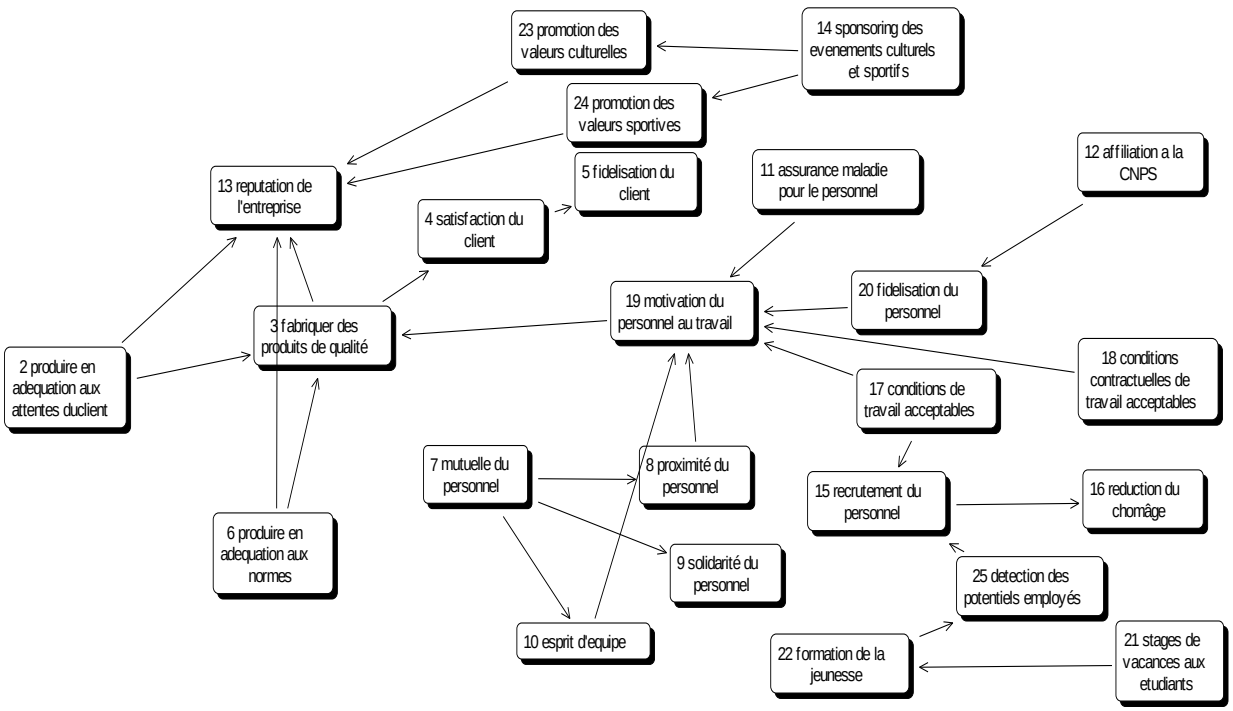


Figure 1: Carte cognitive du propriétaire-dirigeant A sidérurgie

[1] Le guide d'entretien comprend trois questions à savoir :
1- Qu'est-ce que pour vous la responsabilité sociale de l'entreprise ?
2- Comment l'implémentez-vous dans votre entreprise ?
3- Pour chaque élément mentionné en 2- pourquoi le faites-vous ?

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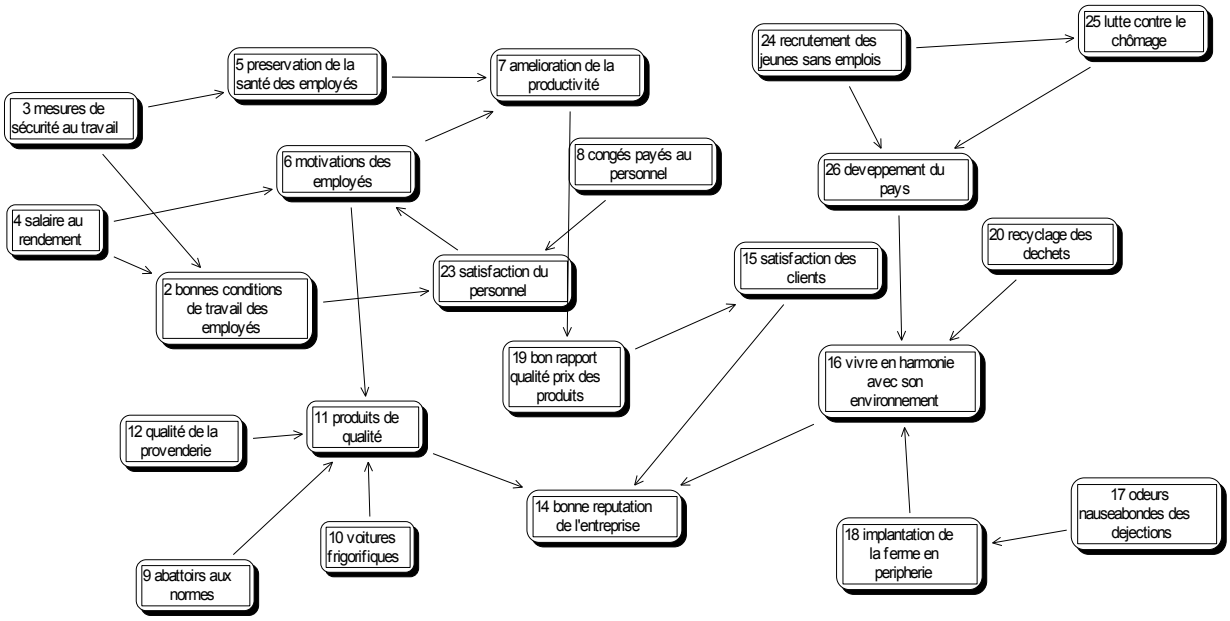


Figure 2: Carte cognitive du propriétaire-dirigeant B agroalimentaire

ii. *Analyse des cartes cognitives*

L'analyse d'une carte cognitive porte principalement sur sa topographie, c'est-à-dire sur l'étude de sa structure formée par les concepts et les liens. Comme suggéré dans plusieurs études de la cartographie cognitive (Gervais et Cossette, 2007), cette analyse est centrée, sur trois aspects à savoir l'importance relative des concepts, les explications et les conséquences importantes et, finalement, les groupes de concepts émergeant d'une analyse de regroupement.

(a) *l'importance relative des concepts*

L'analyse et l'étude d'une carte cognitive sont appuyées fondamentalement sur l'évaluation de l'importance relative de chacun des concepts de la carte. C'est le fait de déterminer les concepts centraux du phénomène étudié. Il s'agit de mettre en évidence les concepts autour desquels s'organise la pensée de l'individu concernant l'objet étudié. L'importance relative d'un concept est définie par rapport au nombre de facteurs (concepts) auxquels il est relié, directement ou indirectement (Cossette, 1994).

Tableau 3: Les dix concepts les plus importants dans les cartes cognitives

Propriétaire-dirigeant A Metal	Score	Propriétaire-dirigeant B agroalimentaire	Score
Motivation du personnel au travail	12	Bonne réputation de l'entreprise	9
Fabriquer des produits de qualité	10	produits de qualité	9
Conditions de travail acceptables	8	Motivations des employés	9
Réputation de l'entreprise	8	Satisfaction du personnel	7
Fidélisation du personnel	7	Vivre en harmonie avec son environnement	7
Esprit d'équipe	7	Amélioration de la productivité	7
Proximité du personnel	7	Salaire au rendement	6
Conditions contractuelles de travail acceptables	6	Développement du pays	5
Recrutement du personnel	6	Satisfaction des clients	5
Assurance maladie pour le personnel	6	Bon rapport qualité prix des produits	4
Produire en adéquation aux normes	6	Implantation de la ferme en périphérie	4
Satisfaction du client	6		
Produire en adéquation aux attentes duclient	6		
Nombre total de concepts de la carte cognitive: 24		Nombre total de concepts de la carte cognitive: 22	

(b) *Regroupement des Concepts*

L'analyse de regroupement permet de rendre compte de la manière dont l'individu organise ses idées à propos d'un thème donné en identifiant les différents groupes de pensée qui y ressortent. Les tableaux 2 et 3 montrent respectivement les groupes de concepts des cartes cognitives des propriétaires-dirigeants A et B.

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Tableau 4: Groupe de concepts des cartes cognitives du propriétaire-dirigeant A sidérurgie

Propriétaire-dirigeant A sidérurgie		
Thèmes de groupes de concepts	Protection des travailleurs : respect des droits des employés	Protection du consommateur: qualité du produit
Les concepts	- Mutuelle du personnel - Proximité du personnel - Solidarité du personnel - Esprit d'équipe - Assurance maladie pour le personnel - Affiliation à la CNPS - Recrutement du personnel - Réduction du chômage - Conditions de travail acceptables - Conditions contractuelles de travail acceptables - Motivation du personnel au travail - Fidélisation du personnel - Stages de vacances aux étudiants - Formation de la jeunesse - Détection des potentiels employés	- Produire en adéquation aux attentes du client - Fabriquer des produits de qualité - Satisfaction du client - Fidélisation du client - Produire en adéquation aux normes - Réputation de l'entreprise - Sponsoring des évènements culturels et sportifs - Promotion des valeurs culturelles - Promotion des valeurs sportives

Tableau 5: Groupe de concepts des cartes cognitives du propriétaire-dirigeant B Agroalimentaire

	Propriétaire-dirigeant B Agroalimentaire	
Thèmes de groupes de concepts	Protection des travailleurs	Protection de l'environnement et des consommateurs
Les concepts	Bonnes conditions de travail des employés Mesures de sécurité au travail Salaire au rendement Préservation de la santé des employés Motivations des employés Amélioration de la productivité Congés payés au personnel Satisfaction du personnel	Abattoirs aux normes Voitures frigorifiques Produits de qualité Qualité de la provenderie Bonne réputation de l'entreprise Satisfaction des clients Vivre en harmonie avec son environnement Odeurs nauséabondes des déjections Implantation de la ferme en périphérie Bon rapport qualité prix des produits Recyclage des déchets Recrutement des jeunes sans emplois Lutte contre le chômage Développement du pays

L'analyse de regroupements a fait ressortir deux groupes de concepts pour chaque carte cognitive. De l'analyse du contenu de chaque groupe de concepts, il ressort des similitudes entre les deux groupes de concepts des propriétaire-dirigeant A et B. En effet, le premier groupe de concepts des deux cartes cognitives renvoie à la protection des travailleurs dans leur milieu professionnel. Le second groupe quant-a lui renvoie à la protection de l'environnement et des consommateurs.

(c) *Analyse des facteurs influençant et des facteurs influencés*

L'analyse des facteurs influençant et des facteurs influencés cherche à mettre en évidence les concepts considérés comme intrants (ou explications), c'est-à-dire ceux qui exercent une influence directe sur plusieurs autres concepts et les concepts considérés comme extrants (conséquences) sur lesquels plusieurs autres concepts exercent directement une influence. Selon Cossette (2001), les facteurs influençant sont les variables explicatives, c'est-à-dire qui représentent les actions potentielles ou les arguments pouvant conduire au résultat désirable (ou indésirable).

Ces variables sont des facteurs entrants, elles exercent une influence directe sur d'autres concepts. Les facteurs influencés sont les variables dites « conséquences » ou « résultats », elles représentent les objectifs finaux poursuivis.

Les tableaux 6 et 7 montrent les facteurs influencés directement par au moins deux autres facteurs et les facteurs influençant directement au moins deux autres facteurs respectivement des propriétaires-dirigeants A et B.

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Tableau 6: Facteurs influencés et facteurs influençant de la carte cognitive du propriétaire-dirigeant A

Concepts influencés par au moins deux autres facteurs	Nombre	Concepts influençant au moins deux autres facteurs	Nombre
Motivation du personnel	6	Mutuelle du personnel	3
Réputation de l'entreprise	5	Conditions de travail acceptables	2
Recrutement du personnel	2	Produire en adéquation aux normes	2
Fabriquer des produits de qualité	2	Produire en adéquation aux attentes du client	2
		Fabriquer des produits de qualité	2
		Sponsoring des évènements culturels et sportifs	2

Tableau 7: Facteurs influencés et facteurs influençant de la carte cognitive du propriétaire-dirigeant B

Concepts influencés par au moins deux autres facteurs	Nombre	Concepts influençant au moins deux autres facteurs	Nombre
bonne réputation de l'entreprise	3	mesures de sécurité au travail	2
produits de qualité	3	salaire au rendement	2
amélioration de la productivité	2	recrutement des jeunes	2
bonnes conditions de travail des employés	2		
vivre en harmonie avec son environnement	2		
développement du pays	2		

L'analyse des tableaux 6 et 7 fait ressortir des différences quant à l'implémentation de la RSE par les deux propriétaires-dirigeants.

En effet, pour le propriétaire-dirigeant A (tableau 6), l'implémentation de la RSE à travers les concepts tels « les conditions de travail acceptables », « produire en adéquation aux normes », « produire en adéquation aux attentes du client », « sponsoring des évènements culturels et sportifs » a pour principaux objectifs la motivation du personnel et l'amélioration de la réputation de l'entreprise. Par contre, pour le propriétaire-dirigeant B (tableau 7), l'implémentation de la RSE ne constitue par un moyen mais elle est plutôt une fin. Pour ce propriétaire-dirigeant, la RSE représentée à travers les concepts tels « produits de qualité », « bonnes conditions de travail », « vivre en harmonie avec son environnement » constitue un objectif qu'il vise. L'atteinte de cet objectif passe par le développement d'un certain nombre de pratiques parmi lesquelles « le recrutement des jeunes », « salaire au rendement » entre autres.

Cette analyse traduit sans ambiguïté le fait que les schèmes cognitifs de ces deux propriétaires dirigeants concernant la RSE ne sont pas identiques. Pour l'un, le propriétaire-dirigeant A, l'implémentation de la RSE a pour finalité le développement et la croissance de l'entreprise ceci se traduit par le fait que les facteurs expliqués les plus importants sont « la motivation du personnel » et « la réputation de l'entreprise ». Toutes choses devant à terme contribuer à la croissance et au développement de l'entreprise. Pour l'autre, le propriétaire-dirigeant B, la RSE constitue un objectif aussi bien que le développement de l'entreprise. En effet, pour ce propriétaire dirigeant, les facteurs expliqués les plus importants sont « bonne réputation de l'entreprise », « amélioration de la productivité », « bonnes conditions de travail des employés », « vivre en harmonie avec son environnement », « développement du pays ». ceci traduit pour ce propriétaire-dirigeant la conciliation des objectifs de développement de l'entreprise et l'implémentation de la RSE en entreprise.

IV. Conclusion

Cet article avait pour objectif d'étudier les représentations mentales des propriétaires-dirigeants de PME concernant la RSE afin d'identifier tout d'abord quelles parties prenantes ils ont à l'esprit en parlant RSE ensuite de comprendre les motivations qui sont les leurs dans l'implémentation de la RSE.

Notre étude qualitative exploratoire relève que la RSE est une réalité qui n'échappe pas au propriétaire-dirigeant de PME bien que la conception qu'ils en ont et son implémentation soient encore à un stade embryonnaire.

Les parties prenantes dont se soucient les propriétaires dirigeants sont les clients à travers la recherche de la mise à la disposition de ces derniers des produits de qualité, les ressources humaines à travers le respect de leurs droit et la sécurité au travail enfin et dans une moindre mesure un engagement sociétal à travers le sponsoring des évènements sportifs et culturels. Les motivations dans l'implémentation des pratiques de RSE ne sont pas les mêmes. Tandis que pour l'un, l'engagement dans la RSE revêt un enjeu stratégique dans l'atteinte des objectifs de motivation du personnel et d'amélioration de l'image de l'entreprise, pour l'autre l'implémentation de la RSE constitue en soi un objectif et non un moyen pour l'atteinte d'autres objectifs.

Toutefois, les résultats de cette étude doivent être analysés avec beaucoup de précautions car certains points en limitent la portée. Notamment le fait que l'échantillon de l'étude soit un échantillon par choix raisonné et que cet échantillon soit de faible taille.

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Impact of Deficit Financing on Economic Growth in Nigeria

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Abstract- This study examined the impact of deficit financing on economic growth in Nigeria for the period spanning from 1981 to 2016. Secondary data was used and sourced from the Central Bank of Nigeria's statistical bulletin and was analyzed through the application of Augmented Dickey Fuller to ascertain the stationarity properties of the time series variables and ARDL Technique was employed for the regression analysis. The results from the unit root test revealed mixed degree of integration of the variables i.e. I (0) and (1) and the result from the ARDL regression estimate showed that government deficit finance over the years had significantly impacted on the output growth of Nigeria. The variables used in the study were jointly found significant in affecting the output growth of the economy as revealed by the F-statistics of the model 56.27987 (0.000000). The study therefore recommends that deficit financing should be increased effectively, and that government should ensure an efficient public expenditure process and fiscal discipline as well as maintenance of macroeconomic stability so that Nigerian economy can develop.

Keywords: *deficit finance, domestic private investment and output growth.*

GJMBR-B Classification: *JEL Code: A19*



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Impact of Deficit Financing on Economic Growth in Nigeria

Ali Manir Bazza [α], Mandara Binta [σ] & Ibrahim Muhammad Alhaji [ρ]

Abstract- This study examined the impact of deficit financing on economic growth in Nigeria for the period spanning from 1981 to 2016. Secondary data was used and sourced from the Central Bank of Nigeria's statistical bulletin and was analyzed through the application of Augmented Dickey Fuller to ascertain the stationarity properties of the time series variables and ARDL Technique was employed for the regression analysis. The results from the unit root test revealed mixed degree of integration of the variables i.e. I (0) and (1) and the result from the ARDL regression estimate showed that government deficit finance over the years had significantly impacted on the output growth of Nigeria. The variables used in the study were jointly found significant in affecting the output growth of the economy as revealed by the F-statistics of the model 56.27987 (0.000000). The study therefore recommends that deficit financing should be increased effectively, and that government should ensure an efficient public expenditure process and fiscal discipline as well as maintenance of macroeconomic stability so that Nigerian economy can develop.

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I. Introduction

Deficit Financing is an important method of promoting economic growth and development. In the Keynesian analysis, it has been advocated that deficit financing could be adopted in order to tackle the problem of inflationary-unemployment in the advanced nations when there is recession or depression. In the post Keynesian analysis, it has also been advocated that deficit financing could be applied to the some of the problems of developing nations, especially the problem of unemployment. The Keynesian school of thought advocates the expansion in government expenditures even above current income, particularly during depressions. According to them, the main cause of depression is lack of spending by the public sector when the economy suffers from lack of aggregate demand such as the great depression of 1929 to 1932 and most recently, the 2008 Global Financial and Economic crisis. This will increase the demand for productive output and to reduce the level of unemployment (Anyanwu and Oaikhenan, 1995, Ogboru, 2006, Iya, 2014). A lot of economic problems are caused by deficits when it is in persistence specifically, deficit financing adversely impacts interest rate, investment and economic growth Money creation via deficit financing results in an increase in the stock of money and this is inflationary. Excessive monetary expansions produce an expansion of imports and a contraction of exports so that the external reserve tends to contract.

In Nigeria, considerable attention has been focused on the consequences of deficit financing because of the belief that the presence of these consequences in the Nigeria economy might have informed the current thinking that the government through its deficit financing has contributed greatly to the country's current economic problem. Among the problems confronting the Nigerian economy are; pressure on balance of payment, declining growth and heavy debt burden in which we (Nigeria) had $18billion about 60 percent of the $30billion owed the Paris Club written off (Debt Management Office, 2006). The concern is not deficit *perse,* this is because fiscal deficit is not a crime but when it exceeds the international bench mark of 3 percent of GDP is worrisome, especially when it cannot be said to promote economic activities (Anyanwu, 1997).

All government programmes must be financed, whether in form of expenditure on goods and services or on the assets acquisition or through lending to the private sector. The other part of the expenditure which has not been financed through income tax, individual's savings or domestic borrowing must be through fiscal deficit.

The persistent recurrence of deficit financing via the creation of high powered money may not guarantee the achievement of macroeconomic objectives, which may in turn affect the level of desired investment in an economy and thereby narrowing growth. Major determinant that is mostly affected directly by macro-economic policy is investment, (Word Bank 1993) such macroeconomic policies involved the deliberate control of policy instruments, such as monetary and fiscal policies on grounds of achieving macroeconomic objectives. Investors expectation, decision and confidence on whether to invest or not are based on macroeconomic indices. It is regarded that Macro economic variables are basic fundamentals or

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preconditions which must be achieved for investment to take place and it is against this macroeconomic background that this research work is undertaken to determine to assess the performance of deficit financing on private investment.

a) Objectives of the Study

i. Examine the impact of Deficit financing on Economic Performance of Nigeria.
ii. Examine the impact of Gross net Capital Formation (Domestic Private Investment) on Nigerian economy.

II. Theoretical Framework

a) Deficit Financing and Economic Growth Theory

The Keynesian economists are of the opinion that increase in government spending leads to an increase in domestic output and sees the possibilities of government spending crowding out private (investment) spending through interest cost credit (interest rate). They also believed that fiscal deficit could have a negative impact on external sector, reflected through trade deficit, but only if the domestic economy is unable to absorb the additional liquidity through an expansion in output. The theory holds that government borrowing only in cyclical downturn when there is a rise in a private sector savings and period of unemployment.

In a cyclical upturn, there shall be the reverse of borrowing. However, the financing of any level of fiscal deficits whether through taxation or borrowing fiscal policy involves the absorption of real resources by the public sector that otherwise would be available to the private sector, the absorption of domestic resources will be delay if foreign borrowing or unemployed resource are available. This absorption would improve overall efficiency (output growth) if the social return (benefit) from public expenditure exceeds its private opportunity cost. While public expenditure may displace private sector output (the crowding out effect), it may also improve private sector productivity (the positive externality or public good effect). Development models of public expenditure which primarily is the work of Rustow (1971) anchors on the fact the countries of the world must pass through different stages before they could develop, and that these different stages requires varied proportion of Government spending to total investment in the economy will be large since most of her activities centre on capital formation bordering on roads, housing telephone, education, health care, among others in preparation for takeoff into the middle stage.

b) Empirical Literature

Several attempts had been made to examine the effect of deficit financing on economic growth of a country. Cooray, (2009), Abdullahi, (2000), Gregornu *et al* (2007), and Erkin, (1998) in their works the impact of government expenditure on growth discovered that countries with large government expenditure tend to experience higher growth. Deficit spending by the government stimulates the economy in the short run by making households feel wealthier, thus, raising total private and public consumption expenditure. Through the resulting increase in the aggregate demand, budget deficit has a positive effect on macro-economic activities, thereby stimulating savings and capital formation Seater in (Okpanchi and Abimiku, (2007), Chakraborty and Chakraborty, (2006)Liu, *et al* (2008) examined the casual relationship between GDP and public expenditure for US data during the period 1947-2002. The causality results revealed that the total government expenditure causes growth of GDP. They concluded that judging from the causality test Keynesian hypothesis exerts more influence than the Wagner's law.

Owole *et al* (2007) investigated the relationship between government expenditure and economic growth for a group of 30 OECD countries during the period 1970-2005.Theregression results showed the existence of a long-run relationship between government expenditure and economic growth. Also, they observed a unidirectional causality from government expenditure to growth for 16out of the countries, thus supporting the Keynesian hypothesis. However, causality runs from economic growth to government expenditure in 10 out of the countries, confirming the Wagner's law. Finally, he found that the existence of feedback relationship between government expenditure and economic growth of four countries. Goher *et al* (2011) verified the impact of government fiscal deficit on investment and economic growth using time series of thirty years stretching between 1980 and 2009. They believed that fiscal profligacy has seriously undermined the growth objectives thereby adversely impacting physical and social infrastructure in the country. Huynh (2007) conducted his study while collecting data from the developing Asian countries from the period of 1990 to 2006. He concluded that there is negative impact of budget deficit on the GDP growth of the country while analyzing the trends in Vietnam.

Vamvoukas (2000) explored with the help of Keynesian preposition and Richardian Equivalence, the effect of budget deficit on interest rate and inflation rate, while using data of Greek economy from 1948-2001 by applying co-integration analysis, granger causality and impulse function. Shojai (1999) concluded that deficit spending, financed by the central bank, can also lead to inefficiencies in financial markets and cause high inflation in developing countries. At the same time, it also distorts real exchange rates, which in turn undermines the international competiveness of the economy. Akpokodje (1988) also observed that Government's monetary policy which insured credit to the private sector has a strong positive and significant impact on private investment. He found out that, in the long run, sectoral allocation of funds to the private

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sector is capable of inducing private investment. This implies that increase allocation of funds to the government to finance its expansionary fiscal policy programme at the expense of the private sector adversely affects investment in the private sector significantly.

III. Research Methodology

a) Research Design

It is essentially an Ex Post Facto account of the impact of deficit financing on economic growth in Nigeria. This type of research explains how an independent variable, present prior to the study in the participant affects a dependent variable. It enables one variable hypothesized to be influencing another and does not use random assignment.

b) Sources of Data

The data for this study was obtained mainly from secondary source, which was collected from CBN statistical bulletin, economic and financial review of the CBN (various issues).

c) Method of Data Analysis

The behavioral relationship of the model was estimated by employing Auto-regressive Distributed Lagged Estimates (ARDL) technique. The choice to use the ARDL technique over other methods of analysis is based on the advantages it's possessed among others which are; it can be applied to variables irrespective of their order of integration whether they are purely I(0) and I(1) or mixed and it is efficient for limited sample data between 30 and 80 observations and large sample (Pesaran and Shin 1995).

d) Tests for Unit Root

Financial and economic time series have been observed to be non-stationary at levels. And attempt to regress a non-stationary series on another non stationary series leads to spurious regression (Yule, 1926 Granger and New bold, 1974), a situation that causes wrong inference making. Thus, since correct inference will depend on statistical properties of the data, particularly stationarity, a unit root test was conducted on the time series (RGDP, INT, EXR, GFD, DPI) using Augmented Dickey Fuller (ADF) test (with a constant and time trend) for a sample period of 1981 to 2016.

e) Model Specification (Autoregressive Distributed Lag Model)

The preference of the model Autoregressive Distributive Lag (ARDL) was motivated by its appealing statistical and economic properties which take care of both 1(1) and 1(0) variables. The autoregressive distributive lag (ARDL) model is simple and easier to interpret and above all is very reliable. The following ARDL model was estimated in order to obtain the coefficients for the explanatory variables (GDF, EXR, INT, DPI) and real output growth (RGDP) since these variables have mixed order integration of 1(1) and 1(0).

$$\Delta \ln RGDP = C_o + \beta_1 \ln RGDP_{t-1} + \beta_2 \ln GDF_{t-1} + \beta_3 \ln EXR_{t-1} + \beta_4 \ln INT_{t-1} + \beta_5 \ln DPI_{t-1} + \sum_{i=1}^{p} \lambda i \Delta \ln RGDP_{t-i}$$

$$+ \sum_{n=0}^{q} \pi s \Delta \ln GDF_{t-n} + + \sum_{n=0}^{q} \pi s \Delta \ln EXR_{t-n} + \sum_{n=0}^{q} \pi s \Delta \ln DPI_{t-n} + \sum_{z=0}^{q} pz \Delta \ln INT_{t-z} + \varepsilon_t \ldots\ldots\ldots\ldots (3.1)$$

Where,

RGDP = Real Gross Domestic Product
GDF = Government Deficit Finance
EXR = Exchange Rate
INT = Interest Rate
DPI = Domestic Private Investment (Proxy for Gross net Capital Formation)

β = Long Run Multiplier
Δ = Short Run Multiplier
C_0 = Intercept and
ε_t = White Noise Error

Table 1: Unit Root Result at Level and After First Difference

Variables	ADF Stat	Critical Value At 1%	Level	Prob*	Remarks
RGDP	-6.027385	-4.252879***	I(1)	0.0001***	Non Stationary
GDF	-4.897161	-4.252879***	I(1)	0.0020***	Non Stationary
EXR	-5.104500	-4.252879***	I(1)	0.0012***	Non Stationary
INT	-6.526587	-4.262735***	I(1)	0.0000***	Non Stationary
DPI	-4.553467	-4.252879***	I(0)	0.0048***	Stationary

*Note: *** significance at 1%*

Source: Author's Computation using E-Views (9)

Results from Table 1 contains the unit root test conducted at level and after first difference for all the variables used in the study. The table shows that the variable of domestic private investment (DPI) is a stationary time series variable as indicated by its probability value. The results of the indices of Real

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Gross Domestic Product (RGDP), Government Deficit financing (GDF), Exchange Rate (EXR) and Interest Rate (INT) indicate that the variables are non-stationary time series and the indices became stationary and well behaved after first differencing d(1) as indicated by their probability values. Also, the stationarity level of the indices are indicated by the ADF statistics which are above the critical values to the negative direction.

Table 2: Summary of Regression Result and Diagnostic Results for ARDL Model

Regressors	Coefficient	Standard Errors	T-Stat	Prob*
RGDP(-1)	-0.940954	0.300864	-3.127508	0.0000***
GDF	-0.001491	0.000447	-3.336975	0.0087***
EXR	-0.644191	0.410550	-1.569093	0.1511*
INT	0.441814	0.691191	0.639208	0.5386*
DPI	-1.152747	0.549311	-2.098533	0.0653*
C	-1.908651	2.547439	-0.749243	0.4728*
Trend	0.791149	0.264834	2.987342	0.0153**
R-squared	0.992784			
Adjusted R-squared	0.975143			
D W statistic	2.983742			
F-statistic	56.27987 (0.000000)			

Source: Author's Computation using E-view 9

Table 2 contains multiple regression results for the impact of deficit financing on economic growth in Nigeria. The selected model was (2, 3, 4, 4) based on Akaike information criterion (AIC) with maximum dependent lag of 3. The lag coefficient of Real Gross Domestic Product (RGDP) and government deficit financing (GDF) were found statistically significant at 1 percent in determining the trend of real output growth as indicated by their probability values of 0.0122 and 0.0087 respectively; while the coefficients of exchange rate (EXR), interest rate (INT), Gross net capital formation proxied as domestic private investment (DPI) and constant inclusive were found statistically insignificant at 10 per cent level in determining the trend of real output growth as indicated by their probability values of 0.1511, 0.5386, 0.0653 and 0.4728 respectively. The study found negative and significant impact between government deficit financing (GDF) and real output growth (RGDP). This study negates the findings of Iya *et al* (2014) on the effects of fiscal deficit on economic growth in Nigeria. Their study found positive and insignificant impact to have existed between fiscal deficit and economic growth. Furthermore, negative and insignificant impact was found to have existed between exchange rate and real output growth and between gross net capital formation proxied by domestic private investment (DPI) and real output growth (RGDP). The study also contradicts the findings conducted by Iya *et al* (2014) on their study on domestic private investment on economic growth. Their findings revealed positive and significant impact between domestic private investment and economic growth. The coefficient of interest rate (INT) was found to have positive and insignificant impact on real output growth (RGDP). Precisely, the coefficients of Government Deficit Financing (GDF), Exchange Rate (EXR) and Gross Net Capital Formation proxied as Domestic Private Investment (DPI) were obtained as –0.001491, -0.644191 and -1.152747 respectively. The coefficient of interest rate was obtained as 0.441814, this result therefore implied that 1 per cent change in Interest rate will increase the real output growth by 0.441814 percent. The F-statistics 56.27987, which measured the joint significance of the parameter estimates, was found statistically significant at 1 per cent level as indicated by the corresponding probability value of 0.000000. This implied that all the variables of the model were jointly and statistically significant in affecting the RGDP of the Nigerian economy. The R^2 value of 0.992784 (99 per cent) implied that 99 per cent total variation in RGDP was explained by GDF, EXR, INT and DPI in Nigeria. Coincidently, the model was found fit after taking into account the loss in the degree of freedom as indicated by the adjusted R^2 (R^2 = 0.975143 or 97 per cent). The Durbin-Watson statistic 2.983742 was observed to be higher than the R^2 0.983028, which indicates that the model is non-spurious (meaningful).

IV. Summary and Conclusion

This study attempted to examine the impact of deficit financing on economic growth in Nigeria through the application of Augmented Dickey Fuller in testing the stationarity of time series and ARDL technique for testing the regression estimate. The unit root results revealed that the variables used in the study have mixed degree of integration. The results for unit root test revealed that interest rate, exchange rate, real gross domestic output, government deficit financing became stationary and well behaved after first difference d (1), while domestic private investment became stationary at level I(0). The regression estimate of the model has revealed that the lagged coefficient of real output growth and the coefficient of government domestic deficit were found to be statistically significant on economic growth,

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while the coefficients of exchange rate, interest rate and domestic private investment were found to be statistically insignificant. The model result indicates that government domestic deficit, exchange rate and domestic private investment had negative association with economic growth, while interest rate had a positive association with economic growth. The model was found to be fit as evidenced by its R-squared (0.975143), and the variables in the estimated model were found to be simultaneously statistically significant as shown by the high value of F-statistic (56.27987). In conclusion, it could be said that management of deficit financing has been effective. Some of the major features identified to include public investment involving domestic deficit financing have been self-liquidating, good inter-agency coordination, good record keeping, good quality human resources, financing of long term projects with long term loans, short term project with short term loans. Thus, the federal government became a revenue follower to the extent that its expenditure pattern had little relationship with movement in receipt.

a) Policy Recommendation

1. The study found that deficit financing has negative significant impact on economic growth in Nigeria. It is therefore recommended that deficit financing should be increased effectively, and that government should ensure an efficient public expenditure process and fiscal discipline as well as maintenance of macroeconomic stability so that Nigerian economy can develop.
2. The study found a negative significant association between domestic private investment and economic growth. It is therefore recommended that government should provide enabling environment for the domestic investors and be given loans in order to boost their business to promote economic growth.

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Appendices

Appendix 1: ARDL Regression

Dependent Variable: RGDP
Method: ARDL
Date: 03/27/18 Time: 09:02
Sample (adjusted): 1985 2016
Included observations: 32 after adjustments
Maximum dependent lags: 3 (Automatic selection)
Model selection method: Akaike info criterion (AIC)
Dynamic regressors (4 lags, automatic): GFD EXR INTR DPI
Fixed regressors: C @TREND
Number of models evalulated: 1875
Selected Model: ARDL (2, 3, 4, 4, 4)

Variable	Coefficient	Std. Error	T-Statistic	Prob.*
RGDP(-1)	-0.940954	0.300864	-3.127508	0.0122
RGDP(-2)	0.460384	0.247647	1.859037	0.0960
GFD	-0.001491	0.000447	-3.336975	0.0087
GFD(-1)	-0.003587	0.000604	-5.937042	0.0002
GFD(-2)	-0.002807	0.001154	-2.431924	0.0379
GFD(-3)	0.005058	0.001367	3.699561	0.0049
EXR	-0.644191	0.410550	-1.569093	0.1511
EXR(-1)	-0.580493	0.573746	-1.011759	0.3381
EXR(-2)	1.443887	0.497283	2.903553	0.0175
EXR(-3)	0.049709	0.566190	0.087795	0.9320
EXR(-4)	-2.069067	0.485866	-4.258517	0.0021
INTR	0.441814	0.691191	0.639208	0.5386
INTR(-1)	0.678206	0.531389	1.276289	0.2338
INTR(-2)	-0.149885	0.596349	-0.251338	0.8072
INTR(-3)	2.147483	0.705913	3.042134	0.0140
INTR(-4)	0.951572	0.533191	1.784674	0.1080
DPI	-1.152747	0.549311	-2.098533	0.0653
DPI(-1)	-1.051907	0.433401	-2.427101	0.0382
DPI(-2)	-0.274155	0.737638	-0.371665	0.7187
DPI(-3)	-0.543849	0.702335	-0.774345	0.4586
DPI(-4)	1.407652	0.589381	2.388356	0.0407
C	-1.908651	2.547439	-0.749243	0.4728
@TREND	0.791149	0.264834	2.987342	0.0153
R-squared	0.992784	Mean dependent var		7.113257
Adjusted R-squared	0.975143	S.D. dependent var		2.187149
S.E. of regression	0.344825	Akaike info criterion		0.877429
Sum squared resid	1.070138	Schwarz criterion		1.930926
Log likelihood	8.961142	Hannan-Quinn criter.		1.226633
F-statistic	56.27987	Durbin-Watson stat		2.983742
Prob(F-statistic)	0.000000			

**Note: p-values and any subsequent tests do not account for model Selection*

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Appendix 2: Logged Data Used for the Study

YEAR	RGDP	EXR	DPI	INTR	GFD
1981	5.525652	-0.4943	2.90252	2.054124	-3.9
1982	5.508295	-0.39601	2.841998	2.332144	-6.1
1983	5.441682	-0.32296	2.590767	2.302585	-3.36
1984	5.426051	-0.26788	2.213754	2.525729	-2.66
1985	5.533429	-0.11205	2.174752	1.987874	-3.04
1986	5.552107	0.703098	2.429218	2.351375	-8.25
1987	5.545177	1.391531	2.723267	2.862201	-5.89
1988	5.618261	1.512927	2.865624	2.80336	-12.16
1989	5.68728	2.000128	3.289521	3.034953	-15.13
1990	5.794872	2.000128	3.691875	3.242592	-22.12
1991	5.794963	2.084553	3.810876	3.00072	-35.76
1992	5.820943	2.293544	4.26	3.246491	-39.53
1993	5.836388	2.850707	4.573886	3.490429	-65.16
1994	5.844211	3.105931	4.659469	3.010621	-70.27
1995	5.865476	4.394696	4.955264	3.010621	1
1996	5.905961	4.397531	5.318365	3.210844	32.05
1997	5.934444	4.402319	5.49265	2.867899	-5
1998	5.962216	4.428433	5.490012	2.906901	-133.39
1999	5.974089	4.525477	5.445271	3.058707	-285.1
2000	6.021824	4.60617	5.8023	2.890372	-103.78
2001	6.067916	4.714025	5.91927	3.258097	-221.05
2002	6.113217	4.793308	6.213968	3.025291	-301.4
2003	6.204578	4.861362	6.763746	2.97553	-202.72
2004	6.268301	4.890349	6.760496	2.939162	-172.6
2005	6.329721	4.87596	6.690097	2.879198	-161.41
2006	6.389955	4.852811	7.343769	2.850707	-101.4
2007	6.452443	4.828314	7.568875	2.833213	-117.24
2008	6.510556	4.768139	7.627062	2.72261	-47.38
2009	6.577834	4.991792	8.023087	2.923162	-810.01
2010	10.90801	4.998563	8.297274	2.867331	-1105.4
2011	10.95973	5.022696	8.270853	2.773838	-1158.52
2012	11.00093	5.046324	8.118922	2.820783	-975.68
2013	11.05436	5.045037	7.572914	2.816606	-1153.49
2014	11.11473	5.052928	7.935158	2.806386	-835.68
2015	11.45259	5.273	9.554793	2.766319	-1557.79
2016	11.52771	5.535333	9.505963	3.001217	-2208.22

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Appendix 3: Raw Data

YEAR	RGDP	EXR	DPI	INTR	GFD
1981	251.05	0.61	18.22	7.8	-3.9
1982	246.73	0.673	17.15	10.3	-6.1
1983	230.83	0.724	13.34	10	-3.36
1984	227.25	0.765	9.15	12.5	-2.66
1985	253.01	0.894	8.8	7.3	-3.04
1986	257.78	2.02	11.35	10.5	-8.25
1987	256	4.021	15.23	17.5	-5.89
1988	275.41	4.54	17.56	16.5	-12.16
1989	295.09	7.39	26.83	20.8	-15.13
1990	328.61	7.39	40.12	25.6	-22.12
1991	328.64	8.041	45.19	20.1	-35.76
1992	337.29	9.91	70.81	25.7	-39.53
1993	342.54	17.3	96.92	32.8	-65.16
1994	345.23	22.33	105.58	20.3	-70.27
1995	352.65	81.02	141.92	20.3	1
1996	367.22	81.25	204.05	24.8	32.05
1997	377.83	81.64	242.9	17.6	-5
1998	388.47	83.8	242.26	18.3	-133.39
1999	393.11	92.34	231.66	21.3	-285.1
2000	412.33	100.1	331.06	18	-103.78
2001	431.78	111.5	372.14	26	-221.05
2002	451.79	120.7	499.68	20.6	-301.4
2003	495.01	129.2	865.88	19.6	-202.72
2004	527.58	133	863.07	18.9	-172.6
2005	561	131.1	804.4	17.8	-161.41
2006	595.83	128.1	1546.53	17.3	-101.4
2007	634.25	125	1936.96	17	-117.24
2008	672.2	117.7	2053.01	15.22	-47.38
2009	718.98	147.2	3050.58	18.6	-810.01
2010	54612.3	148.2	4012.92	17.59	-1105.4
2011	57511	151.82	3908.28	16.02	-1158.52
2012	59929.9	155.45	3357.4	16.79	-975.68
2013	63218.7	155.25	1944.8	16.72	-1153.49
2014	67152.8	156.48	2793.8	16.55	-835.68
2015	94145	195	14112.2	15.9	-1557.79
2016	101489	253.492	13439.6	20.11	-2208.22

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The Effect of Contraband on Government Revenue: Case of Segen Area People's Zone

By Addisu Karafo
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Abstract- The main objective of this study was to assess the effect of contraband on government revenue of Segen Area People Zone. The study was descriptive used only primary data from revenue authority employees and contraband business operators through structured questionnaires. The targeted respondents were selected using simple random sampling and judgmental sampling technique. The collected data were analyzed statistically with statistical software. The result of the study shows that the motivating factors were lack of formal income, lack of job and the demand and supply gap in formal operation. The finding also reveals that contraband undermines the government revenue, increases the tax burden on formal business operators and may remove them from official system in to informal nontax paying system. Moreover; it kills the need of the investments and innovations in the country, wipes out foreign currency that a country may earn from legal import export and creates unfair competition in the market. The process of controlling contraband faces a great challenge like a bribe, insufficient skilled and competent manpower, lack of ongoing training, low salary of the workers, corruption, inadequate enforcement and penalties and ineffective respond to tax evasion in the area. Accordingly; to mitigate contraband, the government should raise domestic innovations, manufacturing and human resource capacity development, strengthen strong enforcement of the rules and punishments, and even create a conducive environment for effective coordination and communication among controlling unit and the general public.

Keywords: *contraband, government revenue, illicit business, smuggling.*

GJMBR-B Classification: *JEL Code: H27*

THEEFFECTOFCONTRABANDONGOVERNMENTREVENUECASEOFSEGENAREAPEOPLESZONE

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1. Introduction

1.1 Background of the Study

Globalization is an engine for economic growth and significantly enhances trading activities. It also boosts opportunities for informal business operators in informal economies creating a multi-dimensional challenge for the administration. Informal economy comprises those economic activities that circumvent costs and excluded from the benefits and rights incorporated in administrative rules and regulations. It is part of an economy that is not taxed, monitored by any form of government or included in any gross national product (GNP).

Illicit trading activities across a border such as contraband are invasive socio-economic perils deep-rooted in the global trading system. Their syndicates are drawn by huge profits while benefiting from weak legislation. Enforcement agencies face the formidable task of facilitating the flow of legal trade while dismantling organizations involved in smuggling operations. Smugglings dampen the economy in multidimensional ways. It destabilizes the legal industry, restrains innovation and investments, reduces government revenues, fuels transnational organized crime and hampers the health and safety of consumers (FICCI, 2016).

Ethiopia is a landlocked country and experienced strong, broad-based growth averaging 10.5% a year from 2005/06 to 2015/16, compared to a regional average of 5.4% (World Bank, 2017). This growth brought with it positive trends in poverty reduction in both urban and rural areas. Despite this marvelous change; the tax revenue collection performance of the country is lowest compared to an average tax collection performance of sub-Saharan African countries, (Alemayehu, 2015) and even below its neighboring countries (Tilahun, 2014 cited in Workineh, 2016). This low performance is an indication of illicit trade activities outside the formal business activities who evade and avoid tax revenue from government. The products on such illicit trading activities are smuggled goods which have no official entry point in the country, do not have customs document or prior approval to enter into or depart from the country. The agents involved in these activities violate the law that govern the import and export procedure and thus avoid the payment of all applicable taxes for the importation or exportation of goods.

1.2 Statement of the Problem

Products crossing a border in to or out of the country illegally are informal transactions. They remain a great challenge for countries in generating tax revenue for long periods of time. They expand the evader's potential of evading tax revenue from government treasury and disappoint those who operate in legal economy forcing them to shift their activities to illegal markets. Moreover; they kill micro small and medium business enterprises growth shutting their market by providing forbidden and quality products produced with advanced technologies at a low price. By removing revenue from government and demolishing the growth of micro small and medium enterprises, the contrabandist puts the economy of the country at risk.

These contraband activity most of the time typifies developing and underdeveloped nations which are characterized by high manpower, lower per capital

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income and the biggest portion of the economy leading the life by cultivation. These nations have no well-established infrastructures; agriculture covering the largest percentage of GDP and industries that produce products with poor qualities. They are also subject to foreign cultures invasion and dominance of the youngest people losing their identity. Consequently; the individuals in these countries are forced to participate in illegal activities as an agent or direct for themselves.

In Ethiopia, contraband is not a recent phenomenon but existed long periods ago. Since then smugglers did not hesitate to smuggle goods into and out of Ethiopia, and they are still doing it in spite of all laws and regulations[1]. They smuggled products like electronics and electrical goods, garments of various kinds, perfumes, cosmetics, habit-forming drugs, armaments, and others. The products are smuggled from countries like Sudan, Eritrea, Kenya, and Djibouti (Zemzem and Teklu, 2017). These neighboring countries knowingly allow their border for such products to cross Ethiopia to raise illegal activities in the country that will jeopardize the economy of the country at any time.

Thus, it is against the problems stated above that this study tries to investigate the effect that products crossing the border and entering the country unlawfully through Moyale have on the revenue of the Segen area peoples zone tax authority.

In line with the above-stated research problem, the study will answer the following research questions:

- Why do individuals involve themselves in contraband activities?
- What are the effects of these activities on government revenue?
- What are the measures taken or planned to be taken against activities?

1.3 Objectives of the Study

1.3.1 General Objective

The general objective of this study is to investigate the effect of contraband on government tax revenue of Segen Area Peoples' Zone.

1.3.2 Specific Objectives

- To assess the reasons why individuals engage themselves in contraband activities.
- To assess the effect of this activity on government revenue of the area and
- To examine the measures taken and planned to be taken against the activity.

1.4 Scope and Limitation

Segen area people zone consists of five Woredas namely Konso, Dirashe, Burjy, Amaharo and Ali. These Woredas are near one another and located in southern region of the country bordering the region with Oromia region. However, the contraband or smuggled products largely enter the area from Oromia region Moyal to Konso and then distributed to the rest of Zone Woredas and other parts of the region and country at large. Thus this study concentrates on Segen Area People's Zone because of the time and cost that it takes to cover the entire country. The targeted business operators also exist outside the formal system, so the owners may refuse to participate and fill the questionnaires appropriately.

1.5 The Significance of the Study

This study focuses on the effect of contraband which is an illegal activity undertaken against government revenue and the economy at large. So this will have the following benefits:

- It can help tax authority to establish ways that will help them to eradicate if possible or reduce contraband and enhance its tax revenue potential.
- It can also help the government to establish a policy that will reduce the level of informal economy in the country.
- It can also act as a stepping stone for other research on the same area.

1.6 Organization of the Paper

This study is concerned with contraband in Segen Area Peoples' Zone and will have five parts. The first part is about the introduction and incorporates background, statement of the problem, objectives, scope and limitation, significance and organization of the paper. The second section was about the literature review related to the study followed by methods used to collect data, select sample and analysis of the collected data. The fourth section presents data analysis and discussion and the fifth section of the study then concludes the study.

2. Review of Literature

2.1 Contraband and its Meaning

Products produced in or outside a country cross a border to abroad or into the country from outside in two ways. In the first case legally by those who have legal license to do it and pays tax for the government on the income generated from such transactions. They deal with products that are allowed to be imported or exported by rules and regulation of the country and support the economy of that country. On the other hand, there are people who engage themselves in activities that contradict the legal system of the country. They had no state-issued permits, license or registration and did not pay tax on the products. Moreover; the products being imported or exported may be forbidden legally because of the effect that they may have on the socioeconomic and political system of the country. In general word, the products entering or leaving the country in such a way are named as contrabands.

[1] www.erca.gov.et/index.php/customs/org

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The word contraband refers to property that is illegal to possess or transport and may be goods that are illegal to import or export and are attempted to be smuggled into a country. Contraband goods are usually subject to seizure by government officials (https://definitions.uslegal.com/c/contraband). The products have no official entry point, do not have customs document or prior approval to enter into or depart from a country so, they violate the law that governs the import /export procedure and thus avoid the payment of all applicable taxes for the importation or exportation of goods (www.erca.gov.et/index.php/customs/org) and has harmful effect on the socioeconomic development of a country.

In Ethiopia, this contraband enters the country in different directions from neighboring countries namely Kenya, Sudan, Eritrea, Djibouti, and Somalia. The operator brings the products on foot, pack animals, Motor Vehicle and Cars that gives transport service to the public. Moreover, the public office cars that are provided by the government to officials for office purposes like ambulances and those cars that carry oils and gas from the center to different areas of the country also participate in supporting in such evil activities. Some are trafficked hidden within areas such as automobile tires, doors, fenders, bumpers, fuel tanks, and in other secret compartments of trucks, and trains.

Even more; some contraband goods are occasionally smuggled into and out of the country stuck in containers with other legal shipments allowed to be imported or exported after fulfilling customs formality. Drivers of trucks which transport legal shipments stop their vehicle en route and load illegal goods in to the container of legal products. Smugglers are also assisted by some dishonest customs officers at check points and local security forces. Smugglers bribe them and enter or take their goods into or out of the country illegally.

To convey their goods, smugglers cross the land borders of the country and use routes that are not under the control of the federal police. The large part of the Ethiopian border encompasses extensive lowland areas[2] which are difficult to fully control by the federal police. As a result, smugglers can easily cross the border with their substantial smuggled goods. The smugglers, experienced in running contraband goods and adept at traversing the country's border, are canny in looking for other devious routes when their way was blocked by federal policemen. They are also violent enough to intimidate or kill anyone standing in their way. As a result, many elements of the Ethiopian law enforcement community have lost their priceless lives in the fight against smugglers. Using the above mentioned devious devices/methods, smugglers deliver contraband goods to their secret stores and make them available for selling and distribution.

[2] www.erca.gov.et/index.php/customs/o

2.2 *Determinants of Contraband*

Some of illicit transactions may be carried out across a border between countries by illegal traders or by licensed business owners whose aim was to escape government tax. This was the problem for all countries across a globe for an extensive period of times and still exists regardless of the measures developed and taken by governments. However; what remained an answered by academicians, government and even international organizations was, why do people engage themselves in such illegal activities given its existence outside government control?

People participate in contraband activities directly by themselves or assign agents that will act on behalf of them for commission base. They are motivated by various factors may be to avoid taxes and to secure illegal competitive advantage, to avoid customs checkpoints where goods and their documents are examined, to make a living and to escape from the unemployment prevailed in the country (www.erca.gov.et/index.php/customs/org). Others involved in the contraband trade as acts of political defiance. Irresponsible and anti-peace elements may smuggle guns and hand grenades into the country to commit a crime, to damage public infrastructure and to create political instability in the country or to cause an atmosphere of social unrest. Moreover; consumer's willingness to buy goods on the black market is the other factor that drives smugglers (www.erca.gov.et/index.php/customs/org). Smuggled goods are sold at a low price and this has made thousands of poor people prefer to buy smuggled products than legally imported goods. External factors like political instability, social unrest and economic crisis in the neighboring countries may also contribute to the expansion of contraband trade in a given country.

In many parts of the world, the import and export policies usually consider the effect that the products may have on the economy of the country. Accordingly, there are products which are allowed by the import/export policy of the country and also prohibited even if the demand for the products exists in that country taking in to account their effects. In such cases, prohibitions effectively prevent trading in forbidden products on the legal market, but these products continue to be desired, wanted and insisted by consumers. So the absence of legal supply leaves plenty of opportunities for contraband supply to substitute for it. Lack of legal supply to meet this demand for prohibited products (demand gap) may force individuals to engage themselves in illicit activities.

The level of tax burden also plays great role in the economy in expanding the market of contrabandists. Business peoples may join refusing the level tax they are being charged by the government. A well-established tax system considers the ability to pay for the people and also have a pivotal role in inspiring micro small and

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medium business enterprises in the economy. However; many countries mainly developing countries charges their peoples without ability consideration to meet the level of tax they have aimed to collect in that fiscal year. They may do this by increasing tax rate or forcefully incorporate the business into tax net. Thus, this moves the business peoples to smuggling creating higher tax evasion in that country. Several studies by Bhagwati, (1964); Fisman and Wei, (2004); Mishra, (2008) and Buehn and Farzanegan (2011), pointed out that tax rate is vital to push factors for smuggling.

Moreover; effective law enforcement in the nation is a fundamental element in keeping the people in that tax system and reduce illegal acts. A country that has fine law enforcement experiences less illicit activities. A significant measure for lack of a successful enforcement mechanism is the number of policemen per a population and level of investment in technology and training that support surveillance, which enables proactive and effective enforcement actions possible. The costs of smuggling depend on the probability of being caught and punished by the authorities, so intensifying enforcement increases the costs of smuggling in the form of punishment, confiscation, and detection (Martin and Panagariya, 1984). The study shows a significant negative correlation between effective enforcement and smuggling (Buehn and Farzanegan, 2011). Low risk of the law enforcement with profitability from tax evasion from smuggling enhances the motivation for the illegal act of smuggling.

Countries with low innovations and lower level of technology of the domestic industries to produce new products that contend smuggled products in quality and price may experience a higher number of peoples involved in contraband activities. The imported products illegally satisfy the needs of the consumers with emerging technologies, new products with better quality and performance (Bakhtiyari & Salarzaei, 2016). Smuggling of imported goods expands due to enhanced public demand. Ambition value of imported goods with the perceived better quality compared to domestic commodities, coupled with enhances purchasing power tends to provide impetus to smuggling. Findings of the subsequent section on the extent of smuggling show that weakness of domestic industry in producing quality machinery and electronic goods could be one of the causes for smuggling of imported goods.

2.3 *Effect of Contraband*

Regardless of different approaches to definitions of contraband, its effects are numerous and economically significant. It is a serious problem and its impact is far-reaching, affecting various stakeholders including Government, domestic industries and citizens of the country. Most customs, border and law enforcement officials, policymakers, and academicians agree that illegal trans-border trading results in major financial and social costs to economy, and society (FICCI, 2016).

2.3.1 *A Loss of Government Revenues*

The smuggling of goods or products can be considered as one of the tax violations that attack a country's tax system. It dampens legal imports and drastically decreases the volume of revenues collected from various duties and levies by state agencies. Customs duty forms a significant part of the Central Government revenues, which shows a decreasing trend over the past few years (FICCI, 2016).

Illegal trade in contraband products deprives government tax revenue because the product crosses the border illegally without payment of tax. When goods are conveyed secretly or illicitly into or out of the country without the payment of customs duty and taxes, the government loses much revenue (www.erca.gov.et/index.php/customs/org). The eventual outcome of the revenue lost is that it hampers development programs. Therefore to make the development programs feasible and to finance them, the government may be forced to increase taxes or adjust other sources of income. The burden of covering these shortages falls on honest taxpayers who in turn lead to higher prices of commodities which in turn can contribute for the growth of black-markets or as the tax increase drive up the price of domestically produced and imported goods, many consumers seek lower-priced products through a variety of alternative venues and channels, many of which are illegal. (www.erca.gov.et/index.php/customs/org).

The main objective of taxation is to reduce the income inequality among the people usually using progressive tax system. Through this tax system, high-income earners pay accordingly and the poor as well. However, contraband business violates this and amplifies income disparity or the earnings gap between the rich and poor. They are the main parts of the group who are recognized legally in evading government revenue. The products entering or parting the country by these illicit traders are hidden from the view of government and are sold surreptitiously. They use the poor on a little compensation to carry the smuggled products on foot or other means from the border to their store. They accumulate the wealth while the living standards for many stagnate because they are not paying as formal business peoples.

2.3.2 *Impact on Domestic Industries and Innovations*

The flow of contraband products into a country weakens local industries by distorting the prices of the products. These illegal, illicit traders well know by the act of providing the products at chipper prices which will disappoint and may also remove local producers from the market. Their intension was evading and avoiding tax and regulation, so their chip price may result in the breakdown of domestic industries or force domestic producers into bankruptcies.

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Micro Small and Medium enterprises are the principal employment generators and exert a strong influence on the economies of all countries. They are the fertile sectors regarding of innovations and quick remedy for unemployment and also increases tax revenue for the government. Moreover; they are the backbone of every economy in raising the economy through the enhancement of import and export of the country. However; contraband operators remained the main hindrance for these entrepreneurs by providing quality products produced by advanced technologies at lower prices. By doing this, they downsize domestic entrepreneurs development and expansions.

Innovation in the form of the conception of new ideas for the development of new products or processes and experimentation[3] has been recognized widely as an imperative driver of economic growth. Innovators protect their thoughts through patents, copyrights, design rights and trademarks. Without adequate protection of these intellectual property rights, the incentive to develop new ideas and goods is reduced, thereby weakening the innovation process. In industries where product development requires significant investment and innovation, smuggling of counterfeit product impairs investments and innovation by undermining the efforts of innovators and discouraging them from further research and development, which ultimately hampers overall growth of the economy.

2.3.3 Threat to Society

Smugglers involved in clandestine activities also pose a serious threat to society. It affects the internal structure of a society by creating powerful illegal institutions (Dominguez, 1975). It expands the black market and increases convergence between organized crime, terrorist groups and other threat networks available at (http://www.state.gov/documents/organization/250513.pdf). Smugglers and their system outwit the national borders imposing security threat and earnings from this illegal activity may be used finance insecurity that increases the policing costs (Burke, 2013).

Antisocial behavior is conduct that disrupts society or displays disdain or hostility to it. For instance, committing a crime is antisocial manners. Such kind of behavior can be intensified in society by the body of persons who used smuggled in weapons for violence activities calculated to cause death, robbery, burglary, rape and other crimes. Therefore smuggling armaments into the country weakens the struggle to maintain peace and order in the society available at (www.erca.gov.et/indexphp/ customs/ others/101contraband).

2.3.4 A Negative Effect on the Economy

Monetary costs arise from smuggling due to evasion of taxes and tariffs. Smugglers are extra burden for government budget by evading legal duties and taxes/tariffs. A developing country relies more on indirect taxes as compared to direct taxes and low indirect tax collections may have harmful consequences for the government's ability to provide public goods. The provision of public goods increases the productivity of economy (Loayza, 1996), and thus not creating such public products has a harmful effect on productivity, development, and economic growth (Norton, 1988).

Smuggling may have a negative effect on official indicators such as growth and income distribution. It involves bribery and other forms of corruption and tends to promote criminal behavior in the economy (www.ficci.in/spdocument/20807/final). Smuggling may result in mass fall-down in domestic companies who are unable to counter cheap imports, leading to surging in unemployment in the country.

2.3.5 Health and Safety Risks

A contraband operator also carries products that are risky for society. They deal with prohibited goods like narcotics and illicit tobacco which are the serious threat to the life of many citizens of the country (WEF, 2012). And pornography materials which display genitals and show sex acts in an offensive way, thereby eroding the moral values of the society. Even although the legal system of the countries prohibit the importation such products, they are entering the border increasingly with the increasing number of users.

Habit–forming dangerous drugs debase/ demoralize the moral senses of the youth and others who take illegal drugs for pleasure or because of addiction and it also cause them a wave of sickness when they are unable to continue captivating it. The poor quality smuggled goods can produce health problem in the society. In their attempt to control drug trafficking, federal policemen catch people and travelers who bring illegal drugs into the country (www.erca.gov.et/index.php/ customs/org).

2.4 Measures Against Contraband

Cross-border trade below the radar of government oversight is both a boon, and a curse for many African economies (www.ictsd.org/bridges-news/bridges). However; in many countries particularly Africa the cost of contraband or informal cross-border trade outweighs the benefit because of this governments are standing against this activities. They frame some of measures that they think will reduce or eradicate contraband and other illegal cross border trades and in turn enhance domestic production.

Informal cross-border trade touches everybody in the community. So the prevention of contraband needs a wide range of actors including government, both regional and local administrators, and the society at large. The government by itself cannot stop informal trades, so should work together with the community where the contrabandist were located and conceal their

[3] www.ficci.in/spdocument/20807/final.

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products after crossing the border. The Ethiopian government has established a new strategy against contraband and based on this strategy the government has disbanded customs police, the former agent responsible to prevent contraband, and replaced it by the federal police as of July 2008. In addition to this, the government has amended customs and tax laws. This amendment has helped to streamline taxation procedure and to empower the federal police for prevent contraband (www.erca.gov.et/index.php/customs/o). However; federal police only can't carry the burden of averting contraband alone, so they need to work with regional and local administrators, and the community. As a result of the active participation of them in fighting against contraband, the volume of smuggled goods that enter for example into Diredawa via Shinile Zone has decreased (Paper on strategy to prevent contraband, 2009).

Information and knowledge gap usually are bases of failing for many individuals, entrepreneurs, and companies. Having awareness and information about the advantage and disadvantages of something gives a clue to accept or reject it. Enlightening the general public and creating awareness about the effects of contraband on the economy of a given country plays a vast role in challenging the increasing informal cross-border trade activities. Contrabandists usually use the harsh economic and financial condition of the public and use them to carry illegal products from the border through challenging ways using motorbikes, animals and human back particularly females or hide the contraband from government officials. They are doing this because of poor understanding about contraband and abet for contrabandists even and abuse the government officials assuming that officials are blocking the business of the people. Therefore, providing education is necessary to infuse into the hearts and minds of citizens the necessity for proper respect traditional law and to let them stand against contraband. Educating the society about the proclamations, regulations, directives and operational systems of customs using various media and customs website awakens the people to stand up for their country.

Also; to reduce the size of smuggling in the country it is necessary to strengthen the deterrence mechanism for committing the crime. In Ethiopia, sub article 1 of article 92 stipulated in proclamation no.622/2009 any person who, in contravention of this proclamation or the other laws enforced by ERCA, including regulations and directives issued there under, imports or exports prohibited or restricted goods or without customs clearance or illegally imports dully exported goods, without prejudice to the forfeiture of the goods and equipments used in the commission of the offence and the proceeds thereof, be punishable with fine equivalent to the amount of the customs duties and taxes payable on the goods and with rigorous imprisonment from 7 to 15 years (Customs Proclamations No.622/2009)[4]. According to sub article 2 of the same article, any person who transports, stores, offers for sale or buys goods referred to in sub article 1 of this article while being or ought to have been aware of the illegality of their acquisition shall without prejudice to the forfeiture of the goods and equipments used in the commission of the offence and the proceeds thereof without affecting the right of third parties who transacted in good faith, be punishable with a fine equivalent to the amount of the customs duties and taxes payable on the goods and with rigorous imprisonment from 7 to 15 years. According to sub-article 3 of article 92 stipulated in proclamation 622/2009, where the offense is committed by the use of force or by an organized group with the offender of the punishment shall be, without prejudice to the forfeiture of the goods seized and fine from 15 to 20 years, rigorous imprisonment.

The other approach connected with the strategy to prevent contraband is allowing border trade. By making border trade with the neighboring countries: Somalia, Sudan, Kenya and Djibouti, the government has tried to collect taxes. The border trade has been carried out by the directives issued in 2000 and 2001 by the Ministry of Trade and Industries. The objectives of the border trade are to let the residents in the border area fulfill their demand for consumption goods, to let them use border trade as a means of securing the necessities of life, to decrease the activities of contraband and to promote legal trade. By opening the door to border trade, the government anticipates some smugglers will abandon their vicious practice and turn into productive citizens of the country. Export items for border trade are typically consisted of a pulse, livestock such as goats, sheep, camel, and others. Import items are mainly food items, clothing that are usually dressed by the residents of the border area.

Moreover; the simplification of the procedures and creation of a system which allows fewer contacts between the staff and the traders was implemented by some countries, while others upgraded information technology system and even introduced custom software to improve service delivery, increase transparency and shorten customs clearance time. In their reforms, Countries like Uganda and Peru on the other hand employed measures such as cooperation with other authorities, private entities and police, expanded audits and preventative inspections to increase enforcement. Though these efforts may have reduced the clearance time, increased seizures (especially in Mozambique) and a decline in smuggling, corruption is still high (especially in developing countries), which compromises these efforts.

The World Bank findings show that political support for customs reforms is essential, together with

[4] Proclamations No.622/2009, Customs Proclamation.

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stable leadership. Financial support is also a very important ingredient in ensuring successful restructuring. Also, the cooperation of customs staff, taxpayers, and coordination with other tax agencies is critical for effective customs reform (World Bank, 2005).

The literature furthermore points several initiatives that may help to combat illicit trade, including:

- Exchange and joint analysis of statistics of general trends of the risks and seizure of illegal and undeclared goods.
- Enhance cooperation between Customs and different players in the economy, including other law enforcement agencies, to help to better infiltrate and identify production and distribution networks for illegal and illicit trade.
- Exchange of knowledge and experience by customs officials regionally and internationally.
- Establish and designate as appropriate national coordination agencies or bodies and institutional infrastructure responsible for policy guidance, research and monitoring of efforts to prevent, combat and eradicate illicit trade.
- Introduce modernized systems, improved risk management practices, and implement audits of the custodians of regulatory controls.

One measure has been the establishment of simplified trade regimes, which simplify the rules and procedures for small traders and provide tax incentives for trading within the formal sector. Some countries cater expressly for the needs of small-scale traders at their borders, by providing information officers to assist with the correct procedures. Equally, these economic communities promote engagement with informal cross-border trade representatives, to ensure their needs are considered when policies and legislation are developed[5].

3. Research Methodology

3.1 Research Design

The study was descriptive, describing the effect of contraband on government revenue of Segen Area People's Zone. This is because it depicts the participants in accurately and allows insight into life experiences due to its unique approach.

3.2 Data Source and Collection Methods

The core objective of this study was to investigate the effect of contraband on government revenue of Segen Area people's zone. Contraband is informal business operating outside the formal rule and regulation and has no legal records, so it is difficult to measure the amount of revenue loosed by the government through contraband. An estimate made by different experts is used to know the extent of the contraband effect.

This study used only primary data obtained from revenue authority employees and contraband business operators. The study used only primary data because of the illegal nature of the area of investigation, lack of formal records about the revenues of the operators and actual revenue loss of government because of this informal business (contraband).

Primary data were collected through structured questionnaires that contain both open and closed-ended questions distributed to the employees and business operators. Also; Lickert scale was used to generate the perception of various study respondents on the magnitude of contraband. Secondary data were collected through reviewing written documents, articles and journals.

3.3 Sampling Design

The target population of this study was tax authority employees and formal business operators as well as those illicit traders. Segen Area Peoples Zone was composed of five Woredas (Konso, Dirashe, Amharo, Burji, and Ali). Accordingly, the study utilized all data obtained from the employees of the revenue authority and contraband business operators. The tax authority offices were located in Zone city and Zone center in addition to five Woredas.

Collecting enough data from the targeted population is essential for the realization of the research objectives and to arrive at the needed conclusion. The area of investigation lacks formal records about revenue and expense, operates outside the official system of operation and mysterious in number to select the representative sample for the study. Also; they may perceive divulging them for the government for punishment at the time the researcher met them and might refuse to give the data hence their business was informal by nature. Therefore; the researcher picked 50 contraband business operators using judgmental sampling technique considering the ability to fill the questionnaire properly, uniformity of their business and their objectives of preferring illegal business than formal business.

The total numbers of employees in revenue authority are known so; the researcher used simple random sampling. Currently, there are about 178 numbers of employees in the zone tax authority (35 in Konso, 31 in Amharo, 25 in Gidole, 15 in Ali, 22 in Burji, 16 in Segen city and 34 in Zone center). Using simple random sampling technique, the researcher took 75 numbers of employees (15 from Konso, Amharo and Zone city, 10 from Burji and Gidole. The remaining ten were from Ali and Segen city).

3.4 Data Analysis

After collecting all necessary data from respondents; they were examined for detection of

[5] https://www.trademarkea.com/news/east-africa-has-a-lesson-for-sadc-in-formalising-cross-border-trade/

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errors and omissions through careful scrutiny of the completed questionnaires and put into a limited number of categories. The data collected through questionnaire were quantifiable, so were organized systematically and analyzed statistically with statistical software (SPSS 20.0).

4. Data Analysis and Presentation

4.1 Demographic characteristics of the respondents

Table 1: Demographic Characteristics of Employees

		Frequency	Percent	Valid Percent	Cumulative Percent
Gender	Male	48	64	64	64
	Female	27	36	36	100
	Total	75	100	100	
Educational Level	Certificate	13	17.3	17.3	17.3
	Diploma	29	38.7	38.7	56
	BA	30	40	40	96
	Masters	3	4	4	100
	Total	75	100	100	
Field of Study	Accounting	31	41.3	41.3	41.3
	Management	27	36	36	77.3
	Economics	14	18.7	18.7	96
	Other	3	4	4	100
	Total	75	100	100	
Work Experience	less than 2 years	10	13.3	13.3	13.3
	2-5 years	34	45.3	45.3	58.7
	5-10 years	24	32	32	90.7
	Above 10 years	7	9.3	9.3	100
	Total	75	100	100	

Source: Survey (2018)

Table 1 above presents the demographic characteristics of the revenue authority employees used to collect data for the study. As was seen from the table, the majority of the participants were male and also diploma and first-degree holders. This has its own effect on contraband controlling process. Holding the high number of employees that have a lower educational level or completed their education through distance process will affect the revenue of the zone negatively. Not only can this but from the table one can also conclude that the majority of the selected employees were accountant and management field of study. More over; the table reveals that the selected employees have a work experience of between two to ten years.

4.2 Factors Motivating Peoples to Engage in Contraband

Contraband activities are illegal business activities violating the law of the country or performed against the rules and regulations that govern the export and import activities of the countries. Different methods are being designed to cut this illegal business, but instead of dimensioning it is raising and even attracting many young generations including those which are in formal business sectors. Individuals may be involved for the suck of their benefit or serve other on commission bases. The motivating factors are various among the participants like personal financial problems, increasing family responsibility or even lack of a formal job as a source of income and other. The following table presents the factors that motivate peoples to engage themselves in illegal business activities. Moreover; other joins it as a response to overly cumbersome, rigid, time-consuming and inefficient bureaucratic export/import procedures and regulations.

Table 2: Why are you Engaged in Contraband

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Lack of job	16	32.0	32.0	32.0
	Lack of capital to start up my own business	3	6.0	6.0	38.0
	Lack of formal source of income to meet my family responsibilities	21	42.0	42.0	80.0
	Demand-supply gap in formal system	10	20.0	20.0	100.0
	Total	50	100.0	100.0	

Source: Survey (2018)

As shown in Table 2 above, people are being forced by lack of formal income to meet their family responsibilities (42%). Rise in family number and expenses for consumption from time to time with

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decreasing or zero income pushes the family member into activities that will help them to get income for their families expenses particularly contraband. From the table, 32% stated that they are being motivated by lack of the job that will serve as a source of income. We are in situations where young generations stop their schools early because of family support or graduates wait for the hands of government all raising the level of the unemployment rate of the country. So this group has a high probability of participating in contraband activities. Moreover; the demand and supply gap in formal sectors also pushed individuals (20%) into informal sector (contraband). If the formal system cannot meet the demand of the people in the formal system, it is clear that that gap will be filled by informal sectors through products smuggled illegally into the country.

The respondents were also asked who has led them into contraband activities as shown in Table 3. The table reveals that the majority of the contrabandists were directed by their situations (64%) which may be lack of income, job or increasing family responsibility, and other personal problems. On the other hand friend initiation also plays a big role in moving individuals into contraband as was shown in the table (30%). By looking and comparing the revenue that the friend in illegal business sector is generating with the revenue that he/she is obtaining in formal business sector discourage them to leave that formal sector and join informal business sectors or friend pushes to form informal partnership business or advise them about the benefits that they and other are getting by involving themselves in contraband business.

Table 3: Who lead you in to contraband business

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	My own personal situations	32	64.0	64.0	64.0
	My families push	3	6.0	6.0	70.0
	My friend's initiation	15	30.0	30.0	100.0
	Total	50	100.0	100.0	

Source: Survey (2018)

4.3 Knowledge of the Respondents about Contraband

The awareness or knowledge that one has about any activity that he/she wants to do has effect on its outcome. Business peoples usually conduct SWOT analysis before direct starting the business. On the other hand, there are people who engage themselves in a business or other transactions unknowingly or without the idea about the cost and benefit of that activity. There are also other who start a trade activities by looking at the success of other people or do it because other have done it before and became successful in it. The same is true in case of contraband.

Contrabandists run their business violating the law of the country may be by knowing of about the existence of the business outside the government regulation or unknowingly. They merely run it by looking their benefit, but they did not analysis the effect that it has on the society and the economy of the country at large. Accordingly, the response of the respondents about their knowledge regarding the illegality of their business is presented in Table 4:

Table 4: Do you know that the business you are involved in is illegal

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	17	34.0	34.0	34.0
	No	33	66.0	66.0	100.0
	Total	50	100.0	100.0	

Source: Survey (2018)

From the above table the response, the majority of the contraband operators indicates lack of knowledge about the existence of their business outside the rule and regulation of the country. They are running it as a normal business like formal operators, but they did not have awareness about the illegality of their business and its effect on formal business operators and other locally produced products and even innovations.

4.4 Benefits and Effects of Contraband

Although contraband exists outside formal system, it benefits the economy of a country in various ways. For instance, it enables people to meet the education, housing, and other basic needs, employs people in their home countries and in the countries where they source their goods and it is also a supplementary source of family income to people who are under-employed. It also benefits consumers through lower prices of the informally imported products. Table 5 and 6 below show the results of the contrabandist regarding the benefits of their informal business.

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Table 5: Do you think that contraband activities are important for the economy of a country

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	41	82.0	82.0	82.0
	No	9	18.0	18.0	100.0
	Total	50	100.0	100.0	

Source: Survey (2018)

According to the result of the table, their business has a contribution or benefits the economy of the country (82%). In line with the above response, they were also asked in what way illegal activity can benefit the economy of the country.

Table 6: If your answer to question No 17 above was yes, then in what way can it benefit the economy of the country?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	It enables small entrepreneurs to escape poverty	18	36.0	36.0	36.0
	It allows us to meet the education, housing and other basic needs	15	30.0	30.0	66.0
	It acts as a supplementary source of family income	10	20.0	20.0	86.0
	It act as a source of employment to some people who were retrenched	5	10.0	10.0	96.0
		2	4.0	4.0	100.0
	Total	50	100.0	100.0	

Source: Survey (2018)

The benefit of the contraband business according to the operators, through giving ability for the operators and small entrepreneurs to escape poverty (36%), also allows others who have no formal source of income to meet the education, housing and other basic needs for their families (30%) and even acts as a supplementary source of family income to people who are paid low salary (20%).

The illicit transactions that is being conducted in the country outside the formal system or government regulation has harmful effects as well starting from the expansion of crimes to going down in government revenue to distortion of the formal economy of the country. It even promotes anti-social behavior and violation of the rules and norms in the formal economy and also regarded as the cause of low GDP growth. Such illicit activities also have benefits to society in the form of employment, a source of income, and as a means to escape poverty.

Table 7: Effect of Contraband

	Employee Perception					Mean	SD
Statement	SA	A	N	D	SD		
Undermines government tax revenues	88%	12%	0%	0%	0%	1.12	.327
Increases tax burden on formal business operators	48%	29%	21%	2%	0%	1.76	0.836
Discourage formal operators	39%	40%	8%	8%	5%	2.01	1.133
Distorts competition in the market	18%	42%	21%	10%	9%	2.53	1.178
Foster the development of additional criminal activities	10%	12%	64%	8%	6%	2.85	0.911
Undermines investment, innovation and distribution	37%	42%	21%	0%	0%	1.84	0.754
Foreign currency loose	53%	22%	10%	9%	6%	1.89	1.203
Creates unfair competition for official traders	40%	37%	14%	6%	3%	1.93	1.004

Source: Survey (2018)

Table 7 above presents the effect of contraband and as was seen contraband undermines the government revenue the highest response (100%) with a mean of 1.12 and standard deviation of 0.327 because the operators are outside formal system and also are difficult to be taxed. By allowing products illegally to enter the country and sold informally causes the government revenue to fall. It also increase tax burden on formal business operators as was shown on the table (77%) with a mean and standard deviation of 1.76 and 0.836 in such a way that two of them (contrabandist and formal business operators) are selling the products in the same country for similar customers, but one is paying tax on the returns, but the other one didn't pay tax. This expansion of nontax paying business lowers revenue of the government, and in need of revenue to

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cover its expenditures, government tries to raise it through growth of tax bases or raising tax rate which will fall only on formal operators. This, also, may remove official business operators from legal system to join informal nontax paying system (79%) with a mean of 2.01 and standard deviation of 1.133.

Moreover; hence contrabandists bring products at a lower price with higher quality causes the local producers. The country in need of raising its economy takes many measures to attract foreign investors and also local investors to invest capital in different projects. As an investment made in developing country, the products face big challenges in the market if there are quality products imported informally from the developed nation. This kills the need for the investments and innovations in the country as shown in the table (79%) with a mean and standard deviation of 1.84 and 0.754. Such illegal business also wipes out foreign currency that a country may earn from formal import-export activities (77%) with a mean and standard deviation of 1.89 and 1.203 and also can create unfair competition in the market (79%).

4.5 *Contraband Controlling and Challenges Faced in the Controlling Process*

Contraband goods have no official entry point in Ethiopia, do not have customs document or prior approval to enter into or depart from the country according to ERCA report. The smuggler's traffic goods of various kinds into and out of the country illegally without having state-issued permits, license or registration. They violate the law that governs the import /export procedure and thus avoid the payment of all applicable taxes for the importation or exportation of goods.

Because of the negative effect that it has on the economy of the country, revenue authority is framing different means to stop it as much as possible. The prevention strategy involves a wide range of actors-government, regional and local administrators, and the society at large. The government has disbanded customs police and replaced them by federal police who will work with regional and local administrators and the community and even mended customs and tax laws. According to the report, as a result of the active participation of them in fighting against contraband, the volume of contraband goods that enters has decreased.

The government starts to take serious measures by removing the existing government regulatory bodies assigned to control contraband and even amend the rules that govern that activity. The government takes such actions because that illicit activity was growing from time to time negatively affecting the tax revenue of the country. Accordingly, the controlling process to some extent was effective in decreasing the volume of the contraband products entering the country. The response of the contrabandist was presented in Table 8 whether they have ever caught by the government or not.

Table 8: Have you ever caught by government bodies who are assigned to control contraband

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	23	46.0	46.0	46.0
	No	27	54.0	54.0	100.0
	Total	50	100.0	100.0	

Source: (2018)

The result of the contrabandist for this study shows that 54% have never been caught by the controlling units where as 46% were trapped by the controlling unit. From this one can conclude that the controlling process was to some extent not effective.

The contrabandist operators who have been caught by controlling unit were asked about what happens if they were trapped by the government units which are assigned for that illegal activity. The result shows that their products were confiscated by the controlling units 44%. In addition, 48% stated that nothing was happened to them (see Table 9). This group may be caught by government unit, but they may have methods that they are using to escape confiscation or penalty.

Table 9: What was happening to you after being caught by government bodies

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	My products were confiscated	22	50.0	50.0	50.0
	I have been penalized	4	28.0	28.0	78.0
	Nothing was happen to me	24	22.0	22.0	100.0
	Total	50	100.0	100.0	

Source: Survey (2018)

The contraband operators have many ways that they can use to escape confiscation or penalties. They are expert in bribing government bodies who use public power for personal gains and can support the contrabandist. The majority of the respondents stated that they had escaped confiscation or penalty (62%) shown table 10 below.

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Table 10: Have you ever escaped confiscation or penalty after being caught by government bodies

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	31	62.0	62.0	62.0
	No	19	38.0	38.0	100.0
	Total	50	100.0	100.0	

Source: Survey (2018)

The groups from the respondents that escape confiscation as well as penalty were asked how they are dodging and their answers were presented in table 11.

Table 11: How Did You Escape

	Frequency	Percent	Valid Percent	Cumulative Percent
I bribe controlling units	25	50.0	50.0	50.0
I give them the most expensive products that they want from the contraband	18	36.0	36.0	86.0
I promised them to bring the products that they want from abroad	7	14.0	14.0	100.0
Total	50	100.0	100.0	

Source: Survey (2018)

As was revealed in the table, the majority of the respondents (50%) stated that their main means of escaping confiscation and penalty is bribery. They are running a large amount of capital so instead of losing that hug amount of money they prefer paying a bribe for the controlling units informally. They have the ability to pay and also how to pay, so after paying the area, they carry the products publicly without any fear. In addition to this, they offer them the most expensive products that they lacked the ability to buying on the legal market. By giving them those products that the controlling units need, they can escape controlling point easily.

In addition to the above problem in controlling contraband process i.e. bribe and provision of expensive products, the tax authority employees were also asked about the challenges that the tax authority is facing in dealing with contraband. The existence of the business outside the government regulation by its nature was hard to control for the controlling authority. They have no formal license for that business, inter the border illegally, and sold illegally without government permission. This and other problems associated with that illicit business makes the controlling process difficult. Table 12 provides responds to the tax authority employees regarding the challenges associated with controlling contraband.

4.6 Challenges in controlling contraband

Table 12: Challenges in dealing with contraband

Statement	Employee Perception					Mean	SD
	SA	A	N	D	SD		
Insufficient enforcement and penalties	26%	68%	6%	0%	0%	1.77	.535
Lack of ongoing training on how to control contraband	56%	32%	8%	4%	0%	1.60	.805
Weak institutional capacity	12%	38%	22%	16%	12%	2.79	1.21
Lack of competent and skilled man power in control unit	65%	26%	4%	5%	0%	1.47	.759
Insufficient checkpoints to control all cross border activities	20%	12%	54%	14%	0%	2.65	.966
Lack of adequate modern technological instruments and infrastructure	16%	24%	33%	20%	7%	2.77	1.16
Poor working conditions	8%	20%	28%	42%	2%	3.11	1.02
Poor salary for controlling units	68%	30%	2%	0%	0%	1.33	.502
Extensive informal sector in the economy	11%	10%	46%	23%	10%	3.16	1.10
Ineffective respond to tax evasion	27%	43%	28%	2%	9%	2.07	.811
Large and poor border	11%	20%	48%	11%	10%	2.91	1.08
Complex geographical transportation	12%	22%	43%	21%	0%	2.72	.952
Poor coordination within the authority	40%	12%	34%	13%	1%	2.23	1.16
Corruption and coalition	62%	24%	12%	2%	0%	1.53	.811

Source: Survey (2018)

Hence the issue that was being tried to control was the challenging one so need a well trained skilled and committed employees that work in collaboration with the general public. Opposite to this however, the obstacle in controlling process was insufficient human resource that have skill and competent (91%) with a

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mean of 1.47 and standard deviation of 0.759. The products are entering the border illegally with no fixed ways. The contrabandist changes the ways every time so needs ongoing training about how to mitigate that illegal activity. Reverse to this, there was no ongoing training (94%) with mean and standard deviation of 1.77 and 0.535.

4.7 Measures to Reduce Contraband

Contraband business in a given country has different socio-economic, political and cultural effects. It was explored by policy developers as well as academicians at many periods, but the issue was continued to grow instead of diminishing. To protect their country from negative outcomes of that activity and even to secure their tax revenue continuously, it is necessary for governments to reduce the effect. Ethiopia like other African countries is affected by contraband trade, so the government has taken many measures like banning the existing government units assigned on that area, create awareness for the general public, amending tax and customs laws, enhancing public education and enlightenment, allowing border trade and other.

Table 13: Measures to wipe out or reduce contraband

Statement	Employee Perception					Mean	SD
	SA	A	N	D	SD		
Create conducive environment for effective coordination and communication among controlling unit and the general public	50%	34%	8%	8%	0%	1.8	0.959
Human resource capacity development	58%	40%	2%	0%	0%	1.43	0.524
Strong enforcement of the rules and punishments	42%	48%	6%	4%	0%	1.69	0.716
Strengthen domestic innovations and manufacturing to fill demand supply gap	55%	36%	9%	0%	0%	1.55	0.664
Introduce and enhance information technology infrastructure	12%	21%	55%	8%	4%	2.69	0.90

Source: Survey (2018)

Contraband business is to some extent the result of the demand and supply gap in the formal system. The official business operators in a country like Ethiopia provide products with low quality. This supply gap pushes not only those who are not participating in authorized business, but also those that have business to fill that gap. It is so essential for a government to raise domestic innovations and manufacturing as was seen in the above table (91%) and human resource capacity development (98%) with a mean of 1.55 and standard deviation of 0.55. In addition to this, according to the response of the official's poor enforcements and implementation of the existing rules and regulations expand illegal activities, so it is better for the tax authority to strengthen strong enforcement of the rules and punishments (88%). Even more; the tax authority with federal police officers cannot mitigate that illegal activity unless they collaboratively work with the general public. They must create a conducive environment for effective coordination and communication among controlling unit and the general public (84%).

5. Conclusion

The objective of this paper was to assess the effect that contraband business has on government revenue of the Segen Area People Zone. Contraband incorporates those transactions from which the operators generate huge amount of returns but pay no tax for the government. Some of factors push or motivates peoples to engage in such illegal activity according to the result of the study like lack of formal income to meet their family responsibilities (42%), lack of job (32%) and the demand and supply gap in the formal sectors (20%). According to the result, the selected contrabandists were led into such activity by their situations (64%) and friend initiation (30%).

The majority of the contraband operators have no knowledge about the existence of their business outside government regulation. They are running it as a normal business like legal operators, but they did not have awareness about the illegality of their business and its effect on formal operators and other locally produced products and even innovations. Accordingly, their business will support the economy through giving the ability for the operators and small entrepreneurs to escape poverty, allows other who have no formal source of income to meet the education, housing and other basic needs for their families and even acts as a supplementary source of family income to people who are under employed. It directly undermines the government revenue, increase the tax burden on official business operators and may remove formal business operators from formal system to join the informal nontax paying system. Moreover; kills the need for the investments and innovations in the country, wipes out foreign currency that a country may earn from formal import-export and also create unfair competition in the market.

The process of controlling contraband faces a great challenge like the bribe, insufficient skilled, and competent human resource, lack of ongoing trainings, low salary of the workers, corruption, and coalition, inadequate enforcement and penalties and ineffective respond to tax evasion in the area. According to the

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result of the study, it is so better for a government to raise domestic innovations and manufacturing and human resource capacity development. In addition to this, it should also strengthen strong enforcement of the rules and punishments and even create the conducive environment for effective coordination and communication among controlling unit and the general public.

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Tips for writing a good quality Management Research Paper

Techniques for writing a good quality management and business research paper:

1. Choosing the topic: In most cases, the topic is selected by the interests of the author, but it can also be suggested by the guides. You can have several topics, and then judge which you are most comfortable with. This may be done by asking several questions of yourself, like "Will I be able to carry out a search in this area? Will I find all necessary resources to accomplish the search? Will I be able to find all information in this field area?" If the answer to this type of question is "yes," then you ought to choose that topic. In most cases, you may have to conduct surveys and visit several places. Also, you might have to do a lot of work to find all the rises and falls of the various data on that subject. Sometimes, detailed information plays a vital role, instead of short information. Evaluators are human: The first thing to remember is that evaluators are also human beings. They are not only meant for rejecting a paper. They are here to evaluate your paper. So present your best aspect.

2. Think like evaluators: If you are in confusion or getting demotivated because your paper may not be accepted by the evaluators, then think, and try to evaluate your paper like an evaluator. Try to understand what an evaluator wants in your research paper, and you will automatically have your answer. Make blueprints of paper: The outline is the plan or framework that will help you to arrange your thoughts. It will make your paper logical. But remember that all points of your outline must be related to the topic you have chosen.

3. Ask your guides: If you are having any difficulty with your research, then do not hesitate to share your difficulty with your guide (if you have one). They will surely help you out and resolve your doubts. If you can't clarify what exactly you require for your work, then ask your supervisor to help you with an alternative. He or she might also provide you with a list of essential readings.

4. Use of computer is recommended: As you are doing research in the field of management and business then this point is quite obvious. Use right software: Always use good quality software packages. If you are not capable of judging good software, then you can lose the quality of your paper unknowingly. There are various programs available to help you which you can get through the internet.

5. Use the internet for help: An excellent start for your paper is using Google. It is a wondrous search engine, where you can have your doubts resolved. You may also read some answers for the frequent question of how to write your research paper or find a model research paper. You can download books from the internet. If you have all the required books, place importance on reading, selecting, and analyzing the specified information. Then sketch out your research paper. Use big pictures: You may use encyclopedias like Wikipedia to get pictures with the best resolution. At Global Journals, you should strictly follow here.



6. Bookmarks are useful: When you read any book or magazine, you generally use bookmarks, right? It is a good habit which helps to not lose your continuity. You should always use bookmarks while searching on the internet also, which will make your search easier.

7. Revise what you wrote: When you write anything, always read it, summarize it, and then finalize it.

8. Make every effort: Make every effort to mention what you are going to write in your paper. That means always have a good start. Try to mention everything in the introduction—what is the need for a particular research paper. Polish your work with good writing skills and always give an evaluator what he wants. Make backups: When you are going to do any important thing like making a research paper, you should always have backup copies of it either on your computer or on paper. This protects you from losing any portion of your important data.

9. Produce good diagrams of your own: Always try to include good charts or diagrams in your paper to improve quality. Using several unnecessary diagrams will degrade the quality of your paper by creating a hodgepodge. So always try to include diagrams which were made by you to improve the readability of your paper. Use of direct quotes: When you do research relevant to literature, history, or current affairs, then use of quotes becomes essential, but if the study is relevant to science, use of quotes is not preferable.

10. Use proper verb tense: Use proper verb tenses in your paper. Use past tense to present those events that have happened. Use present tense to indicate events that are going on. Use future tense to indicate events that will happen in the future. Use of wrong tenses will confuse the evaluator. Avoid sentences that are incomplete.

11. Pick a good study spot: Always try to pick a spot for your research which is quiet. Not every spot is good for studying.

12. Know what you know: Always try to know what you know by making objectives, otherwise you will be confused and unable to achieve your target.

13. Use good grammar: Always use good grammar and words that will have a positive impact on the evaluator; use of good vocabulary does not mean using tough words which the evaluator has to find in a dictionary. Do not fragment sentences. Eliminate one-word sentences. Do not ever use a big word when a smaller one would suffice.
Verbs have to be in agreement with their subjects. In a research paper, do not start sentences with conjunctions or finish them with prepositions. When writing formally, it is advisable to never split an infinitive because someone will (wrongly) complain. Avoid clichés like a disease. Always shun irritating alliteration. Use language which is simple and straightforward. Put together a neat summary.

14. Arrangement of information: Each section of the main body should start with an opening sentence, and there should be a changeover at the end of the section. Give only valid and powerful arguments for your topic. You may also maintain your arguments with records.

15. Never start at the last minute: Always allow enough time for research work. Leaving everything to the last minute will degrade your paper and spoil your work.

16. Multitasking in research is not good: Doing several things at the same time is a bad habit in the case of research activity. Research is an area where everything has a particular time slot. Divide your research work into parts, and do a particular part in a particular time slot.

17. Never copy others' work: Never copy others' work and give it your name because if the evaluator has seen it anywhere, you will be in trouble. Take proper rest and food: No matter how many hours you spend on your research activity, if you are not taking care of your health, then all your efforts will have been in vain. For quality research, take proper rest and food.

18. Go to seminars: Attend seminars if the topic is relevant to your research area. Utilize all your resources.

19. Refresh your mind after intervals: Try to give your mind a rest by listening to soft music or sleeping in intervals. This will also improve your memory. Acquire colleagues: Always try to acquire colleagues. No matter how sharp you are, if you acquire colleagues, they can give you ideas which will be helpful to your research.

20. Think technically: Always think technically. If anything happens, search for its reasons, benefits, and demerits. Think and then print: When you go to print your paper, check that tables are not split, headings are not detached from their descriptions, and page sequence is maintained.

21. Adding unnecessary information: Do not add unnecessary information like "I have used MS Excel to draw graphs." Irrelevant and inappropriate material is superfluous. Foreign terminology and phrases are not apropos. One should never take a broad view. Analogy is like feathers on a snake. Use words properly, regardless of how others use them. Remove quotations. Puns are for kids, not grunt readers. Never oversimplify: When adding material to your research paper, never go for oversimplification; this will definitely irritate the evaluator. Be specific. Never use rhythmic redundancies. Contractions shouldn't be used in a research paper. Comparisons are as terrible as clichés. Give up ampersands, abbreviations, and so on. Remove commas that are not necessary. Parenthetical words should be between brackets or commas. Understatement is always the best way to put forward earth-shaking thoughts. Give a detailed literary review.

22. Report concluded results: Use concluded results. From raw data, filter the results, and then conclude your studies based on measurements and observations taken. An appropriate number of decimal places should be used. Parenthetical remarks are prohibited here. Proofread carefully at the final stage. At the end, give an outline to your arguments. Spot perspectives of further study of the subject. Justify your conclusion at the bottom sufficiently, which will probably include examples.

23. Upon conclusion: Once you have concluded your research, the next most important step is to present your findings. Presentation is extremely important as it is the definite medium though which your research is going to be in print for the rest of the crowd. Care should be taken to categorize your thoughts well and present them in a logical and neat manner. A good quality research paper format is essential because it serves to highlight your research paper and bring to light all necessary aspects of your research.

Informal Guidelines of Research Paper Writing

Key points to remember:

- Submit all work in its final form.
- Write your paper in the form which is presented in the guidelines using the template.
- Please note the criteria peer reviewers will use for grading the final paper.

Final points:

One purpose of organizing a research paper is to let people interpret your efforts selectively. The journal requires the following sections, submitted in the order listed, with each section starting on a new page:

The introduction: This will be compiled from reference matter and reflect the design processes or outline of basis that directed you to make a study. As you carry out the process of study, the method and process section will be constructed like that. The results segment will show related statistics in nearly sequential order and direct reviewers to similar intellectual paths throughout the data that you gathered to carry out your study.

The discussion section:

This will provide understanding of the data and projections as to the implications of the results. The use of good quality references throughout the paper will give the effort trustworthiness by representing an alertness to prior workings.

Writing a research paper is not an easy job, no matter how trouble-free the actual research or concept. Practice, excellent preparation, and controlled record-keeping are the only means to make straightforward progression.

General style:

Specific editorial column necessities for compliance of a manuscript will always take over from directions in these general guidelines.

To make a paper clear: Adhere to recommended page limits.

Mistakes to avoid:

- Insertion of a title at the foot of a page with subsequent text on the next page.
- Separating a table, chart, or figure—confine each to a single page.
- Submitting a manuscript with pages out of sequence.
- In every section of your document, use standard writing style, including articles ("a" and "the").
- Keep paying attention to the topic of the paper.



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- Use paragraphs to split each significant point (excluding the abstract).
- Align the primary line of each section.
- Present your points in sound order.
- Use present tense to report well-accepted matters.
- Use past tense to describe specific results.
- Do not use familiar wording; don't address the reviewer directly. Don't use slang or superlatives.
- Avoid use of extra pictures—include only those figures essential to presenting results.

Title page:

Choose a revealing title. It should be short and include the name(s) and address(es) of all authors. It should not have acronyms or abbreviations or exceed two printed lines.

Abstract: This summary should be two hundred words or less. It should clearly and briefly explain the key findings reported in the manuscript and must have precise statistics. It should not have acronyms or abbreviations. It should be logical in itself. Do not cite references at this point.

An abstract is a brief, distinct paragraph summary of finished work or work in development. In a minute or less, a reviewer can be taught the foundation behind the study, common approaches to the problem, relevant results, and significant conclusions or new questions.

Write your summary when your paper is completed because how can you write the summary of anything which is not yet written? Wealth of terminology is very essential in abstract. Use comprehensive sentences, and do not sacrifice readability for brevity; you can maintain it succinctly by phrasing sentences so that they provide more than a lone rationale. The author can at this moment go straight to shortening the outcome. Sum up the study with the subsequent elements in any summary. Try to limit the initial two items to no more than one line each.

Reason for writing the article—theory, overall issue, purpose.

- Fundamental goal.
- To-the-point depiction of the research.
- Consequences, including definite statistics—if the consequences are quantitative in nature, account for this; results of any numerical analysis should be reported. Significant conclusions or questions that emerge from the research.

Approach:

- Single section and succinct.
- An outline of the job done is always written in past tense.
- Concentrate on shortening results—limit background information to a verdict or two.
- Exact spelling, clarity of sentences and phrases, and appropriate reporting of quantities (proper units, important statistics) are just as significant in an abstract as they are anywhere else.

Introduction:

The introduction should "introduce" the manuscript. The reviewer should be presented with sufficient background information to be capable of comprehending and calculating the purpose of your study without having to refer to other works. The basis for the study should be offered. Give the most important references, but avoid making a comprehensive appraisal of the topic. Describe the problem visibly. If the problem is not acknowledged in a logical, reasonable way, the reviewer will give no attention to your results. Speak in common terms about techniques used to explain the problem, if needed, but do not present any particulars about the protocols here.

The following approach can create a valuable beginning:

- Explain the value (significance) of the study.
- Defend the model—why did you employ this particular system or method? What is its compensation? Remark upon its appropriateness from an abstract point of view as well as pointing out sensible reasons for using it.
- Present a justification. State your particular theory(-ies) or aim(s), and describe the logic that led you to choose them.
- Briefly explain the study's tentative purpose and how it meets the declared objectives.

Approach:

Use past tense except for when referring to recognized facts. After all, the manuscript will be submitted after the entire job is done. Sort out your thoughts; manufacture one key point for every section. If you make the four points listed above, you will need at least four paragraphs. Present surrounding information only when it is necessary to support a situation. The reviewer does not desire to read everything you know about a topic. Shape the theory specifically—do not take a broad view.

As always, give awareness to spelling, simplicity, and correctness of sentences and phrases.

Procedures (methods and materials):

This part is supposed to be the easiest to carve if you have good skills. A soundly written procedures segment allows a capable scientist to replicate your results. Present precise information about your supplies. The suppliers and clarity of reagents can be helpful bits of information. Present methods in sequential order, but linked methodologies can be grouped as a segment. Be concise when relating the protocols. Attempt to give the least amount of information that would permit another capable scientist to replicate your outcome, but be cautious that vital information is integrated. The use of subheadings is suggested and ought to be synchronized with the results section.

When a technique is used that has been well-described in another section, mention the specific item describing the way, but draw the basic principle while stating the situation. The purpose is to show all particular resources and broad procedures so that another person may use some or all of the methods in one more study or referee the scientific value of your work. It is not to be a step-by-step report of the whole thing you did, nor is a methods section a set of orders.

Materials:

Materials may be reported in part of a section or else they may be recognized along with your measures.

Methods:

- Report the method and not the particulars of each process that engaged the same methodology.
- Describe the method entirely.
- To be succinct, present methods under headings dedicated to specific dealings or groups of measures.
- Simplify—detail how procedures were completed, not how they were performed on a particular day.
- If well-known procedures were used, account for the procedure by name, possibly with a reference, and that's all.

Approach:

It is embarrassing to use vigorous voice when documenting methods without using first person, which would focus the reviewer's interest on the researcher rather than the job. As a result, when writing up the methods, most authors use third person passive voice.

Use standard style in this and every other part of the paper—avoid familiar lists, and use full sentences.

What to keep away from:

- Resources and methods are not a set of information.
- Skip all descriptive information and surroundings—save it for the argument.
- Leave out information that is immaterial to a third party.

Results:

The principle of a results segment is to present and demonstrate your conclusion. Create this part as entirely objective details of the outcome, and save all understanding for the discussion.

The page length of this segment is set by the sum and types of data to be reported. Use statistics and tables, if suitable, to present consequences most efficiently.

You must clearly differentiate material which would usually be incorporated in a study editorial from any unprocessed data or additional appendix matter that would not be available. In fact, such matters should not be submitted at all except if requested by the instructor.



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Content:

- Sum up your conclusions in text and demonstrate them, if suitable, with figures and tables.
- In the manuscript, explain each of your consequences, and point the reader to remarks that are most appropriate.
- Present a background, such as by describing the question that was addressed by creation of an exacting study.
- Explain results of control experiments and give remarks that are not accessible in a prescribed figure or table, if appropriate.
- Examine your data, then prepare the analyzed (transformed) data in the form of a figure (graph), table, or manuscript.

What to stay away from:

- Do not discuss or infer your outcome, report surrounding information, or try to explain anything.
- Do not include raw data or intermediate calculations in a research manuscript.
- Do not present similar data more than once.
- A manuscript should complement any figures or tables, not duplicate information.
- Never confuse figures with tables—there is a difference.

Approach:

As always, use past tense when you submit your results, and put the whole thing in a reasonable order.

Put figures and tables, appropriately numbered, in order at the end of the report.

If you desire, you may place your figures and tables properly within the text of your results section.

Figures and tables:

If you put figures and tables at the end of some details, make certain that they are visibly distinguished from any attached appendix materials, such as raw facts. Whatever the position, each table must be titled, numbered one after the other, and include a heading. All figures and tables must be divided from the text.

Discussion:

The discussion is expected to be the trickiest segment to write. A lot of papers submitted to the journal are discarded based on problems with the discussion. There is no rule for how long an argument should be.

Position your understanding of the outcome visibly to lead the reviewer through your conclusions, and then finish the paper with a summing up of the implications of the study. The purpose here is to offer an understanding of your results and support all of your conclusions, using facts from your research and generally accepted information, if suitable. The implication of results should be fully described.

Infer your data in the conversation in suitable depth. This means that when you clarify an observable fact, you must explain mechanisms that may account for the observation. If your results vary from your prospect, make clear why that may have happened. If your results agree, then explain the theory that the proof supported. It is never suitable to just state that the data approved the prospect, and let it drop at that. Make a decision as to whether each premise is supported or discarded or if you cannot make a conclusion with assurance. Do not just dismiss a study or part of a study as "uncertain."

Research papers are not acknowledged if the work is imperfect. Draw what conclusions you can based upon the results that you have, and take care of the study as a finished work.

- You may propose future guidelines, such as how an experiment might be personalized to accomplish a new idea.
- Give details of all of your remarks as much as possible, focusing on mechanisms.
- Make a decision as to whether the tentative design sufficiently addressed the theory and whether or not it was correctly restricted. Try to present substitute explanations if they are sensible alternatives.
- One piece of research will not counter an overall question, so maintain the large picture in mind. Where do you go next? The best studies unlock new avenues of study. What questions remain?
- Recommendations for detailed papers will offer supplementary suggestions.

Approach:

When you refer to information, differentiate data generated by your own studies from other available information. Present work done by specific persons (including you) in past tense.

Describe generally acknowledged facts and main beliefs in present tense.

The Administration Rules

Administration Rules to Be Strictly Followed before Submitting Your Research Paper to Global Journals Inc.

Please read the following rules and regulations carefully before submitting your research paper to Global Journals Inc. to avoid rejection.

Segment draft and final research paper: You have to strictly follow the template of a research paper, failing which your paper may get rejected. You are expected to write each part of the paper wholly on your own. The peer reviewers need to identify your own perspective of the concepts in your own terms. Please do not extract straight from any other source, and do not rephrase someone else's analysis. Do not allow anyone else to proofread your manuscript.

Written material: You may discuss this with your guides and key sources. Do not copy anyone else's paper, even if this is only imitation, otherwise it will be rejected on the grounds of plagiarism, which is illegal. Various methods to avoid plagiarism are strictly applied by us to every paper, and, if found guilty, you may be blacklisted, which could affect your career adversely. To guard yourself and others from possible illegal use, please do not permit anyone to use or even read your paper and file.

Criterion for Grading a Research Paper (Compilation) by Global Journals

Please note that following table is only a Grading of "Paper Compilation" and not on "Performed/Stated Research" whose grading solely depends on Individual Assigned Peer Reviewer and Editorial Board Member. These can be available only on request and after decision of Paper. This report will be the property of Global Journals.

Topics	Grades		
	A-B	**C-D**	**E-F**
Abstract	Clear and concise with appropriate content, Correct format. 200 words or below	Unclear summary and no specific data, Incorrect form Above 200 words	No specific data with ambiguous information Above 250 words
Introduction	Containing all background details with clear goal and appropriate details, flow specification, no grammar and spelling mistake, well organized sentence and paragraph, reference cited	Unclear and confusing data, appropriate format, grammar and spelling errors with unorganized matter	Out of place depth and content, hazy format
Methods and Procedures	Clear and to the point with well arranged paragraph, precision and accuracy of facts and figures, well organized subheads	Difficult to comprehend with embarrassed text, too much explanation but completed	Incorrect and unorganized structure with hazy meaning
Result	Well organized, Clear and specific, Correct units with precision, correct data, well structuring of paragraph, no grammar and spelling mistake	Complete and embarrassed text, difficult to comprehend	Irregular format with wrong facts and figures
Discussion	Well organized, meaningful specification, sound conclusion, logical and concise explanation, highly structured paragraph reference cited	Wordy, unclear conclusion, spurious	Conclusion is not cited, unorganized, difficult to comprehend
References	Complete and correct format, well organized	Beside the point, Incomplete	Wrong format and structuring

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