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Socio-Economic & Fiscal Impacts

Highlights

Foreign Investment in Countries

Creation of Gross Regional Product

Discovering Thoughts, Inventing Future

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Chinese Outward Foreign Investment in Developing Countries: A Case Study of Bangladesh

By Mohammadmaruf Hasan
Xiamen University

Abstract- This paper classifies the incentives preferred by the Chinese Outward foreign direct investment (OFDI) in Bangladesh. It is mentionable that incentives choice criterion of FDI mostly depends on the socio-economic condition of the host country, strategies followed by that country with the home country, geographical aspect etc. Elsewhere they try to take advantages from the host country because of them widen market share as well as one of the largest economy in the world. China working with Bangladesh for development FDI is the one initiative. A series of policy incentives, investment sovereignty has been offered to the FDI investors including tax holiday for several years, duty free facility for importing capital machinery, 100% foreign ownership, 100% profit repatriation facility, reinvestment of profit or dividend as FDI, multiple visa, work permit to foreign executives, permanent resident or even citizenship for investing a specific amount, and easy hassle free exit facility. Potential sectors of can attract more FDI are power generation, infrastructure development, private port establishment, joint venture, agro processed product, electrical & electronics, light engineering, and fashion designing etc. After so many incentives offered by the government till now FDI Inflow into Bangladesh is not at a satisfactory level. During last few years fresh FDI investment in not taking place. From the statistics of last few years it is quite clear that, reinvestment of locally earned profit is the major amount of FDI into Bangladesh. Fresh FDI inflow is decreasing day by day. Government has to investigate the issue and undertake necessary measures to increase fresh FDI into Bangladesh.

Keywords: *china OFDI, bangladesh FDI, chinese investment in bangladesh.*

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Chinese Outward Foreign Investment in Developing Countries: A Case Study of Bangladesh

Mohammadmaruf Hasan

Abstract- This paper classifies the incentives preferred by the Chinese Outward foreign direct investment (OFDI) in Bangladesh. It is mentionable that incentives choice criterion of FDI mostly depends on the socio-economic condition of the host country, strategies followed by that country with the home country, geographical aspect etc. Elsewhere they try to take advantages from the host country because of them widen market share as well as one of the largest economy in the world. China working with Bangladesh for development FDI is the one initiative. A series of policy incentives, investment sovereignty has been offered to the FDI investors including tax holiday for several years, duty free facility for importing capital machinery, 100% foreign ownership, 100% profit repatriation facility, reinvestment of profit or dividend as FDI, multiple visa, work permit to foreign executives, permanent resident or even citizenship for investing a specific amount, and easy hassle free exit facility. Potential sectors of can attract more FDI are power generation, infrastructure development, private port establishment, joint venture, agro processed product, electrical & electronics, light engineering, and fashion designing etc. After so many incentives offered by the government till now FDI Inflow into Bangladesh is not at a satisfactory level. During last few years fresh FDI investment in not taking place. From the statistics of last few years it is quite clear that, reinvestment of locally earned profit is the major amount of FDI into Bangladesh. Fresh FDI inflow is decreasing day by day. Government has to investigate the issue and undertake necessary measures to increase fresh FDI into Bangladesh.

Keywords: china OFDI, bangladesh FDI, chinese investment in bangladesh.

I. Introduction

Outward foreign direct investment (OFDI) is a new phenomenon for developing economy (Niti Bhaasin, 2015). A large number of studies have analyzed how inward foreign direct investment (FDI) contributes to economic development and growth in less industrially advanced countries (Crespo & Fontoura, 2007; De Mello, 1997; Fan, 2003; Ghauri & Yamin, 2009; Görg & Strobl, 2001; JBICI, 2002; Lim, 2001; Moran, Graham, & Blomström, 2005; Ozawa, 1992; Saggi, 2002). Outward foreign direct investment (OFDI), in turn, was thought of first and foremost as a consequence of economic development (Dunning & Narula, 1996). For globalization foreign direct investment (FDI.), a key factor. Job creation, technology transfer advancement, use natural resource FDI is an major stimulator as a result, FDI bust up economic growth. For foreign exchange, tax revenue, development gaps in developing and transition economies FDI playing a vital role (quazi, 2007; smith, 1997). Existing literature on the impact of institutional quality has described different ways in which institutions affect FDI Three important factors have increased the importance of the relationship between FDI And institutions. First, north (1990) highlights the importance of institutions in boosting investment and economic development. Second, with the strong growth in FDI. Inflows during the last two decades, transitioning and developed nations are interested in institutional reforms in order to attract more FDI Third, foreign investors are showing more interest in institutional quality when determining in which country to invest (bevan, estrin, & meyer, 2004).

China is investing billion dollars some specific sector like ports, power station and roads in OBOR countries, Sri Lanka, Bangladesh, Nepal and Pakistan to build trade and transport corridors across Asia and beyond. as well as Bangladesh in South Asia In particular, Bangladesh stands out as the sourcing hotspot in the industry by offering the advantages of both low costs and large capacity. Foreign direct investment is likely to take advantage least development like Bangladesh in number of ways (Fahmida Khatun, 2015). Outflows from China continued to grow, reaching a new record of $84 billion (World Investment Report 2013)[1]. This was the highest FDI receipt in its history (second highest: USD 1.08 billion in 2008) and Bangladesh ranked itself third amongst the South Asian countries in terms of FDI inflow. Bangladesh achieved a significant growth in inflow of foreign direct investment (FDI) in 2012, despite a major decline in global inflow of FDI, said the World Investment Report (WIR), 2012 of the United Nations Conference on Trade and Development (UNCTAD). According to the report, Bangladesh received FDI worth about US $1.292 billion last year (2012), the highest ever investment from overseas. The amount is 13.75 per cent more than that in the previous

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[1] World Investment Report 2013. http://unctad.org/en/Publications Library/wir2013_en.pdf

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year. The country received $ 1.136 billion FDI in 2011 and $ 913.32 million in 2010.

II. Objectives of the Study

The main objective of this study is to remark the motives of Chinese firms to invest in Bangladesh.

The specific objectives of this study are:

- FDI status in Bangladesh
- Interest of China invest in Bangladesh.
- To outline the China's recent outward FDI in Bangladesh.
- To evaluate the status of incentives provided by Bangladesh to the Chinese firms.

III. Methodology of the Study

The study is descriptive in nature. In order to identify the motives for investing Chinese firms review the trends of FDI in Bangladesh, sector-wise trend of FDI inflows in Bangladesh by china, data required for the study are taken from different secondary sources i.e. World Investment Bank Report (WIR), Yearly Publications of UNCTAD, UNO, ESCAP, SANEI and Key Development Indicators and Yearly Publications of the Asian Development Bank (ADB). Relevant data are also collected from Annual Reports of Bangladesh Bank, Bangladesh Economic Review, and Published documents from Board of Investment (BOI), The Financial Express, The Daily Star, etc. newspapers, Intern Books are studied. The analysis of the report is supported by some theoretical arguments that enhance the overall findings and guide towards a reasonable recommendation.

IV. Literature Review

Foreign Direct Investment (FDI): China is the strong source of FDI, China has remained a key study for FDI (Frost, 2004). When Chinese SOE's showed outward FDI that TNC (Top12) control over USD 30 billion in foreign assets with over 20000 foreign employees and USD 33 billion in foreign sales UNCTAD (2002). Several of the researchers have highlighted the trend of China from a recipient country to a source country of FDI (Zhang, 2002; Wong and Chan, 2003; Vatikiotes 2004a, 2004b; Waide, 2004). Deng Xiaoping‟s reforms and the performing of the China Foreign Joint Ventures Law of 1979 have positively steered towards changing China from a recipient country to a source country (Wu and Chen, 2001). The 1979 Act has helped to sweep old ideas over a decade for this changes and developments that loaded investment in both Inward and Outward FDI (Han, 2000). Wu and Chen (2001) has divided Chinese Outward Foreign Direct Investment into four stages from 1979 to 2001 (the date of enactment of the Law). 1079-83 is the first stage, Wu has recognized USD 50 million76 key projects in 23 countries and the focus of OFDI remained on maritime transport, finance and insurance, contracting and Chinese restaurant chains.

From 1984-85, in 40 countries 113 projects were passed owing to OFDI worth $140 million and the focus were on trade manufacturing, assembly and processing. In the period 1986-92, the main goal was prompt maximization compared to initial goods such as expansion, collaboration, building trade relations and influence. During the period a total of 1360 projects were relevant to OFDI worth $1.591 billion in 120 countries. Without giving the specific details on the number of projects in OFDI, Wu and Chen highlights that during 1993-2001, OFDI was affected by poor operational efficiency and tight control. Zhang (2002) has argued that Chinese outward FDI has been misquoted as the official figures are not appropriate. He argues that investment through private channels is not included in official data. Chinese OFDI in South East Asia is growing and looks set to be an increasingly important political and economic factor (Frost, 2004). Despite the data buzz, China's Outward FDI is relatively small, both flows and stocks, as compared to its own GDP or to the GDP of other developing countries (Morck, Yeung and Zhao, 2008). China's Outward FDI is generally characterized as acquisitions and not green field investments in neighboring Asian countries and resource rich parts of Africa. From economic perspective, China‟s Outward FDI is unsurprising owing to economy's high domestic savings (Morck, Yeung and Zhao, 2008). Outward Chinese FDI follows exports as a later stage of China's internal economic development (Zhang and Roelfsema, 2014). Buckley et al (2007) has empirically studied the determinants of China's outward FDI by incorporating Chinese specific factors into the general FDI theory.

However, endogenety issue was ignored thereby having limited power to identify causality.

Chinese multinationals have established foreign subsidiaries to provide Chinese's exporters with local customer services, transportation and logistics, as well as credit and financial support (Zhan, 1995; Wu and Sia, 2002). It was also identified in line with commonality in ethnicity and culture that Chinese multinationals involved in OFDI increasingly accumulate and exploit international network resources (Yin and Choi, 2005). With the help of panel data on 75 countries over 12 years (1994-2005) it was concluded that with respect to China's outward FDI there was increasing market commitment, exploring international networks and seeking resources. These factors are responsible for growth in China's outward FDI (Zhang and Roelfsema, 2014). It was identified that there is still limited empirical research about Chinese outward FDI as it is a new phenomenon which have become a hot topic for less than ten years (Si, 2014). Ge and Ding with respect to Chinese FDI has argued that it is due to Chinese business environment that offers a favorable environment for the internalization (Si, 2014). The "GO

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Global" policy of China in 1999 favored and supervised the outward FDI (Si, 2014). The story of Chinese FDI is divided into four phases. Phase I (1978-1991) has been identified as the phase of standardization of the approval procedure. This was the phase in which China began to establish previously nonexistent regulation regarding outward FDI. Phase II was for the period 1992-1998 and in this period inward FDI remained more important than outward FDI in China and the government was over cautious about the approval of outward FDI. This phase was substantially affected by Asian crises. Phase III (1999-2005) was the advent of the era of "Go Global" policy which motivated outward FDI. This period was a period of boom and was substantially affected by the membership of China in WTO. Phase IV has been identified from 2006 till now and witness supervision and providing service for facilitation of OFDI. The important developments in favor of OFDI in China were namely "Regulation of the People's Republic of China on Foreign Exchange Administration" and certain Foreign control policies. China is developing a 750-acre industrial park in Bangladesh which will largely be used by Chinese manufacturing firms, a Chinese official said on Wednesday, part of its push to expand links with South Asia and beyond.[2]

V. FDI Status in Bangladesh

Bangladesh has attracted USD 2003 million foreign direct investments (FDI) in 2016 calendar year, a leap by +4 per cent. This upgrades the country's position to 114 from 119 out of 141 nations in the world investment report (wir). During this period the telecom sector received USD 2003 million FDI, the manufacturing sector received USD 539.28 million in investment from abroad, USD 396.05 million in the textile and clothing sector, while leather and leather products got USD 23.38 million. (Bangladesh Bank report 2017) the trend of inflow of FDI in Bangladesh has increased over the 1980s as compared to earlier periods and this same momentum continues in 1990s as well. The total inflow of FDI has been increasing over the years. During the period of 2006-2016, total inflows of FDI were USD 11,688.82 million, among which the total inflows of FDI during 2006-2010 was USD 4,214.08 million. In 1977, this inflow was USD 7 million and in 2008, annual FDI reached to USD 1086.31 million. Unfortunately, there was a declination in inflows of FDI in 2010 which was USD 779.04 million (Source: Survey report, statistics department, Bangladesh bank).

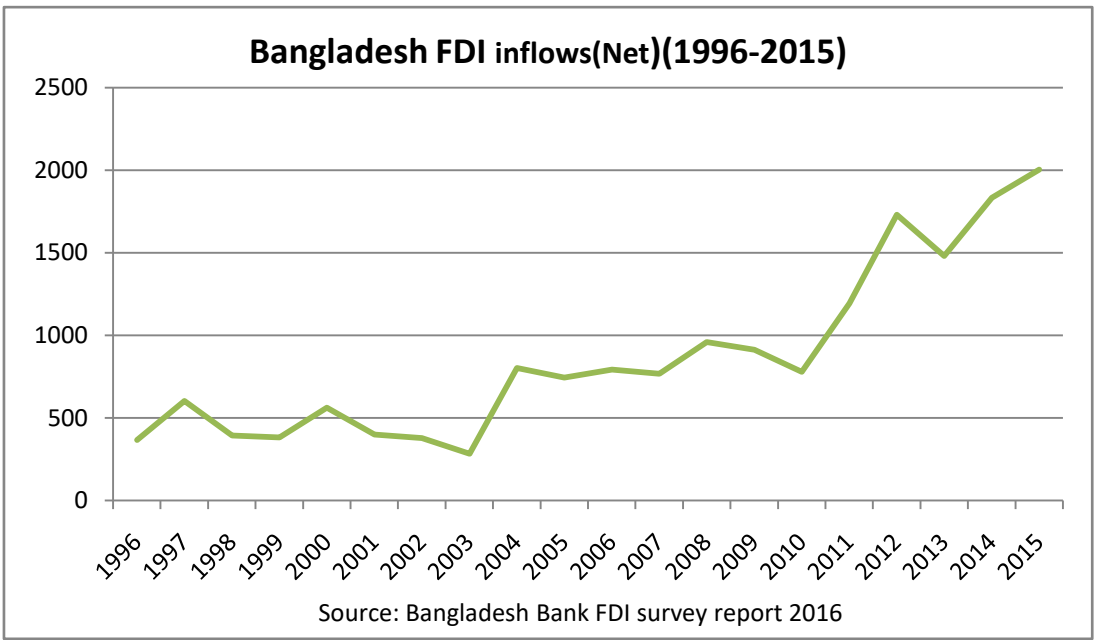
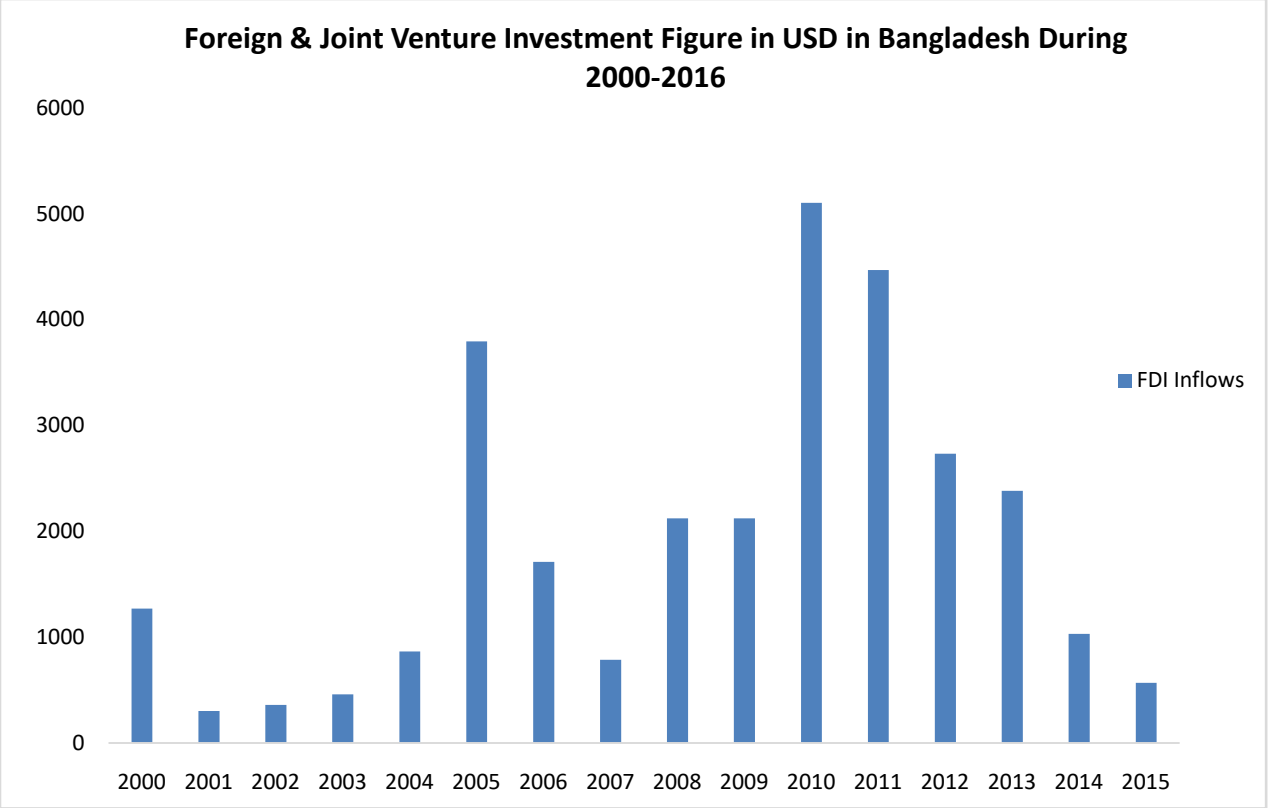


Figure 1

Shows an inconsistent proceeding of Foreign and inflows during the period. In 1998 there was a sudden decline in the and the falling trend continued for many reasons again in 2001, 2002 and 2003. The inflow was on the steady rise from 2004 to 2005. It rose to USD803.78 million in 2008 but slumped to us$ 960.59 in 2011 again increased to $1194.88 and 2015 it was 2003. 53. The above mentioned findings imply that FDI is a very important factor for the economic growth of Bangladesh. Author relates the findings in this paper to show if FDI inflow is rising in Bangladesh which is a positive sign for the foreign investors as well as the country itself.

[2] China to develop Bangladesh industrial zone as part of South Asia push, Hindustan times (2018). https://www.hindustantimes.com/world-news/china-to-develop-bangladesh-industrial-zone-as-part-of-south-asia-push/story-EJstVJcCGBzTSKfdhzWsCI.html

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Source: Board of Investment Bangladesh

Figure 2

Inconsistent proceeding of Foreign and join venture investment inflows during the period. In 2000 there was a sudden decline in the FDI and the falling trend continued for many reasons again in 2001, 2002 and 2003. The FDI inflow was on the steady rise from 2003 to 2005. It rose to us$ 4000 million in 2008 but slumped to us$ 2123 in 2010 and again increased to $5104. The above mentioned findings imply that FDI is a very important factor for the economic growth of Bangladesh.

a) Interest of China invest in Bangladesh

Bangladesh has three key attractions for global investors and multinationals: (a) a large base of low-cost labor, (b) a large domestic market of 150 million people, (c) and nearly 3 billion people in the Asian region that it has market access to (AT Capital Research).

Bangladesh has required institutions to pursue foreign direct investments. The country does not make any distinctions between foreign and domestic investors neither in case of incentives on investment nor export and import policies. Bangladesh has the most organized investment regime in South Asia, with a Board of Investment that promotes and facilitates investment effectively. But so far the services sector has attracted the greatest investment followed by IT and engineering and manufacturing goods. (ADB Institute, 2006).

China have hulks in attracting FDI in this region. china being careful as favorite destination of global FDI because of their economic growth, larger market, some unique strength and huge potentiality. Bangladesh has to consider their competency and influence in designing her FDI related policy. Bangladesh has a large trade gap with China and India. Designing a better FDI policy to attract more FDI from those countries may help to reduce that gap. The strongest point is Bangladesh is OBOR country it's easy to attract china. Bangladesh has good world market in readymade garments also have bright opportunity in medicine sector, IT and others sector Bangladesh not only have low labor cost also have export market in USA, Europe and others country's but Bangladesh has to develop her in manifold ways to be a striking destination for FDI. Bangladesh Government has been working in this regard. Meanwhile Bangladesh can pursue for alternate ways to pursue more FDI. Although Bangladesh facing many obstacles in attracting FDI till then the volume of FDI is gradually increasing. Bangladesh government has taken many initiatives to make Bangladesh an attractive investment destination. Government is making investment friendly rules and regulations, beating corruption, mitigating political violence, forming better business forum, increasing campaign activities, and expanding co-operation to attract more FDI (Bodiozzaman, 2008).

b) Government Incentives

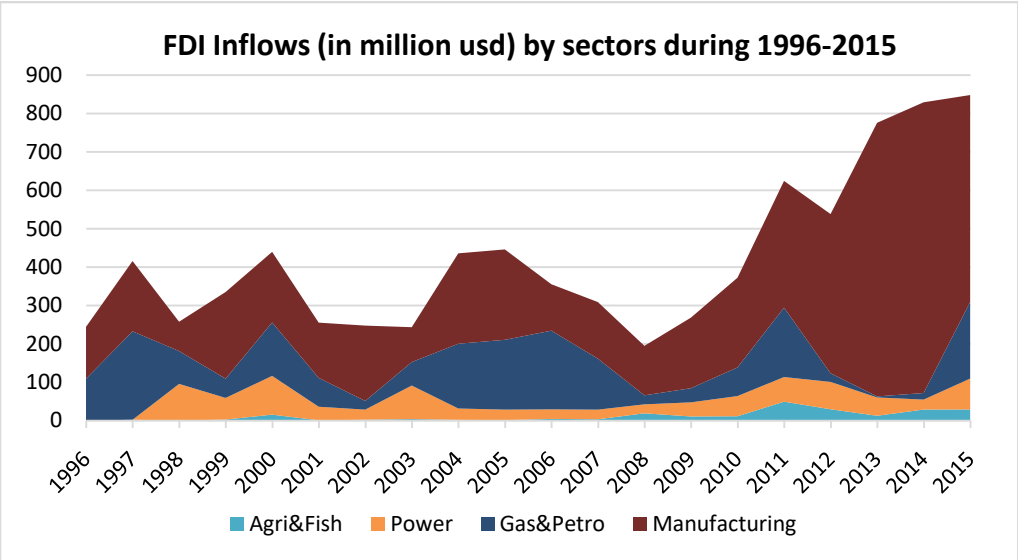
Avoidance of double taxation on the basis of bilateral agreements.

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- Tax at reduced rate of 10% on capital gains from transfer of shares of public companies listed with stock exchange.
- Tax Holiday for 5/7 years is available to defined sectors of industry set up in defined regions and for 10 years to defined physical infrastructure facility at prescribed rates on fulfilment of certain conditions.
- Concessionary import of Capital Machinery Concessionary import duty (3% in general) and exemption from VAT and Supplementary Duty are available in case of import of capital machinery subject to certain conditions.
- Incentives to Private Sector Power Generation Private sector companies that will start commercial production by June 2013, will continue to enjoy tax holiday for 15 years from the date of commercial production. However, such companies that will start commercial production on or after 01 July 2013 will enjoy tax holiday @100% for the first 5 years. For the next 5 years they will enjoy tax holiday at specified lower rates. The income of foreign personnel working in these companies is exempt for 3 years from the date of their arrival.
- Special incentives to Oil and Gas Sectors in respect of petroleum operation undertaken by a contractor entering into production sharing contract (PSC) with the Government, Government holds and keeps the contractor harmless from all present and future Bangladesh taxes except where specifically provided to the contrary.
- Additional facilities in the Export Processing Zones. There are several additional benefits for industries set up in the Export Processing Zones. If these are set up on or after 01 January 2012, they would enjoy tax holiday for 5 years, 1st two years 100%, next two years 50% and the last year 25% (However, if these are set up in the three Hill Tract districts, 1st 3 years 100%, next 3 years 50% and the last year 25%), duty-free import of machinery, equipment and raw materials, off-shore banking facilities, freedom from customs formalities, provision of electricity, water, gas and telecommunication connections.

c) FDI Inflows by Sectors

Sector-wise analysis of FDI reveals the fact that a shift has been made by the foreign investors in their investment in bangladesh. The pie chart shows the trend of FDI towards power and energy, manufacturing and banking, whereas the neglected sectors were agricultural, services and trade and commerce.



Source: Bangladesh Bank FDI survey Report

Figure 3

The above data helps to see which sector has the highest foreign investments in Bangladesh. The findings support that FDI in RMG sector is vital regarding foreign investments in Bangladesh and the success in textiles through the ready-made garments (RMG) industry is a vital part of this investment. These findings helps to better know about the importance of foreign investment in the RMG sector in Bangladesh.

d) FDI Inflows by Countries

FDI inflows (net) from major countries for the fiscal year 2016-17 arranged in descending order of magnitude were: Singapore (US$ 701.40 million), United Kingdom (US$ 313.87 million), United States of America (US$ 208.71 million), Norway (US$ 187.41 million), South Korea (US$ 178.50 million), Hong Kong (US$ 111.70 million), India (US$ 95.41 million), Netherlands (US$ 90.04 million), China (US$ 68.58 million) and Thailand (US$ 58.69 million), which were 28.57%, 12.79%, 8.50%, 7.63%, 7.27%, 4.55%, 3.89%, 3.67%, 2.79% and 2.39% respectively towards the contribution of total FDI inflows (net).

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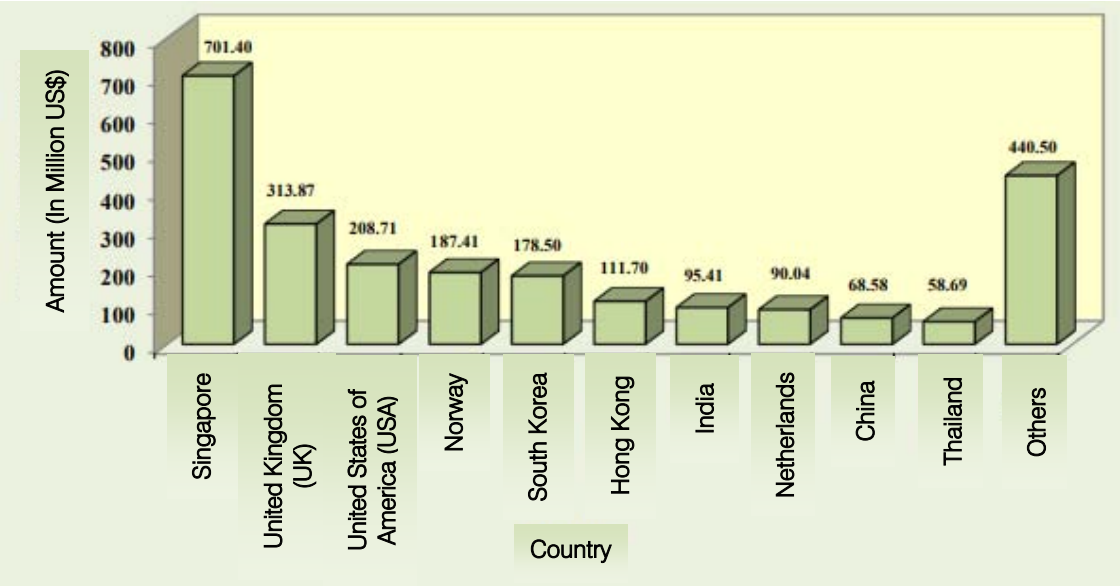


Figure 4: FDI Inflows (Net) by major countries during FY 2016 (in million USD)

e) Discussion for Investing China in Bangladesh

Now a days china is the largest economic countries in the world. In order to keep their regime, they try to boost their FDI all over the world, Bangladesh is geographically important to capture the market share over the India (mohammadrafiqul islam-2013). [3]most of Chinese firms invest different sector in Bangladesh specially to promote incentives offered by host countries. Now explain the attractive incentives offered by the Bangladesh to increase Chinese FDI.

f) Textile and Wearing Sector

The Chinese government to build infrastructure in the neighboring countries for relocating its export-oriented industries so that they can export those basic items to other countries with duty-free privilege. They shifting its industries from producing basic export items to more knowledge-based industries. Besides, the wage of Chinese labor has significantly risen in recent years compelling many Western buyers to procure items from other countries. With China fast losing its textile manufacturing competitiveness, executives are calling for a swift revision of tax rebate regulations before companies flock to other nations like Bangladesh. Textile companies are pressed by a rising renminbi and increased operating costs caused by soaring material prices and labor shortages. They have also been affected by other factors like restrictions to the electricity supply. This is for the first time China has received such a facility from the Bangladesh government where Chinese investors will be able to set up industries, mainly manufacturing firms," Li told Reuters. Bangladesh also has other attractions as its.

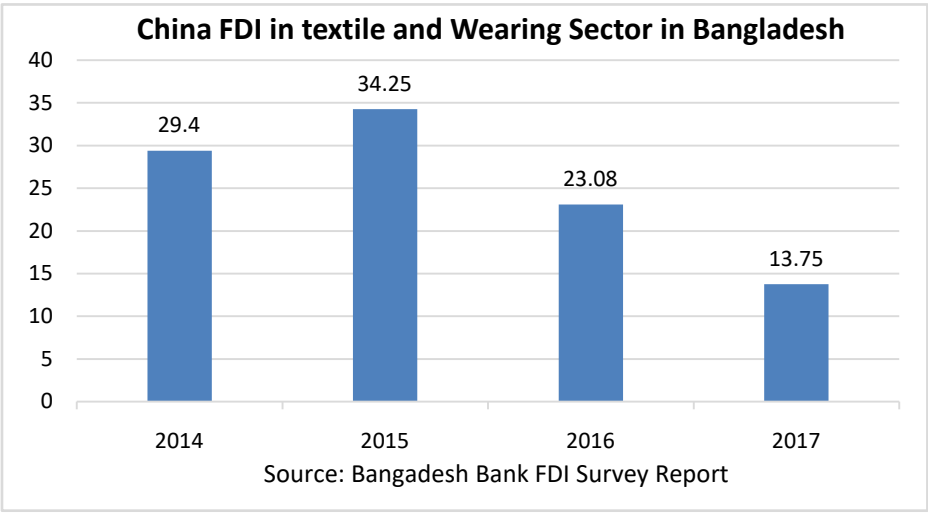


Figure 5

[3] Mohammad RafiqullIslam (2013), Motives for Chinese companies in Bangladesh and their outwards FDI. International Journal of Scientific and Research Publications, Volume 3, Issue 12, 1 ISSN 2250-3153

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Government is slashing taxes to lure investors from abroad. Textile companies are exempt from taxes when shipping their products to member countries of the European Union and other areas Chinese the country is rapidly shifting from textile and apparel industries and focusing on third country source to meet the growing demands of apparels for their consumption. China is the leader of the global textile trade and its yearly export from the sector hit at $175 billion. The country (China) is shifting from the textile and clothing industry to high-tech and heavy industries because of rapidly growing cost of production resulted from enormous rise in worker's wage. “As they are shifting from the textile and apparel manufacturing, they have to procure apparels from third country to meet the growing demands of its large number of population the size of Chinese domestic apparel market stands at $350 billion out of $450 billion global market. "Bangladesh is the second largest apparel exporter after China and a mutual cooperation between Bangladesh and China could help grabbing the vast apparel market in China," Historically the Bangladesh RMG industry has depended largely on imported yarns and fabrics and produced only 10% of the export-quality cloth used by the garments industry. China textile OFDI in Bangladesh 2017 it was 13.75 million and 2015 it increased 34.25 but 2016 and 2017 it decreased. Bangladesh need for establishment of backward-linkage industry has become an immediate concern to the government and the exporters and there are enormous opportunities to set up a composite textiles industry combining textile, yarn and garments. Textile and wearing sector provide incentives for joint venture and Greenfield investment in Bangladesh government for china.

Enormous investment opportunities exist in this sector. In the RMG industry demand for fabric significantly exceeds local supply and so is currently being met by imports. Backward linkage is a significant trading opportunity and is supported by a government backed incentive: 15% cash subsidy of the fabric cost to exporters sourcing fabrics locally.

Additionally the government has created a highly favorable policy framework for investment in these sectors offering investors the following choices.

- Establishment of new textile/RMG mill in the private sector.
- Joint ventures with the existing textile/RMG mill.
- Acquisition of public sector textile mills that are being privatized.
- Indirect investment through financial services and/or leasing.
- The most beneficial public policy of introducing back to back LC* and bonded warehouse facilities provide a tremendous impetus to the export scenario in Bangladesh.

Agro-Based Industry: Being an agricultural economy, agriculture has dominated in the economy for years. For setting up successful agro-based industries preconditions of access to input and raw materials. A year-round frost-free environment, alluvial soil, sufficient water supply and abundance of low cost labor are available in Bangladesh. Now Bangladesh can cultivation of vegetables, spices and tropical and could meet up raw materials supply to local agro processing industries also able to fulfill domestic demand and export in international market.

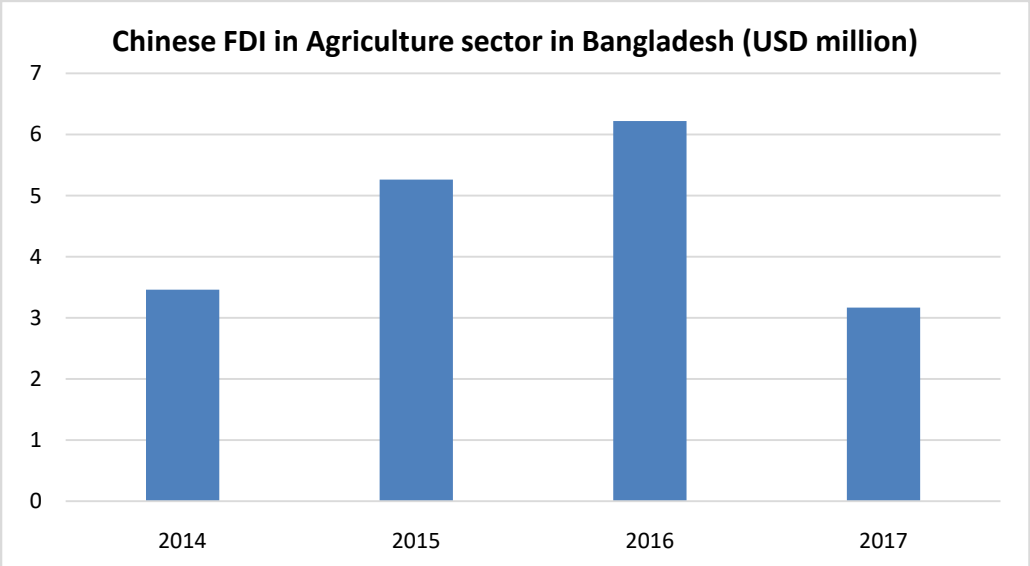


Figure 6

Sylhet shahjalal fertilizer is one of big fertilizer factory in Bangladesh. China would contribute usd 486 million in this fertilizer factory, it’s two-thirds of the total construction cost of a fertilizer factory in sylhet, and which will be to the increase usd659 million. After India this will be second largest foreign invest in Bangladesh.

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The shahjalal fertilizer factory, once completed, it will produce about 580,800 tons of urea annually and around 330,000 tons of ammonia. Bangladesh imports 1.6 million tons of urea annually from international market. Bangladesh economy is mainly dependent on agriculture. Around 84% of the total population lives in rural areas and they are directly or indirectly involved in a wide range of agricultural activities. Agriculture contributes about 20.29 to the country's gdp-23%. In agriculture sector about 43.6% labor employed and about 57% being employed in the crop sector.

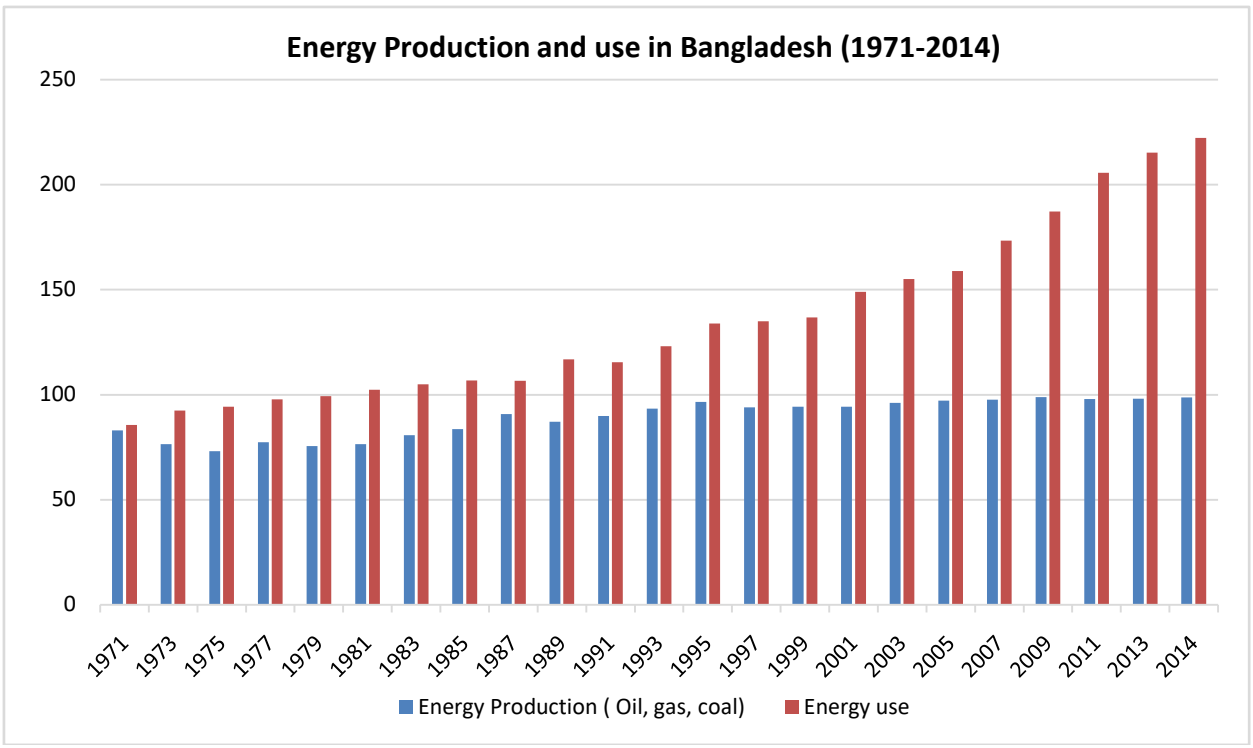
Bangladesh have the abundance of natural resources and supports highly profitable opportunities investment in agribusiness. More than 90 varieties of vegetable are grown in Bangladesh, yet in this fertile land there is underutilization of the country's agricultural capacity. This presents many opportunities for investors seeking to export agricultural products, or to meet the rapidly growing local demand. Thriving in this sector are canned juices, fruits, vegetables, dairy and poultry. The country offers: huge supply of raw materials exist for the agribusiness industry. A tropical climate for all year growing, a lot of fresh water, indeed a land interspersed with numerous rivers, available land with fertile soil. Government and NGOs conduct regular training programs to develop skilled manpower in the industry. Wide range of biodiversity exists for different crops. Agricultural commodities have a comparatively higher value added than non-agricultural commodities.

Agro-based industry provides incentives for joint venture and green field investment in Bangladesh government for china: investments in agribusiness industries in Bangladesh are encouraged with the following support measures:

- The equity entrepreneurship fund for development of agribusiness industry.
- Special loan facilities available to set up an agribusiness.
- Agribusiness industry enjoys tax holidays.
- Any investment in this sector will enjoy similar tax amnesty as available in other sectors.
- Imposition of supplementary duty on mango, orange, grape, apples, dates and others to utilize the high quality and cheaper local resources.
- Cash incentives to the exporter's ranges from 15% to 20% in various sub sectors.

g) Power Sector

Electricity is a key ingredient for the socio-economic development of the country. The government has given top priority to development of the sector considering its importance in the overall development of the country. The government has set the goal of providing electricity to all citizens by 2021. Adequate and reliable supply of electricity is an important pre-requisite for attracting both domestic and foreign investment. From 2001 Bangladesh energy use increases very fast, in 2009 energy production 4,942 and 2017 production was 23,561. In 2009 highest production 4,130 and 2017 it was 9,479. Electricity user in 2009 was 11 million 2017 was 22.5 million.



Source: WDI

Figure 7

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As the power sector is a capital-intensive industry, huge investments are required in order to generate addition to the capacity. Competing demands on the government resources and declining levels of external assistance from multilateral and bilateral donor agencies constrained the potential

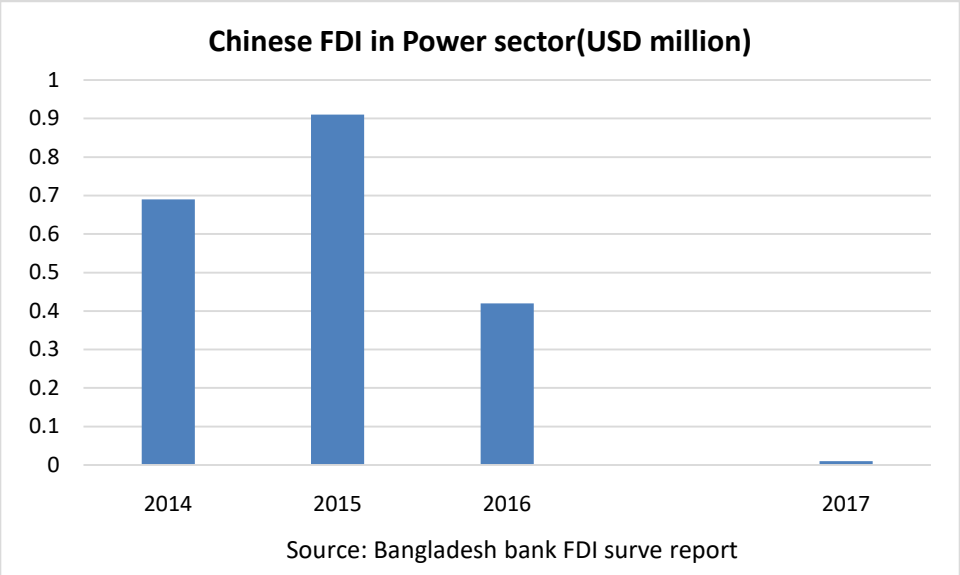


Figure 8

For public investment in the power sector. Recognizing these trends, the government of Bangladesh amended its industrial policies to enable private investment in the power sector.

The Power Cell, created under the Power Division of Ministry of Power, Energy and Mineral Resources, received the mandate to lead private power development. The government is strongly committed to attract private investment for installing new power generation capacity on build-own-operate basis.

China invest power sector in 2014 0.69 million 2015 it was 0.91 million and 2016 0.42 million 2017 it was down 0.01(Figer-8) for development power sector is the main thing.

Table 1

Number of Project	Project Name	Agreement Time	Production Capacity MW	Progress
1	Gurashal 365 MW CPC: CNTIC & CMC	2013	363	71%
2	Sirajganj 225 M:W (Unit-2) EPC: CMC	2013	220	77%
3	Sirajganj 225 M:W (Unit-3) EPC: CMC	2015	220	35%
4	Barapukuria 275 M:W (Unit-3) EPC:HEL-CCCE JV	2013	274	70%
5	Kaptai solar Power plant EPC: ZTE	2017	7	Primary Stage
6	Khulna dual fuel power plant EPC:HEL-ETERN JV	2016	336	Primary Stage
7	Gurashal (Unit-4) EPC: CEEG,GPEC,CHINA	2016	206	31%
8	Gurasgal (Unit-3) EPC: Alstom Switzerland Ltd & CMC, China	2016	206	25%
9	Payra power Plant 1200-1320 EPC: NEPC & CECC	2016	1320	20%
	Total		3152	

Source: Bangladesh system planning corporation 2017

Power sector provide incentives for joint venture and Greenfield investment in Bangladesh government for China, China power company invest in Bangladesh (Table-1) 9 big project in power sector it's total 3152 MW.

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There are number of facilities and incentives would be provided to the foreign investors. Some of them as follows:

- Tax exemption on royalties, technical know-how and technical assistance fees, and facilities for their repatriation.
- Tax exemption on interest on foreign loans. Tax exemption on capital gains from transfer of shares by the investing company.
- Avoidance of double taxation case of foreign investors on the basis of bilateral agreements.
- Exemption of income tax for up to three years for the expatriate personnel employed under the approved industry.
- Remittance of up to 50% of salary of the foreigners employed in Bangladesh and facilities for repatriation of their savings and retirement benefits at the time of their return.
- No restrictions on issuance of work permits to project related foreign nationals and employees.
- Facilities for repatriation of invested capital, profits and dividends.

h) Leather Sector

The performance of China's leather and footwear Industries maintained a growth trend in previous year. The sales revenue generated by leather, fur, finished products and footwear companies was RMB1.37 trillion, increasing by 3.08% from the previous year. The imports of leather and footwear industry reached USD9.8 billion, increasing by 10.7% from the previous year, in which footwear contributed 5.49% to the growth of imports, followed by handbags with 4.51%.[4]

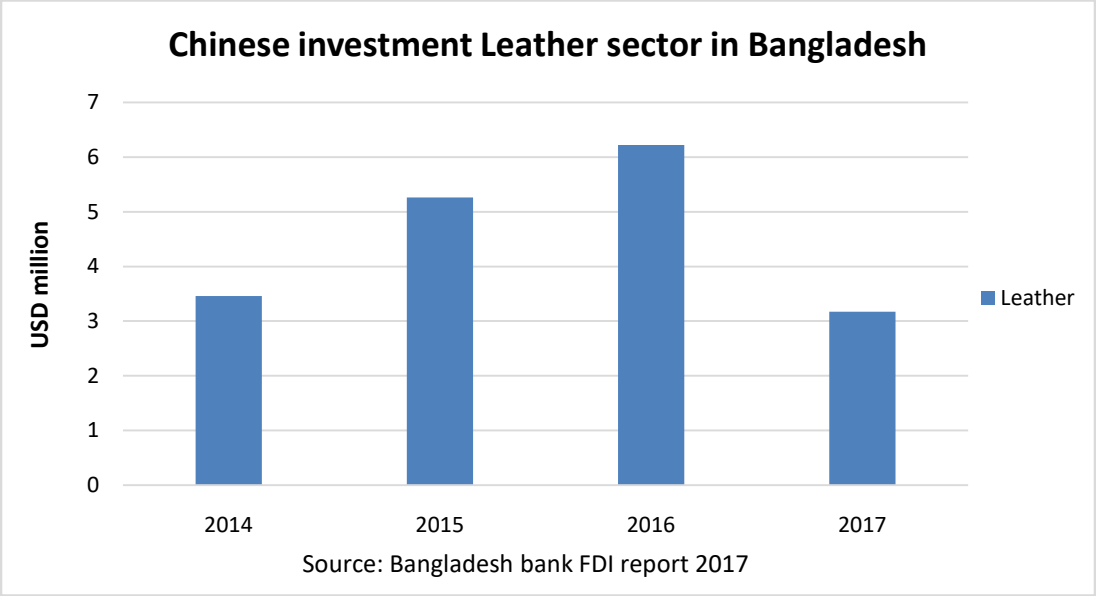


Figure 9

Foreign direct investment in this sector along with the production of tanning chemicals appears to be highly rewarding due to this presence of basic raw materials for leather goods including shoes, a large pool of low cost, trainable labor, and a tariff concession facility to major importing countries under Generalized System of Preferences (GSP) coverage. Thus Bangladesh is an ideal offshore location for leather and leather products manufacturing with low cost but high quality. Exports include some ready-made garments, although that aspect is confined mainly to a small export trade in "Italian-make" garments for the US market. Bangladesh Industry wise export leather 0.9 billion, 3.4 from total export. In 2015-16. Among them USD354.02 million is from exporting footwear, USD286.14 million is from exporting Leather products & USD211.17 million is from exporting Raw Leather Footwear is more important in terms of value addition[5]. This is the fast growing sector for leather products. China also interest invest in Bangladesh market, in 2016 china invest more than 6 million (Figer-9). But in this sector Chinese investment is not strong.

i) Major challenges to attract FDI into Bangladesh

In 2013 FDI in Bangladesh USD 1599.16 and 2014 it was USD 1526.70 million Bangladesh lost 4.78 % FDI in this two years (world investment report 2015). Following challenges comes up to attract FDI into Bangladesh:

[4] Economic status of China's Leather and footwear Industry in 2017. http://www.acle.aplf.com/en-us/Press/Fair-News/Report-on-2017-Chinas-Leather-Footwear-Industry-and-ACLE2018-Forecasts-by-CLIA

[5] Leather Industry of Bangladesh: A new hope for export diversification. http://emergingrating.com/wp-content/uploads/2016/09/Leathe-Industry-in-Bangladesh.pdf

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1. Limited capacity to supply adequate electricity and gas to industries.
2. Absence of efficient physical infrastructure.
3. Bureaucratic complexity to get registered or permission.
4. Absence of investment promoting agency.
5. Lack of professionals and sector specific trained man power.
6. Poor imposition of IP (Intellectual Property) law.
7. Lack of project specific proposals in hand to attract international investment.
8. Non-cooperation from relevant government agencies like, the Board of Investment, Police, National Board of Revenue, Environment Authority etc.
9. Political unrest and blockades.
10. Absence of standardization/quality infrastructure in home.
11. Absence of technology infrastructure.
12. Corruption.
13. Differential treatment with the change of government.
14. Lack of administrative coordination among different government bodies.
15. Delay to get services from support organizations.

j) Investment in export processing Zones(EPZs)

EPZs have been created to provide complete infrastructural facilities including communication and utility connection where potential investors would find a congenial investment climate, free from cumbersome procedures. The Bangladesh Private Export Processing Act allows establishment in private EPZs entirely through foreign investment or through joint ventures or local initiative. Followings are the eight EPZs of Bangladesh which are in operation now under BEPZA:

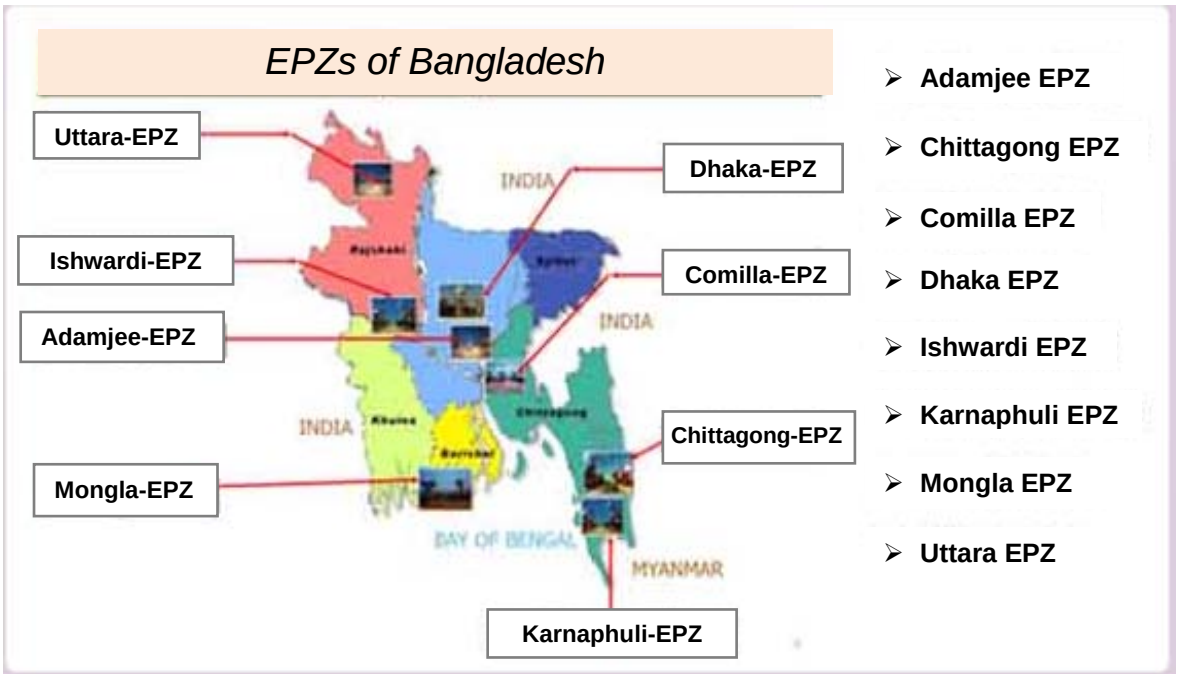


Figure 10

In 2014, these eight EPZ has exported about $42,930.35 million valued goods to abroad and also employed 405,166 people in these zones. Industries in the EPZs can enjoy financial incentive i.e. tax holiday, Duty free Export & Import, Exemption from Dividend tax, GSP facility, Duty & Quota free access to EU (EBA), Canada, Norway and Australia including non financial incentive like permission for 100% foreign ownership, MFN (Most Favored Nation), No Ceiling on foreign investment, full repatriation of Capital & Dividend, citizenship or resident ship based on the total value of investment and some other facilities which are not enjoyed by industries outside of EPZs.

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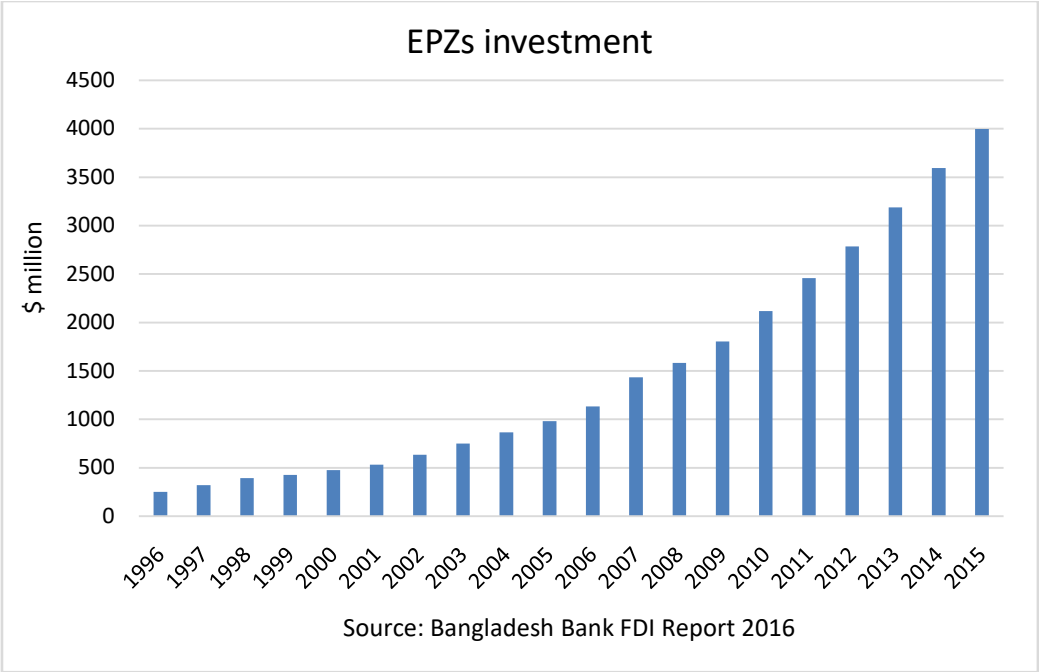


Figure 11

During the past 25 years, the total investment in BEPZA has amounted to US$1611.17m and export US$18,914.74m. During the last 10 years BEPZA's annual average contribution to national export stands at 17.23%. The World Bank has ranked Bangladesh 20th out of 187 Countries for protecting the investors in The South Asian Region. Source: (Doing Business 2010). Export Diversification and Role of Export Processing Zones.

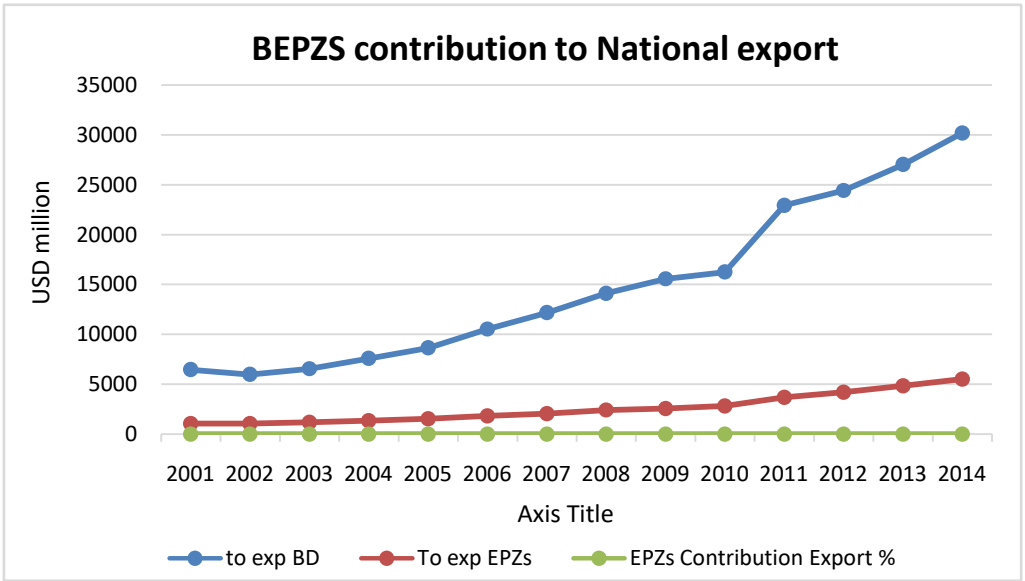


Figure 12

Bangladesh has achieved phenomenal export success through the EPZs. In the total foreign exchange earnings of the country through exports, the share of EPZs increased from a microscopic low of 0.02% in 1983-84 to a spectacular high of 31% in 2010-11. The share of EPZs in the foreign exchange earnings through the exports of manufactured goods also shows the same trend over the corresponding period reflecting fast decline in the relative share of the DTA in both total exports and the exports of manufactured goods and the resulting foreign exchange earnings of the country. Annual trend rate of growth of export earnings of the EPZs has been more than six times higher than that of total national export earnings and more than four times higher than that of total national export earnings from manufactured goods. It means that export performance of the EPZs is much more impressive than that of the country as a whole. The enterprises of EPZs have

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exported goods worth of US$ 25434.89 million up to June, 2011 and it was US$ 10003.62 million till June 2005. During the last 5 years the export volume increased to about US$ 15431.27 million. This shows an increase of 154.26%. BEPZA reports that EPZ contributes 17.23% of total national export during the last four years.

Table 1: China investment in EPZs (2016)

EPZ	Sector	Investment (USD Million)
Comilla EPZ	Textile and footwear	120,744.61
Uttara EPZ	Garment acces, jute, footwear	19357.62
Mongla EPZ	Jute, footwear	6976.18
Total		**147,078.41**

Source: BEPZA annual report 2016

Chine enterprise 94, investment 147,078.41, Employment 110 thousand are working in 2017[6]. China has proposed a special economic zone (SEZ) for their industries, Bangladesh government now start working for two special economic zone (SEZ) in Chittagong[7].

VI. Conclusion

Government has to be proactive for creating and maintaining an FDI friendly business environment in Bangladesh. To get satisfactory amount of FDI, Bangladesh has to complete its home work like identifying potential sectors, preparing specific project proposal, approaching potential FD Investor companies etc. Dedicated agency is needed to promote investment instead of regulator of investment. Bangladesh has to increase the amount of FDI attraction at any cost. Otherwise, it would be tough to achieve and maintain a double digit GDP growth. Without achieving double digit growth rate we cannot meet vision 2021 in time. Currently the figure of FDI investment is manipulated with reinvestment of locally earned profit. If we drop the locally earned profit amount as FDI then the figure during last few years is very dissatisfactory. So this is the pick time to concentrate upon it and start new drives for increasing FDI inflow into Bangladesh.

Science China doing foreign direct investment in all over the world so, Bangladesh always welcome china for foreign direct investment and play the positive impact in the host economy That's why Bangladesh diversify its export baskets and remove its structural problems in order to get more access to a very diversified and competitive Chinese market. Bangladesh's manufacturing sector is the strongest sector which has no competitors so china can come to invest, also can invest in power sector because Bangladesh needs improve this sector. With the chinese economy evolving and its market moving towards high-end products, China could move out from the labor intensive areas at the lower end of manufacturer sectors and effectively relocate in Bangladesh. Bangladesh is OBOR country this provides chances for Chinese companies to expand their investment in Bangladesh with a hope of enhancing sustainable development between two countries.

In future, the prospect of the Bangladesh economy would be affirmative if initiatives can be taken to consolidate the proposed reforms. Recently Bangladesh has taken steps to simplify 25 various processes to encourage increased FDI. The government, total financial sector and foreign investors must work together to achieve the goal of making Bangladesh a progressive economy by the end of this decade.

[6] Chinese businesses urged to invest in Bangladesh EPZs, daily sun 2017 (online available). http://www.daily-sun.com/printversion/ details/ 269242/Chinese-businesses-urged-to-invest-in-Bangladesh-EPZs

[7] Special Economic Zone (SEZ) for Chinese industries, Business INTELLIGENCE Bangladesh (Beta version). (Online Available). http:// bibd.info/special-economic-zone-sez-for-chinese-industries/

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Rôle De La Gouvernance Sur L'impact De L'aide Publique Au Développement Sur La Croissance Economique

By Vangvaidi Albert, Baida Angele Louise & Kayou Tayou Clémence
Université De Maroua

Resume- L'objet de ce travail est de vérifier l'impact de la gouvernance (indicateurs tels que la démocratie et la corruption) dans le lien existant entre l'aide publique au développement et la croissance économique dans les pays de la zone CEMAC. Ainsi, à partir de notre modèle de données de panel dynamique mettant en relation la croissance économique et les variables explicatives notamment l'aide publique au développement et nos deux indicateurs de gouvernance retenus, nous utilisons la méthode des Moments Généralisés (GMM) pour estimer notre modèle; notre échantillon étant constitué des six pays de la zone CEMAC (Cameroun, Congo, Gabon, Guinée Équatoriale, République de Centrafrique et Tchad) et notre période d'étude s'étend de 1996-2013. Les résultats obtenus indiquent la gouvernance n'a d'effet sur l'efficacité de l'aide publique au développement qu'à long terme. Il apparait donc urgent pour les dirigeants des pays receveurs de s'atteler à reformer la qualité de leur situation démocratique tout améliorant les mesures de lutte contre la corruption pour une utilisation efficiente de l'aide notamment l'investissement dans les domaines qui pourraient propulser les pays de la zone CEMAC vers un accroissement de leur croissance.

Motsclés: *aide publique au développement, gouvernance, croissance économique, cemac.*

GJMBR-B Classification: *JEL Code: M20, H00*



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Motsclés: aide publique au développement, gouvernance, croissance économique, cemac.

I. Contexte De L'Etude

La relation APD-croissance économique dans les pays en développement a suffisamment alimenté de nombreux débats houleux chez les politiques, les économistes et même les spécialistes du développement. L'aide publique au développement est-elle source de croissance économique ? Pour les uns comme susmentionnés, les flux d'APD n'ont pas d'effets sur la croissance et peuvent même parfois l'endommager dans les pays bénéficiaires. Pour d'autres, les flux d'APD stimulent la croissance économique dans les pays bénéficiaires. Pour une dernière catégorie, les flux d'APD ont un impact positif sur la croissance économique mais cet impact positif est conditionné par l'existence de bonnes institutions, un bon environnement politique ainsi que bien d'autres éléments (Burnside et Dollar, 2000; Banque Mondiale, 1998; Easterly et al. 2004). Dans les pays pauvres bénéficiaires, la baisse de l'aide s'explique par le fait que son octroi est de plus en plus soumis à un nombre impressionnant de contraintes et d'exigences des bailleurs qui poussent les pays concernés à en réduire la demande. Il s'agit, notamment, des conditions de bonne gouvernance. L'aide n'est utile et efficace que dans les pays à faibles revenus qui pratiquent de bonnes politiques économiques et disposent d'institutions de qualité (Burnside et Dollar, 2000).

On voit donc les indicateurs de « gouvernance » apparaitre dans la nouvelle littérature des APD comme éléments conditionnant l'impact des flux d'APD sur la croissance économique. En effet, l'étude de Burnside et Dollar (1997) qui a constitué une réponse aux détracteurs de l'aide publique au développement démontre que l'efficacité de l'aide est conditionnée par l'amélioration de la gouvernance dans les pays bénéficiaires.

Pour certains, une bonne gouvernance démocratique permet une meilleure utilisation de l'APD qui permettra de maximiser sa productivité; par ailleurs, la démocratie constitue chez les donateurs un critère de décision d'octroi de l'APD ; les donateurs seront susceptibles de donner plus d'APD aux pays avec de meilleures qualités démocratiques (Akramov, 2012). Pour Burnside et Dollar (2000), de bonnes politiques macroéconomiques constituent une condition fondamentale pour que l'APD booste la croissance; ils ont trouvé que l'APD booste la croissance dans les pays avec de bonnes politiques et ont un impact négatif dans les pays avec de mauvaises politiques. L'une des caractéristiques de la bonne gouvernance (qui conditionne l'efficacité de l'aide) est que les institutions et les procédures mises en place combattent la corruption et les comportements déviants. En effet, la gouvernance est d'une importance cruciale pour la création d'un environnement commercial attractif et propice à l'investissement. Elle est, dès lors, vitale pour assurer le développement économique et, par conséquent, pour s'attaquer à la pauvreté. Par contre, la mauvaise gouvernance notamment la corruption est une réalité largement répandue dans l'ensemble des économies en développement tant au niveau du secteur public que du secteur privé (Akpo et Somakpo, 2006). En outre, depuis 1994, le climat politique en zone

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CEMAC se caractérise par des coups d'Etats ou des tentatives, des conflits internes et transfrontaliers, des mutineries à répétition, des élections sources de violences et de contestations, la situation des droits de l'homme sujette à controverses. Ce contexte ne favorise pas l'essor de la sous-région mais contribue à alimenter les craintes des investisseurs et de la communauté internationale.

L'objectif de ce travail est de déterminer l'incidence de la gouvernance sur la relation aide publique au développement et croissance économique en zone CEMAC.

II. Etats Des Lieux De La Gouvernance En Zone Cemac

a) *Situation Politique*

De manière générale, la région Afrique centrale est caractérisée par une certaine fragilité politique qui se retrouve à différents niveaux. Au niveau national, la situation pour un certain nombre de pays de l'Afrique centrale nécessite encore des progrès en termes de stabilité et de bonne gouvernance. Cependant, une amélioration sensible peut être observée en termes de mise en place des structures démocratiques nationales, et certains progrès observés dans le domaine de la gouvernance politique (notamment au niveau électoral) sont encourageants. Les tensions politiques persistent néanmoins dans la région et trouvent généralement leur origine dans l'absence d'alternance politique, les faiblesses dans la protection des droits de l'homme, le manque de transparence dans la gestion des ressources, et la faiblesse et marginalisation de la société civile. La consolidation du système juridique dans le cadre de l'État de droit est un enjeu permanent dans la région. La faiblesse des médias, le peu dediffusion de la presse écrite et la liberté d'expression limitée des journalistes dans certains pays, nuisent aussi au développement de la démocratie dans la région. L'idée générale étant que, en détruisant les actifs physiques et humains et en détournant les dépenses publiques d'activités productives, l'instabilité politique déprime la croissance économique. Collier (1999) trouve qu'en moyenne une guerre civile fait perdre habituellement à un pays plus de 2% par an de son PIB par habitant par rapport à ce qu'il aurait réalisé sans la guerre. Pour la Banque Mondiale (2001), l'instabilité politique est l'un des facteurs internes qui explique le déclin de la croissance économique des pays africains depuis le début des années 1970.

Dans la plupart des tensions et conflits dans la région, il existe des interactions entre dimensions intérieures et extérieures au pays. L'impact des conflits aux portes de la région, surtout dans la zone des Grands Lacs et au Darfour, constitue un facteur d'instabilité. Si la situation s'est améliorée depuis la fin des années 1990, certaines crises persistent. La situation sécuritaire diffère selon les pays: le Tchad subit une crise intérieure et extérieure, alors que la RCA, en situation post-conflit, peine à éliminer les éléments perturbateurs issus des crises récentes. Le Congo est quant à lui dans une phase finale d'apaisement Ce contexte.

Depuis la création de la CEMAC, le 16 mars 1994, les pays de l'institution ont connu chacun des fortunes diverses. Cela s'est traduit par des périodes de relative stabilité politique et/ou de croissance économique soutenue et un environnement social acceptable. Seulement la majeure partie du temps, les pays de la CEMAC se sont confrontés à des crises politiques et socioéconomiques conduisant à des conflits importants. Ce contexte a contribué à pérenniser la pauvreté au sein d'une frange considérable de la population de façon à la rendre vulnérable. Aujourd'hui encore, des poches de tensions existent un peu partout au sein de la zone CEMAC et les indicateurs socioéconomiques ne sont pas toujours rassurants. Plusieurs paramètres, aussi bien internes qu'externes, expliquent ce contexte. De même, pris séparément, les situations se traduisent différemment au Cameroun, au Congo, au Gabon, en Guinée équatoriale, en RCA et au Tchad. Les pays de la sous-région Afrique centrale sont réputés pour leurs climats politiques plutôt instables. Les membres de la CEMAC n'échappent pas à cette caractéristique et ce d'autant plus que la création de l'institution n'a pas véritablement modifié cette tare, à quelques rares exceptions près. Ce contexte ne favorise pas l'essor de la sous-région mais contribue à alimenter les craintes des investisseurs et de la communauté internationale.

De manière générale, depuis 1994, le climat politique en zone CEMAC se caractérise par des coups d'Etats ou des tentatives, des conflits internes et transfrontaliers, des élections sources de violences et de contestations, la situation des droits de l'homme sujette à controverses. Bien que n'ayant pas atteint la moyenne, la stabilité politique s'est améliorée passant de -1,5 en 2002 à environ -0,5 en 2013.

b) *La Démocratie*

Dans la zone CEMAC, la démocratie devient de plus en plus une réalité affichée, même si sa pratique laisse parfois à désirer. La démocratisation a favorisé la liberté d'opinion, malgré l'inégale répartition du pouvoir entre le législatif, le judiciaire et l'exécutif qui détient généralement la réalité du pouvoir. Les politiques de libéralisation favorables à la privatisation, particulièrement dans les satellites de l'ancienne Union Soviétique (Congo) et dans certains pays conservateurs (Cameroun) sont de plus en plus prônées par les gouvernants. La politique économique est débattue actuellement au Parlement des pays de la CEMAC, ce qui n'était pas le cas il y a quelques années. La démocratie crée un cadre légal qui protège le droit des investisseurs qu'ils soient nationaux ou étrangers. Mais la démocratie n'est pas signe de la réussite si les

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institutions viables ne sont pas introduites et si les pays manquent des capitaux pour construire des infrastructures nécessaires, ce qui est le cas de plusieurs pays africains, aux dires d'Addison (2003). De plus, la démocratisation n'est pas synonyme de la stabilité macro-économique. Nous relevons que de façon générale la situation démocratique de la zone CEMAC n'a cessé de se détériorer durant notre période d'étude.

c) La Corruption

La corruption est l'un des phénomènes socioculturels observés dans la plupart des administrations publiques (police, impôts, santé, douane, transport, etc.), mais aussi privées des pays du continent. Aucun indicateur de gouvernance n'attire sans doute plus l'attention des médias que l'indice de perception de la corruption (IPC) publié tous les ans depuis 1995 par « Transparence internationale » (TI). Les investisseurs, les bailleurs de fonds, les analystes et les universitaires s'en servent également abondamment. L'indice de perception de la corruption (IPC) de TI définit la corruption comme l'abus d'une charge publique à des fins d'enrichissement personnel. Établi à partir de données recueillies par 13 institutions internationales – parmi lesquelles la Banque mondiale, les banques asiatique et africaine de développement ou encore le Forum économique mondial – cet indice est compris entre zéro pour un pays perçu comme «hautement corrompu» et 100 pour un pays considéré comme «très vertueux». La Banque mondiale produit deux séries d'indicateurs de gouvernance. La première est publiée tous les deux ans depuis 1996 par Daniel Kaufmann et ses collègues du WBI. La seconde est composée des évaluations des performances des politiques et des institutions des pays (Country Policy and Institutional Assessments, CPIA), réalisées tous les ans par le personnel de la Banque mondiale (ses équipes pays) pour évaluer la qualité des politiques et cadres institutionnels des pays emprunteurs afin de lutter contre la pauvreté, promouvoir une croissance durable et utiliser judicieusement l'aide au développement. La corruption a pris de l'ampleur dans la sous-région CEMAC avec la montée de la pauvreté et la clochardisation du personnel administratif à la suite de l'implémentation des Programmes d'Ajustement Structurels (PAS) et la dévaluation économique au milieu des années 1990. La corruption a eu pour conséquences, de réduire les ressources des Etats, d'amoindrir les revenus des populations et surtout, de nuire aux climats des affaires et donc, de la libre circulation des facteurs de production de richesses.

L'aide publique au développement est concernée de deux manières par la corruption. La première est que les modalités d'aide au développement sont souvent « vulnérables » à la corruption. La deuxième est liée à l'éventualité que le flux d'aide contribue à des niveaux élevés de corruption dans les pays bénéficiaires.

Ces dernières années, les chercheurs ont essayé de déterminer quelles étaient les modalités de l'aide les moins susceptibles de générer de la corruption. Les preuves ont manqué pour différencier les avantages de l'appui au budget par rapport à l'appui au projet en matière de lutte contre la corruption. En revanche, il a été démontré qu'il est préférable d'utiliser d'autres modalités que l'appui budgétaire dans les pays qui reçoivent le plus d'aide internationale alors qu'il existe déjà un niveau élevé de corruption. L'aide publique au développement peut également générer de la corruption dans les pays bénéficiaires en apportant des ressources susceptibles d'être accaparées. Pourtant, l'efficacité de l'aide dépend en grande partie de la qualité des politiques publiques et de la gouvernance autant du côté des agences bilatérales de développement que des pays bénéficiaires. En l'absence de bonne gouvernance, l'effectivité de l'aide décline en raison des déperditions de fonds au niveau des projets de développement ou des budgets nationaux et ce en raison des problèmes de corruption. La corruption peut intervenir à toutes les étapes de l'aide internationale, de la définition du projet jusqu'au processus d'appel d'offre, de la mise en œuvre jusqu'à l'audit du projet. La corruption peut être créée en passant contrat avec des entreprises inefficaces et incompétentes pour livraison de services à des coûts trop élevés et dans une mise en œuvre d'aide aux projets inappropriée et parcellaire. Le danger de la corruption dans l'aide publique au développement est évident : l'assistance est détournée de ses objectifs de départ par des politiciens corrompus et des agents publics et elle est dépensée pour fournir des plus grandes opportunités d'enrichissement personnel. Ce sont les populations pauvres, les plus vulnérables et les personnes privées du droit de vote qui souffrent.

Ce phénomène qui gangrène pratiquement toute l'Afrique, a plus d'ampleur en zone CEMAC, dont les pays membres partagent les dernières places du classement. L'Indice de Perception de la Corruption avec les pays en perpétuel conflictualité Comme en témoigne le Baromètre mondial de la corruption 2009 publié par Transparency International. Il ressort de l'analyse de la corruption qu'elle n'est pas le fait le plus souvent du secteur privé, quand il fonctionne librement, mais d'abord du secteur public, livré à toutes les tentations des hommes de l'Etat. Les fonds d'aide publique venus des pays riches sont systématiquement détournés. La lutte contre la corruption passerait donc en priorité par l'introduction de la bonne gouvernance (Sommo Pende, 2010).

« L'Indice de perception de la corruption 2014 montre que les abus de pouvoir des responsables politiques et des hauts fonctionnaires entravent la croissance économique et les efforts de lutte contre la

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corruption », affirme José Ugaz, président de Transparency International.

En général sur la période d'étude, la situation s'est dégradée avec un regain à partir de 2005 en raison des pressions internationales pour le contrôle et l'assainissement des finances publiques afin de pouvoir bénéficier de l'initiative PPTE.

De manière globale, il ressort de notre analyse que la période de 1996 à 2013 a été marquée par un variation considérable du PIB de la zone et des flux d'aide reçus dus entre autre à la mise sur pieds des OMD, l'atteinte du point d'achèvement, la crise des subprimes, la reprise de l'activité par la suite.

Du fait de la montée en puissance de la notion de gouvernance, on assiste à une multiplication des bases de données internationales censées fournir des indicateurs de mesures de ses différentes dimensions.

Nous livrons ci-dessous quelques indicateurs les plus utilisés de nos jours sur la gouvernance au niveau international (d'après Sudders et Nahem, 2004 cités par Razafindrakoto M. et Roubaud F., 2007 et repris par Feulefack, 2011).

- L'OCDE, à travers l'initiative "Metegora" relève 144 approches différentes de mesures de la gouvernance parmi lesquels, il s'appuit sur des indicateurs tels que l'Indice de Perception de la Corruption (IPC) de Transparency international, le Mécanisme Africain d'Evaluation par les Pairs (MAEP) existant dans le cadre du Nouveau Partenariat pour le Développement de l'Afrique (NEPAD), et le "Worldwide Governance Indicator" (WGI) de la Banque Mondiale.
- La Commission Européenne élabore des "profils de gouvernance" depuis 2008, qu'elle utilise pour évaluer la qualité de la gouvernance des pays auxquels elle apporte un appui au développement.
- Au sein du NEPAD, l'évaluation de la gouvernance se fait par le Mécanisme Africain d'Evaluation par les Pairs (MAEP).
- CPIA (Country Policy and Institutional Assessment) de la Banque mondiale a recours à une fiche d'évaluation "passe-partout" Controversée. L'Evaluation politique et des institutions nationales pour noter les gouvernements emprunteurs. Les notations de la CPIA sont préparées tous les ans et consistent en 20 critères (rassemblés en quatre groupes) liés à la performance de la politique et des
- institutions d'un gouvernement.
- ICRG (International Country Risk Guide) de Political Risk Services Group depuis 1980 et connu sous la rubrique de risques politiques. Ces indicateurs représentent quatre mesures de qualité institutionnelle: l'efficacité gouvernementale ou la qualité de la bureaucratie, le niveau de la
- corruption, le rôle de la loi et la démocratie.
- IPC (Indice de Perception de la Corruption) de Transparency International qui, lancé pour la première fois en 1995, couvrait 102 pays et aujourd'hui, couvre 177 pays.

III. Revue De La Littérature

Afin d'estimer l'efficacité de l'aide en termes decroissance, Burnside et Dollar (1997) estiment une équationde croissance qui met en relation une variable d'aide et unterme d'aide en interaction avec un indicateur de politique économique. La qualité des politiques macro-économiques est déterminée par la maîtrise de l'inflation, l'équilibre budgétaire et la mise en œuvre d'une politique d'ouverture commerciale. L'interaction de l'aide publique au développement avec l'indice de politique économique permet d'étudier l'impact des politiques économiques sur l'efficacité de l'aide au développement en termes de croissance. Leurs résultats économétriques montrent un coefficient positif et statistiquement significatif au seuil de 1% du terme croisé de l'aide avec l'indicateur de politique économique. Burnside et Dollar (1997,2000) concluent que l'aide n'est efficace en termes de croissance que dans un environnement macroéconomique de bonne qualité. Dans ce cas, l'aide n'est efficace en termes de croissance uniquement dans les pays en développement qui présentent de bonnes politiques économiques. On peut alors dégager le principe de sélectivité des pays bénéficiaires et le principe de conditionnalité basée sur la qualité des politiques économiques.

Burnside et Dollar (2000) concluent que l'aide au développement favorise la croissance économique seulement dans les pays qui adoptent de bonnes politiques macroéconomiques.

Easterly, Levine et Roodman (2004) ont constaté que les résultats obtenus par Burnside et Dollar (2000) ne font pas l'objet des tests de robustesse. Ils reprennent le modèle de Burnside et Dollar (2000) pour un échantillon plus large. Leurs résultats d'estimation montrent que le terme d'interaction entre l'aide reçu et l'indice de politique économique est statistiquement non significatif au seuil de 1%. Ils concluent que l'efficacité de l'aide au développement en termes de croissance ne dépend pas de politiques économiques menées par les pays récipiendaires.

Selon Bauer (2000), l'aide constitue une ressource discrétionnaire qui peut être utilisée par l'exécutif à des fins de manipulation du processus électoral et d'accroissement des dépenses militaires. Une analyse récente de Djankov et al (2008), confirme cette hypothèse. Par ailleurs, les travaux de Rajan et Subramanian (2007) soutiennent que l'aide a un effet corrosif sur les institutions politiques de pays récipiendaires.

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a) Methodologie de l'etude

Nous travaillons sur un panel des six (6) pays de la CEMAC sur la période 1996-2013 (18 années) pour mesurer l'influence des deux indicateurs de la gouvernance sur la relation aide publique au développement-croissance économique. Empiriquement, il s'agit pour nous d'étudier deux relations économétriques suivant les deux indicateurs de gouvernance retenus. On s'appuie sur la revue de la littérature qui a trouvé plusieurs variables qui seraient des déterminants de la croissance économique. Dans ce chapitre, il sera donc question pour nous de présenter les modèles économétriques en panel dynamique étudié, les variables dudit modèle, la source des données, les tests appliqués (pré et post-estimation) et les méthodes d'estimations.

IV. Spécification Des Modèles Économétriques

Les données que nous utilisons sont de source secondaire et proviennent des bases officielles de la Banque Mondiale en ligne notamment les World Developments Indicators 2014 (WDI, 2014) ainsi que la base de Kaufmann pour la gouvernance.

a) Expression Du Modèle

A partir du modèle théorique de croissance endogène, le modèle empirique inspiré des travaux de Burnside et Dollar (2000) sera formulé ainsi qu'il suit:

$$Croiss_{i,t} = \alpha_{i,t} + \alpha_1 Croiss_{i,t-1} + \alpha_2 APD_{i,t} + \alpha_3 Gov_{i,t} + \alpha_4 \left(APD * Gov\right)_{i,t} + \alpha_5 \left(APD^2 * Gov\right)_{i,t} + \beta' X_{i,t} + \varepsilon_{i,t}$$

Où :

- $Croiss_{i,t}$ est le taux de croissance du PIB réel par tête du pays i à l'année t.
- $Croiss_{i,t-1}$ est le taux de croissance du PIB réel par tête du pays i à l'année t décalé d'une période
- $Gov_{i,t}$ est l'indicateur de gouvernance retenu pour le pays i en t
- $APD_{i,t}$ est le rapport entre les flux entrants d'aide publique au développement et le PIB
- $(APD * Gov)_{i,t}$ est la variable d'interaction entre l'APD en pourcentage du PIB et l'indicateur de gouvernance retenu à court terme;
- $(APD^2Gov)_{i,t}$ est la variable d'interaction entre l'APD en pourcentage du PIB et l'indicateur de gouvernance retenu à long terme;
- X est le vecteur constitué des autres variables identifiées par la littérature comme étant des déterminants de la croissance ; il s'agit notamment de l'investissement domestique, du taux d'ouverture, du capital humain du taux de croissance de la population, …

Les différentes variantes du modèle ci-dessus seront obtenues en remplaçant la variable gouvernance par l'indicateur retenu.

Lorsque l'indicateur de la gouvernance est le niveau de démocratie, on a:

$$Croiss_{i,t} = \alpha_{i,t} + \alpha_1 Croiss_{i,t-1} + \alpha_2 APD_{i,t} + \alpha_3 Demo_{i,t} + \alpha_4 \left(APD * Demo\right)_{i,t} + \alpha_5 \left(APD^2 * Demo\right)_{i,t} + \beta' X_{i,t} + \varepsilon_{i,t}$$

Où $Demo_{i,t}$ est le niveau de démocratie dans le pays i en t.

Lorsque l'indicateur de la gouvernance retenu est le niveau de corruption, on a:

$$Croiss_{i,t} = \rho_0 + \rho_1 Croiss_{i,t-1} + \rho_2 APD_{i,t} + \rho_3 Corrup_{i,t} + \rho_4 \left(APD * Corrup\right)_{i,t} + \rho_5 \left(APD^2 * Corrup\right)_{i,t} + \beta' X_{i,t} + \varepsilon_{5i,t}$$

Où $Corrup_{i,t}$ est niveau de corruption dans le pays i en t.

V. Resultats Et Interpretations

Il sera essentiellement question de faire une présentation des résultats des tests et estimations effectuées. Aussi, nous exposerons les méthodes utilisées aux fins d'évaluer la pertinence du modèle retenu, d'estimer les paramètres dudit modèle et d'examiner ceux-ci conformément aux attentes de l'étude (hypothèses de l'étude et signes attendus des variables), à la littérature existante et au contexte ambiant.

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a) Resultats Des Tests De Stationnarite d'Im, Pesaran et Chin

Tableau 1: Résultat du test de stationnarité d'IPS

Variables	A niveau		En différence		Décision
	Stats	Prob	Stats	Prob	
APD	-4,83***	0 ,000	-	-	I(0)
TX PIB	-3 ,71***	0,001	-	-	I(0)
IDE	-3,34***	0,004	-	-	I(0)
IDO	-2,62***	0,004	-	-	I(0)
DOE	-1,54*	0,062	-	-	I(0)
DVP Fi1	-2,76***	0,003	-	-	I(0)
DVP Fi2	-1,58*	0,057	-	-	I(0)
DEMO	-0,98	0,162	-3,29***	0,005	I(1)
CORR	-0,928	0,176	-4,606***	0,000	I(1)
APD^2	-5,37***	0,000	-	-	I(0)
APD* CORR	-4,92***	0,000	-	-	I(0)
APD* DEMO	-3,424***	0,003	-	-	I(0)
APD^{2}* CORR	-3,652***	0,000	-	-	I(0)
APD^{2}* DEMO	-4,374***	0,000	-	-	I(0)

*NB : *, **, *** représentent respectivement la stationnarité à 10%, 5% et 1%*

Il ressort du tableau ci-dessus que toutes nos variables sont stationnaires à niveau à l'exception des variables démocratie et corruption qui sont quant à elles stationnaires en différence première.

b) Analyse descriptive des correlations entre les variables

Tableau 2: Tableau des corrélations entre les variables

	txpib	apd	ide	ido	doe	dvpfi1	dvpfi2	demo	corr	apdsq	apdcorr	apddemo	apdsqc~r
txpib	1.0000												
apd	-0.0557	1.0000											
ide	0.4372	-0.0363	1.0000										
ido	0.6311	-0.2920	0.7598	1.0000									
doe	0.6176	-0.3232	0.7161	0.9496	1.0000								
dvpfi1	-0.3768	0.1360	-0.1066	-0.3978	-0.3844	1.0000							
dvpfi2	-0.2402	-0.1747	-0.1906	-0.1868	-0.2647	0.5865	1.0000						
demo	-0.2766	0.1109	-0.3208	-0.4844	-0.4934	0.3756	0.3010	1.0000					
corr	-0.2349	0.0441	-0.2175	-0.3877	-0.3928	0.3380	0.4351	0.7681	1.0000				
apdsq	-0.0484	0.9175	-0.0306	-0.2095	-0.1976	0.1289	-0.1267	0.0878	0.0672	1.0000			
apdcorr	0.0358	-0.9772	0.0148	0.2662	0.2902	-0.1193	0.2326	-0.0686	0.0665	-0.8828	1.0000		
apddemo	0.0108	-0.9748	-0.0214	0.2292	0.2637	-0.0796	0.1796	0.0075	0.0120	-0.8865	0.9619	1.0000	
apdsqcorr	0.0467	-0.9123	0.0226	0.2055	0.1878	-0.1377	0.1556	-0.0810	-0.0200	-0.9895	0.9060	0.8828	1.0000
apdsqdemo	0.0355	-0.9137	0.0115	0.1934	0.1856	-0.1124	0.1167	-0.0469	-0.0574	-0.9917	0.8804	0.9094	0.9801

	apdsqd~o
apdsqdemo	1.0000

Il ressort de ce tableau de corrélation que la relation entre l'aide publique au développement et le taux de croissance du PIB est négative. La démocratie, la corruption, l'aide publique à long terme sont négativement corrélés au taux de croissance du PIB. Les variables d'interaction aide publique au développement-démocratie à court terme, aide publique au développement-corruption à court terme, aide publique au développement-démocratie à long terme, aide publique au développement-corruption à long terme, sont positives. Ce qui suggère que l'APD en elle-même n'a pas d'effet positif sur la croissance mais en fonction du contexte démocratique et institutionnel, cet effet peut être positif. Ceci met en lumière la non linéarité de la relation aide-croissance.

Pour avoir une idée plus précise et plus robuste de cette corrélation, nous avons mené un test de significativité des corrélations dont le résultat est le suivant:

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Tableau 3: Test de significativité des corrélations

	txpib	apd	ide	ido	doe	dvpfi1	dvpfi2
txpib	1.0000						
apd	-0.0557	1.0000					
ide	0.4372*	-0.0363	1.0000				
ido	0.6311*	-0.2920*	0.7598*	1.0000			
doe	0.6176*	-0.3232*	0.7161*	0.9496*	1.0000		
dvpfi1	-0.3768*	0.1360	-0.1066	-0.3978*	-0.3844*	1.0000	
dvpfi2	-0.2402*	-0.1747*	-0.1906*	-0.1868*	-0.2647*	0.5865*	1.0000
demo	-0.2766*	0.1109	-0.3208*	-0.4844*	-0.4934*	0.3756*	0.3010*
corr	-0.2349*	0.0441	-0.2175*	-0.3877*	-0.3928*	0.3380*	0.4351*
apdsq	-0.0484	0.9175*	-0.0306	-0.2095*	-0.1976*	0.1289	-0.1267
apdcorr	0.0358	-0.9772*	0.0148	0.2662*	0.2902*	-0.1193	0.2326*
apddemo	0.0108	-0.9748*	-0.0214	0.2292*	0.2637*	-0.0796	0.1796*
apdsqcorr	0.0467	-0.9123*	0.0226	0.2055*	0.1878*	-0.1377	0.1556
apdsqdemo	0.0355	-0.9137*	0.0115	0.1934*	0.1856*	-0.1124	0.1167

	demo	corr	apdsq	apdcorr	apddemo	apdsqc~r	apdsqd~o
demo	1.0000						
corr	0.7681*	1.0000					
apdsq	0.0878	0.0672	1.0000				
apdcorr	-0.0686	0.0665	-0.8828*	1.0000			
apddemo	0.0075	0.0120	-0.8865*	0.9619*	1.0000		
apdsqcorr	-0.0810	-0.0200	-0.9895*	0.9060*	0.8828*	1.0000	
apdsqdemo	-0.0469	-0.0574	-0.9917*	0.8804*	0.9094*	0.9801*	1.0000

*NB : * traduit la significativité au seuil de 10%*

Ce test de significativité des corrélations suggère qu'il n'y a pas de corrélation significative entre le taux de croissance du PIB et toutes les variables susmentionnées.

Conscients de ce que des corrélations mécaniques peuvent être construites entre les variables, nous avons utilisé une méthodologie économétrique bien plus robuste pour déterminer l'impact de l'APD sur la croissance dans un contexte de démocratie et dans un contexte de corruption.

c) Resultats des estimations

Notre premier objectif spécifique consistait à déterminer l'incidence de la démocratie dans la relation Aide Publique au Développement - Croissance économique dans la zone CEMAC. Avant de procéder à l'interprétation de nos variables, il convient d'évaluer la pertinence et la robustesse du modèle tout entier.

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Tableau 4: Effet de la démocratie dans la relation APD-croissance

Variable dépendante: Txpibpt (Gouvernance = Démocratie)		
Variables	Coefficients	T
txpib (-1)	-.00223 (.0337)	-0.07
Apd	-3.2472 (6.7955)	-0.48
Demo	5.9965 (4.8361)	1.24
Apdsq	.66306 (.54040)	1.23
Apddemo	-3.553 (5.600)	-0.63
apdsqdemo	.63035 (.28344)	1.37
Ide	.24681 (.16748)	1.47
Ido	.06503 (.1214)	0.54
Doe	.0181 (.0612)	0.30
dvpfi1	.94708*** (.34718)	-2.73
Cons	16.176 ** (7.6638)	2.11
Observations	90	
instruments	24	
Wald (Chi-deux)	2970.73	
Prob (Wald)	0.0000	
Stat Sargan	4.14382	
Prob (Sargan)	0.9896	
AR(2)	0.3554	

*NB: ** et *** représentent les significativités au seuil de 5% et 1% respectivement*

Source: Estimations de l'auteur à partir de Stata 13

L'estimation dont les résultats sont contenus dans le tableau ci-dessus a été effectuée à partir d'un échantillon de 90 observations. La probabilité associée à la statistique de Wald (p=0,0000< 0,01) est inférieure au seuil de 1% ce qui suggère que le modèle est globalement significatif ; la statistique de Wald (Wald=2970,73) apporte la même information sur la significativité globale du modèle. Il ressort donc de ces deux indicateurs que le modèle est globalement significatif. Par ailleurs, le nombre d'instruments (24<90) est inférieur au nombre d'observations suggérant que notre régression est robuste. Notre estimation suggère à travers le test d'autocorrélation d'Arellano et Bond une absence d'autocorrélation de second ordre (p=0,35>0,05) et aussi à travers le test de sur-identification des instruments de Sargan que nos instruments sont valides car la probabilité associée à ce test est supérieure au seuil de significativité qui peut être de 1%, 5% ou 10% (p=0.98). Tous ces éléments nous conduisent à valider les résultats que ces estimations nous donnent.

Des dix (10) variables explicatives dont est constituée notre modèle (txpib (-1), apd, demo, apdsq, apddemo, apdsqdemo, ide, ido, doe, dvpfi1), une seule est significative (dvpfi1) alors que les neufs autres (txpib (-1), apd, demo, apdsq, apddemo, apdsqdemo, ide, ido, doe) ne le sont pas. Autrement dit, le taux de croissance en valeur retardé, l'aide publique au développement, la démocratie, l'aide publique au développement à long terme, l'aide publique au développement à court terme associée à la démocratie, l'aide publique au développement à long terme associée à la démocratie, l'investissement direct étranger, l'investissement domestique et le degré d'ouverture de l'économie n'ont pas d'effets statistiquement significatif sur la croissance économique dans la CEMAC. En revanche, le développement financier à un effet positif et significatif sur la croissance des pays de la CEMAC. Il ressort globalement de ces estimations que l'aide publique n'a pas d'effet significatif sur la croissance dans la CEMAC et que même le niveau de démocratie n'influence pas la capacité de l'APD à booster la croissance. Ces résultats sont compatibles à ceux des auteurs tels que Boone (1995), Paldam et Doucouliagos (2005) pour qui environ 75% des flux d'APD contribuent à l'augmentation des dépenses gouvernementales et non à l'accumulation du capital pour l'investissement; il n'y a donc pas baisse

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d'impôt permise par l'allocation de l'aide et donc pas d'augmentation de la consommation des ménages et plus généralement pas d'augmentation de la production.

Ces résultats sont par ailleurs contradictoires à ceux de la Banque mondiale (1998), Lensink et White (2000) Dalgaard et Hansen (2001), avec des implications politiques. Pour eux, si l'aide est plus efficace dans un bon environnement macroéconomique, elle devrait cibler les pays pauvres ayant adopté une « bonne gouvernance».

Notre deuxième objectif spécifique consistait à déterminer le rôle de la corruption dans la relation Aide Publique au Développement-Croissance économique dans la zone CEMAC. Avant de procéder à l'interprétation de nos variables, il convient d'évaluer la pertinence et la robustesse du modèle tout entier.

Tableau 5: Effet de la corruption dans la relation APD-croissance

Variable dépendante: Txpibpt (Gouvernance = Corruption)		
Variables	Coefficients	t
txpib (-1)	.1152*** (.0304)	3.79
apd	-6.9307 (4.4927)	-1.54
corr	16.417*** (4.3960)	3.73
apdsq	.6123* (.33053)	1.85
apdcorr	-7.354** (3.6027)	-2.04
apdsqcorr	.60099** (.28344)	2.12
ide	.02049 (.12563)	0.16
ido	.11305 (.09188)	1.23
doe	.0625 (.04116)	1.52
dvpfi1	.91134** (.3917)	-2.33
cons	22.9658** (8.8741)	2.59
Observations	90	
instruments	24	
Wald (Chi-deux)	1140.64	
Prob (Wald)	0.0000	
Stat Sargan	6.292774	
Prob (Sargan)	0.9348	
AR(2)	0.9395	

*NB: *, ** et *** représentent les significativités au seuil de 10%, 5% et 1% respectivement*

Source: Estimations de l'auteur à partir de Stata 13

L'estimation dont les résultats sont contenus dans le tableau ci-dessus a été effectuée à partir d'un échantillon de 90 observations. La probabilité associée à la statistique de Wald (p=0,0000< 0,01) est inférieure au seuil de 1% ce qui suggère que le modèle est globalement significatif; la statistique de Wald (Wald=1140,64) apporte la même information sur la significativité globale du modèle. Il ressort donc de ces deux indicateurs que le modèle est globalement significatif. Par ailleurs, le nombre d'instruments (24<90) est inférieur au nombre d'observations suggérant que notre régression est robuste. Notre estimation suggère à travers le test d'autocorrélation d'Arellano et Bond une absence d'autocorrélation de second ordre (p=0,93>0,05) et aussi à travers le test de sur-identification des instruments de Sargan que nos instruments sont valides car la probabilité associée à ce test est supérieure au seuil de significativité qui peut être de 1%, 5% ou 10% (p=0.93). Tous ces éléments nous conduisent à valider les résultats que ces estimations nous donnent.

Des dix (10) variables explicatives dont est constituée notre modèle (txpib (-1), apd, corr, apdsq, apdcorr, apdsqcorr, ide, ido, doe, dvpfi1), six d'entre elles sont significatives (txpib (-1), corr, apdsq, apdcorr, apdsqcorr, dvpfi1) et quatre d'entre elles sont en

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revanche non significatives (apd, ide, ido, doe). Autrement dit, le taux de croissance en valeur retardée, l'aide publique au développement à long terme, la corruption, l'aide publique au développement à court terme associée à la corruption, l'aide publique au développement à long terme associée à la corruption, le développement financier ont un effet statistiquement significatif sur la croissance économique dans la CEMAC. En revanche, l'aide publique au développement (apd), l'investissement direct étranger (ide), le degré d'ouverture commerciale de l'économie (doe), l'investissement domestique (ido) n'ont pas d'effet significatif sur la croissance des pays de la CEMAC. L'examen de ces variables significatives prises individuellement suggèrent que : le taux de croissance retardé à un effet positif et significatif sur le taux de croissance courant; en effet, une augmentation du taux de croissance de la période précédente de 1 point va entrainer une augmentation du taux de croissance de la période courante de 0,11 points. Ce coefficient ne vérifie pas l'hypothèse de convergence conditionnelle qui veut que le coefficient de la variable retardée soit négatif et significatif pour assurer l'effet de rattrapage.

La variable d'interaction entre l'APD à court terme et la corruption à un effet négatif et significatif sur la croissance; en effet, une augmentation de l'aide de 1 point va entrainer une diminution de la croissance de 7,35 point. Ceci implique que dans un contexte de corruption avancé, l'APD sera un frein à la croissance économique car ces flux seront détournés à des fins individuelles et ne serviront pas la cause qu'ils sont supposés servir. La variable d'interaction entre l'APD à long terme et la corruption à un effet positif et significatif sur la croissance; en effet, une augmentation de l'aide à long terme de 1 point va entrainer une augmentation de la croissance de 0,6 point. Ceci implique qu'à long terme, les stratégies de lutte contre la corruption auront atteints des résultats tels que les flux d'APD aient un impact positif sur la croissance. Ceci confirme les études menées par Lensink et White (2000), Dalgaard et Hansen (2001), ayant abouties à des implications politiques. En effet, pour eux, l'aide est plus efficace dans un bon environnement macroéconomique et institutionnel avec une bonne gouvernance.

VI. Conclusion

Le développement financier a un effet positif et significatif sur la croissance économique dans la CEMAC; en effet, une augmentation de l'APD de 1 point va entrainer une augmentation de la croissance de 0,9 points.Il ressort globalement de ces estimations que l'aide publique n'a pas d'effet significatif sur la croissance dans la CEMAC mais que dans le contexte de corruption qui est le sien, il aurait un effet négatif sur la croissance. En revanche, à long terme, les efforts de lutte contre la corruption engagés par les Etats de la zone permettront que l'APD ait un effet positif et significatif sur la croissance dans ce contexte-là. Ces résultats sont conformes aux études menées par Burnside et Dollar (1997) pour selon lesquelles l'aide publique est efficace dans les économies qui pratiquent des politiques économiques saines.

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Transient Vacation Rentals on Oahu: Socio-Economic and Fiscal Impacts and Policy

By Dr. Prahlad Kasturi & Dr. Thomas A. Loudat
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Abstract- We estimated the socio-economic and fiscal impacts of Short Term Rentals (STRs) on the City and County of Honolulu. The study was commissioned by the Hawaii Vacation Rental Owners Association (HVROA) on the island of Oahu in 2012. The study was aimed at informing the debate on the Planning Commission's draft bill and underlining the economic consequences of the Department of Planning and Permitting's announced intent to strengthen existing law and shut down STRs without permits in the near future. Our study showed significant economic benefits to the populace of Oahu. These included contributions to economic output between $752.3 million and $1.10 billion, contributions to earnings between $240.6 million and $339.2 million along with the generation of 7,566 to 9,993 jobs in the County. Several articles appearing in October 2017 both in the *Honolulu Star Advertiser* and the Honolulu Travel Forum show that Oahu is still looking at Short Term Rental regulation changes. Thus the issue which is an on-going concern could benefit from the policy discussion in the paper.

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TRANSIENTVACATIONRENTALSONOAHUSOCIOECONOMICANDFISCALIMPACTSANDPOLICY

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Transient Vacation Rentals on Oahu: Socio-Economic and Fiscal Impacts and Policy

Dr. Prahlad Kasturi [α] & Dr. Thomas A. Loudat [σ]

Abstract- We estimated the socio-economic and fiscal impacts of Short Term Rentals (STRs) on the City and County of Honolulu. The study was commissioned by the Hawaii Vacation Rental Owners Association (HVROA) on the island of Oahu in 2012. The study was aimed at informing the debate on the Planning Commission's draft bill and underlining the economic consequences of the Department of Planning and Permitting's announced intent to strengthen existing law and shut down STRs without permits in the near future. Our study showed significant economic benefits to the populace of Oahu. These included contributions to economic output between $752.3 million and $1.10 billion, contributions to earnings between $240.6 million and $339.2 million along with the generation of 7,566 to 9,993 jobs in the County. Several articles appearing in October 2017 both in the *Honolulu Star Advertiser* and the Honolulu Travel Forum show that Oahu is still looking at Short Term Rental regulation changes. Thus the issue which is an on-going concern could benefit from the policy discussion in the paper.

I. Introduction

Following a national trend, home-based businesses grew in Hawaii during the 1990s, which continued into the first decade of the new Millennium. The Hawaii cooperative extension service (CES) reported Hawaii home-based business in: agriculture, manufacturing, transportation, construction, wholesale and retail trade, service, finance, insurance or real estate and other. The typical home-based Hawaii home-based business owners made more than $75,000, 85 percent owned their homes and had more gross household debt and income than their national counterparts (Hsu, Masuo, Fong, and Yanagida, 2008). Our email survey and the Vacation Rentals by Owners (VRBO) website reveal that many Honolulu County residents engaged in the vacation rental (home-based) business to serve the tourism industry, exporting hospitality services. Their export resource is their home or part of their homes used as short-term rentals (STRs).

According to Small Business Administration (SBA), there are over 22.9 million small businesses in the country of which 53 percent are home-based businesses (Longley, 2012). Small businesses account for 99.7 percent of the employers, for 50 percent of the private sector workers and for more than 50 percent of the non-farm private gross domestic product in the country. Small businesses are 97 percent of exporters and produce 29 percent of export value. They continue to exist four years after startup and account for 75 percent of net new jobs. It is not surprising that in the nineties and following the recession of 2000-2001 and the great recession of 2008, many chose to focus on growing the home-based vacation rental segment of tourism. This is clearly a part of an expanding worldwide trend. The traveling public clearly and enthusiastically supports incorporating the industry into the community through spending on STRs in Tokyo, Sydney, San Francisco, New York, London, Berlin, Paris, Madrid, Milan and many other locations around the world (www.vrbo.com website and www.ozstayz.com.au website, 2012).

In the above context, some regulations affecting the growth of STRs in Honolulu are examined. The Land Use Ordinance No.86-96 took effect in Honolulu in 1986. It prohibited short-term transient rentals (STRs) of less than 30 days that were not located in resort districts or resort mixed-use precinct of Waikiki. A subsequent Ordinance No.89-154, which took effect in December 1989 prohibited new B&Bs in all zoning districts. It required all B&Bs and STRs to prove they were in operation prior to October 22, 1986 and December 28, 1989 respectively in order to continue with the business. It also required them to obtain a Nonconforming Use Certificate (NUC) from the Department of Planning and Permitting (formerly known as the Department of Land Utilization), City and County of Honolulu by September 28, 1990. Certain restrictions applied to these short-term rentals. They (including accessory dwellings) could not be enlarged. They could also lose nonconforming status if the transient use was discontinued over 12 months and finally STRs had to meet residential occupancy limits. In 1989, there were 2,235 rental housing units and 141 B&Bs that held non-conforming use certificates (NUCs) and were permitted to operate in the City and County of Honolulu (Eng, 2007). By July 2011 there were only 826 STRs and 49 B&Bs that were permitted. So the number of legitimate short-term rentals (STRs) operating in the City and County of Honolulu has been greatly reduced. The three main reasons for dropping the nonconforming use certificates by short-term rental operators have been: 1) Noncompliance with the renewal requirements; 2) Voluntary withdrawal; and 3) revocation due to the expansion of the nonconformity. (Eng, 2007). It is clear that under current rules in the County of Honolulu, the STR segment of home-based

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businesses has had to go through a lengthy, difficult permitting process to bring their businesses into compliance with the law. This has resulted in only a small cross-section of STRs operating on Oahu being registered and having the required special non-conformity use permits (NUCs). Pending the passage of a new vacation rental ordinance, this is unlikely to change.

The City and County of Honolulu Planning Commission have been holding hearings over recent years to more strictly regulate short-term rentals and has a draft bill proposing changes to the 1989 bill that sharply limited STR activity related to B&Bs and STRs (Yamane, 2011). However, the proposed bill is not acceptable in its current form to many Oahu homeowners who see its provisions as an encroachment on their property rights and as an obstacle to legitimately earn a living through renting their property (Baehr, 2011).

This study on the economic impact of STRs on the City and County of Honolulu was commissioned by the Hawaii Vacation Rental Owners Association (HVROA) on the island of Oahu. The study is aimed at informing the debate on the Planning Commission's draft bill and underlining the economic consequences of the Department of Planning and Permitting's announced intent to strengthen existing law and shut down STRs without permits in the near future. Since B&Bs and STRs are essentially small, home-based businesses, it is important to recognize the potential adverse effects and unintended consequences of unduly restrictive regulations or an outright ban. In this spirit, this study can be viewed as consistent with the requirements of Senate Bill 188 (Act 217) signed into law by Governor Linda Lingle in 2007. Small businesses in Hawaii account for 115,186 businesses, represent 96.5 percent of all employers and employ about 55 percent of the workforce (SBA, 2012), a context regulator need be cognizant of in their efforts.

a) Previous Studies

There has been one previous documented study regarding the Transient Vacation Rentals (TVRs, previously used as an acronym for short-term rentals STRs) on Oahu by the Kauaian Institute in September 2005 (The Kauaian institute, 2005). The market segment assessment study provided a comparative analysis of the geographic and economic footprint of transient vacation rentals on Oahu. Two significant findings from the study were a count of 1117 STRs on Oahu following an intensive search process (which shows an undercount of STRs in official figures reported by DBEDT) and an estimate of $65 million in lodging revenues received by STRs in 2004.

This study updates the earlier study by using both officially and privately reported data for 2010 and uses the 2007 Hawaii Input-Output Table to measure the impact of TVR lodging revenues on output, earnings, and employment in HonoluluCounty. Although some definitional and legal differences exist between Bed & Breakfast (B&B) Rentals, Transient Vacation Units (STRs) rentals and other private homes available for short-term rentals, in this study, all such short-term rentals (STRs) are considered to be B&Bs and STRs. There has been no intensive attempt to develop a new separate estimate of STR lodgings in HonoluluCounty either through an intensive or extensive search or survey process given the limitation on time in developing this research report. We did, however, conduct an STR email survey and gleaned the VRBO/ Home away website. Results from both sources enter into our estimate of the STR total on Oahu.

b) Research Organization

Section II provides a review of studies reviewing STR and related trends, impacts, and policies of other jurisdictions as well as Hawaii. Section III provides a discussion of Oahu STR characteristics and presents our estimated Oahu STR unit number. Section IV provides our analysis of the economic and fiscal impacts of STRs on Oahu's economy. Finally, section V provides research conclusion and suggested policy recommendations from our investigations.

II. Review of Studies Assessing STR Trends, Impacts, and Policies

This section provides national and international STR trends and related trends, STR impacts and STR policies that have been promulgated by other jurisdictions as well as Hawaii. This information provides a context and perspective in which to view for Oahu's STR industry.

a) Trends

According to Travel Industry Association of America, in 2010, the United States travel industry garnered $ 758.7 billion from domestic and international travelers spending (excluding international passenger fares). The estimated impact of these travel expenditures was 7.4 million jobs with over $188.4 billion in payroll income for Americans, as well as $117.6 billion tax revenue for federal, state and local governments (USTA, 2011).

It is not surprising given the vast potential of the tourism industry and its growth trend, many home-based businesses have commenced serving travelers through either operating travel agencies or by offering lodgings as either bread & breakfast establishments or transient vacation units within their homes. Since the 1990s decade, several factors have contributed to growing this segment of the home-based business. These include the spread of the internet, e-commerce, web-based advertising and growth in the number of firms providing specialized software for home-based businesses and facilitating monetary transactions online. As mentioned earlier, home-based businesses afford

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a greater sense of freedom, provide earnings for proprietors and generate significant employment in the country (SBA, 2012).

The Internet has revolutionized the property management industry changing the paradigm on how profits from holiday rentals and the visitor industry are to be distributed among more participants. The advent of e-commerce challenges the status quo where property managers and hotel owners previously used to call the shots and from whom market power has been slipping away (Smith 2012). Credit cards and Paypal facilitate the trust in the transactions, Google and Google ads help to market the rentals, property management software system (PMS) integrates accounting and marketing tools and direct SMS communications to client phones about check-in times, and other arrangements are the reality (Wortham, 2011). All of these developments have greatly boosted the confidence of property owners who are creating home-based businesses in the form of short-term rentals (STRs). Web-based ventures listing SDRs include Airbnb that raised $112 million in venture funds and Windu that raised $90 million in Europe, 9flats, Roomarama, iStop Over, Craiglist, Rent a home, Take a break, Stayz, Home away, Ozstays, and Vacation Rental by Owner (VRBO) among others. Mergers and acquisitions among these web-based businesses are occurring as this burgeoning industry consolidates (Wortham, 2011; Smith, 2012).

STR websites have eliminated middlemen in the form of expensive travel agents and real estate brokers proving to be useful middlemen in a global market. Ancillary sectors that support tourism and travel have evolved simultaneously with STRs. Examples are Neighbor Goods to rent other goods, Snap Goods that list ski equipment and power tools, and start-ups like Get around in the Bay Area which connects car owners with those who want to rent cars (Wortham, 2011).

In total, the scale of operations of the STR industry has assumed global proportions with billions of dollars invested, millions of dollars in earnings and hundreds of thousands newly created jobs. According to Quinby (Glantz, 2011), on-line listings had been a major driving force behind what has been an extraordinary transformation of the residential real estate market over the past decade.

b) Externalities

While the economic impacts of STR growth by themselves are viewed positively, there are negative impacts and some positive impacts that have not been accounted for (i.e. externalities). STRs may have externality impacts on a local community. In economic theory, an externality occurs if the benefits or costs of a good are passed on to or 'spillover" to someone other than the buyer or seller. The presence of externalities signifies market failure. Market failure means that the market produces "wrong" amounts of the goods or services in question and fails to allocate resources properly. Relative to the market allocation of resources that is 'efficient' in the absence of externalities, there is over-allocation of resources to the production of the good or service in the presence of a negative externality.

Likewise, sometimes externalities associated with some goods or services are beneficial to other producers and consumers. These uncompensated spillovers accruing to third parties or the community at large are called positive externalities. Typically, the presence of beneficial externalities indicates under allocation of resources for goods and services that generate them.

c) STR Externalities and their Policy Responses

In an earlier study regarding the economic impact of transient vacation rentals in Maui County, the authors cited some of the purported benefits of vacation home development in rural Vermont in the 70s and 80s to satisfy recreational needs of urbanites from southern New England and New York (Fritz, 1982). For Vermonters who had traditionally experienced high levels of poverty, these included: improvements in the quality of life, additional employment, tax revenues, income and induced investments. Furthermore, due to the impact on the tax base being positive local landowners would face lower property taxes.

The City of Encinitas, California proposed an amendment to prohibit short-term vacation rentals in all residential zones throughout the city. The amendment at least in part appears to have been a response to negative externalities associated with vacation rentals cited by city residents including loud and disorderly tenants, illegal parking and vandalism, overcrowding and traffic congestion. The amendment was found to be inconsistent with the Coastal Act. The Coastal Act promotes and preserves a full range of public access opportunities along the coast, including the provision of accessible and affordable commercial facilities, which serve and support coastal visitors. Another major reason to reject the amendment was the amendment's inconsistency with the California Environmental Quality Act (CEQA) as it would have an adverse impact on visitor-serving accommodations and low-cost recreational facilities. Provisions of CEQA also state that amendments will not be approved or adopted as proposed if there exist feasible alternatives or mitigation measures available which would substantially lessen any significant impact the activity may have on the environment. A compromise was reached, and the City of Encinitas adopted an ordinance requiring owners to get an annual $150 permit from the city for each short-term rental unit. The Superior Court in North County ruled in favor of the City of Encinitas when this provision was legally challenged in 2010 (Medford, 2011). Since 2009, the city collects a 10 percent transient occupancy tax (TOT) of which 8 percent is deposited in the General

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Fund, and 2 percent is allocated to a special fund dedicated to beach sand replenishment and stabilization projects.

In San Juan County in Washington renting out a home as a vacation rental is not considered a commercial use and is allowed in residential areas. There are no limits on vacation rentals. However, homeowners are required to obtain a conditional use permit (San Juan Islander, 2002, 2004 and 2005). Detached accessory dwelling units (ADUs) were more likely to be used for vacation rentals and caregiver housing whereas attached ADUs were more likely to be used for family and other personal guests. As positive, transient rentals earned income for the owners such that changing the rules could cause "economic harm." Perceived negatives were transient rentals reduced housing to locals, devalued surrounding properties and impacted water systems due to increased density. The consensus was that ADUs historically had provided affordable housing. In 2005, in order to mitigate the problems associated with vacation rentals, property owners with transient rental permits were assessed taxes 15 percent higher than similar buildings without a permit. Also, the personal property in the transient rental properties is subject to personal property tax while the transient rentals are subject to sales and hotel/motel taxes. Property owners of transient vacation rentals must also provide a contact number that is available 24 hours a day. The number does not have to be a local number.

Big Bear nestled in the San Bernardino Mountains in California had a 2008 ballot measure initiative. It sought to improve the quality of transient rentals by improving the safety and security of guests, provide remedies for unruly and unlawful overnight uses and encourage currently unregistered rentals to become licensed and provide residents with notice of each proposed commercial use of a residence in their neighborhoods (Ballot measure, 2007). However, a group called Citizens Protecting the Rights of Property Owners (CPRPRO) successfully sued the City of Big Bear in Superior Court to remove the initiative from the election ballot (Big Bear Grizzly, 2008). The measure would have required private home rentals to be approved through the conditional use permit process and comply with Americans with Disability Act laws among other restrictions. It was shown by an independent financial study that at least 90 percent of the private home-rentals in the City of Big Bear Lake would not have been able to comply with the initiative measure and would have gone out of business. The measure would have impacted the city's general fund significantly due to loss of the transient occupancy tax.

In 2010, the New York Assembly approved a ban on short-term rentals whereby owners and renters could not let out their apartments as transient hotels (Drake, 2010). The law was to take effect in May 2011 but has not been implemented fully because it was considered too broad. Noise, disruption and real safety concerns drove that decision. The legislators were also concerned with the shortage of housing in the city. At the same time, a new bill was introduced to amend the yet to be implemented the short-term rental ban in New York City in April 2011 (Protect-Vacation-Rentals. com website, 2011). The bill aimed to provide an exemption for a specific class of good actors that rented a certain type of "class A" multiple dwelling units on a short-term basis.

According to the draft bill the "class A" multiple dwelling units could be lawfully rented for less than thirty days provided it met four conditions viz. (i) is not a single room occupancy, (ii) contains a bathroom and kitchen, (iii) has working smoke detectors located in each room and (iv) the unit has sufficient fire, hazard, and liability insurance to cover those persons using the unit for such occupancy. The justification provided for the draft bill was that the law banning short-term rentals encompassed a greater universe than was intended. Although the law would phase out Single Room Occupancy Buildings (SROs), it would also rid New York State of a legitimate business model, namely, short-term rental units. These short-term units provide tax income to New York and tourism dollars to the areas in which they are located. Thus one should not confuse STRs with SROs, which often get associated with decrepitude, poor maintenance, and numerous building and health code violations.

In December 2011, the New York City Council held a hearing on Intro. 404 that would amend the Administrative Code to provide increased fines for illegal conversions of residential apartments into short-term rentals and that would classify the illegal conversion of more than one unit in the same building as immediately hazardous (Protect-Vacation-Rentals.com website, 2011). Among the benefits of regulating short-term rentals as opposed to their outright ban was “localizing” the benefits from the travel industry beyond Manhattan and giving visitors a chance to experience and see the city as a true New Yorker. A compromise solution (as opposed to a ban) would also mitigate a fear that a ban would result in disinvestment in city infrastructure.

In San Francisco, the census count on vacation rentals surged to 5564 in 2010 from 3764 in 2000 and 1509 in 1990 (Glantz, 2011). The census figures in 2010 for nearby San Jose was 845 and Oakland had 633 vacation homes. Vacation homes with a view could rent for as much as $650 per night. The city collects 14 percent hotel tax from landlords who rent apartments to out-of-towners on a short-term basis. The city acknowledged it did not have enough staff to investigate complaints of illegal rentals. One of the prime reasons driving up demand for short-term rentals by tourists is to have the real San Francisco experience. However, the “hotelization” of San Francisco has led to a perception

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that seniors, families and low-income tenants are being ejected out of the city to live elsewhere.

In March 2011, Walton County commissioners in Florida were set to consider county legislation that would control the number of occupants that may sleep in short-term rental condominiums and single-family homes (Stark, 2011). The proposed legislation was considered by some to be anti-family, anti-tourism, anti-short-term rental property owner property rights and anti-business. People also feared that short-term rental owners would dump their real estate in Walton County and move somewhere else along the Gulf coast. However, Florida Governor Scott signed into law House Bill 883 in June 2011 that would prohibit counties and cities from imposing rental restrictions on vacation rentals unless they had previously enacted laws. The legal issues identified related to short-term rentals were: constitutional issues, disparate treatment, alienation of property, reasonable regulations, contractual obligations, the frequency of usage (between hotel versus residential), practical consideration regarding amending community development regulations and ordinances.

In the City of Austin, Texas the council began in early 2012 to make an inventory of short-term rentals and look at the impact on neighborhoods and the quality of life (Castillo, 2012). This process is estimated to take three months to complete and cost around $63,500.

Concerns over B&Bs/Transient Vacation Units in the State of Hawaii to an extent mirror various concerns expressed by different communities and towns on the US mainland.

d) The Hawaii Experience

A significant Oahu STR concern is that it destroys the residential character of neighborhoods and turns them into eventually resort areas (Au, 2007). Other concerns include the fact that they introduce a constant flow of strangers into the neighborhood which impacts rental housing availability, rent prices, property taxes and the property rights of neighbors (Bartley, 2005).

On Maui there is concern over the long run stock of housing for residents due to transient vacation rentals, with Ohana units being converted to vacation rentals and their impact on local lifestyles (Eagar, 2007). There is also fear that these types of rentals would urbanize agricultural and rural areas (Watanabe, 2007).

A record of county zoning complaints from January 1999 through August 2005 showed that noise, late parties, traffic congestion, illegal structures or illegal modeling, disturbances, and parking on the street are some of the negative externalities associated with transient rentals on Maui (MVRA, 2006). The most frequent complaint (10 in number) was regarding disturbances from STRs from 1999 to 2005.

It was reported that in 2008, 2009 and 2010 complaints received against STRs on Oahu were 117, 364 and 698 respectively (Carvahlo, 2011). Of these only 15-20 percent of the investigated complaints were found to be valid and mostly involved code violations. If the higher 20% figure is used for valid complaints, it is about 136 valid complaints received against 2875 STRs (B&Bs and STRs) for 2010. That is about 4.7 percent of STRs on Oahu that registered negative complaints, not unlike Maui County where it has been about 3%. Since 2010 there had been 70 notice of violations and only ten had reached the final stages (Tanoue, 2011). The penalties involved fines up to $1,000/day.

e) Studies on Regulations and Restrictions affecting Short Term Rentals

Recently there is growing literature in the study of regulations and restrictions placed on STRs. The efficacy of rental restrictions to promote neighborhood stability, aesthetic tranquility and quality of life in neighborhoods was studied for STRs in Sedona, Arizona (Pindell, 2009). It has been shown that the lost rental income to owners can be significant. When there have been legal proceedings, courts in the country while ruling for the government have considered an ordinance a relatively minor intrusion on alienation rights. Court rulings in favor of the owners have often viewed an ordinance as having a disparate impact on the individual member, of the community, of having far-reaching economic consequences for the property and having an unintended over-inclusive effect. The author notes the need for more flexibility in ownership models and regulatory regimes to preserve the economic stability of individuals and communities. Local government, that are generally closer to their constituents and adaptable to change, maybe the appropriate sites for regulatory changes.

The impacts of short-term rental restrictions on rental property owners can be evaluated: i) from its effects on rental income, property values, operational costs and nonconforming use status of rental property owners; ii) from the effects it has on the local real estate market, tourism, local economy, tax revenue, affordable housing and government administrative costs for the community; iii) from the effects on rental fees and inventory of short-term rental units for renters; and iv) the underground market and uncertainty in the STR housing market as unintended consequences (Robinson & Cole LLP, 2011). There may be alternatives to short-term rental restrictions through enforcing existing ordinances on excessive noise, public nuisance, property maintenance standards, unruly public gathering, nighttime curfew and parking restrictions. Other approaches may involve adoption of ordinances that target community-wide issues or employing best practices such as narrow regulations, grandfathering provisions, quantitative or operational restrictions, permitting requirements, inspection requirements and enforcement provisions.

Many resort cities around the country have continued to impose rental restrictions so the situation

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continues to evolve in many states and locality. However STRs continue to generate billions in annual real estate sales, millions of dollars of new construction and in annual insurance premiums and contribute significantly to the finance and mortgage industries and property tax revenues (Rumrell & Brock P.A., 2011). So a ban or severely restricting STRs could have a significant dampening impact on the overall economy.

f) Summary

The studies reviewed clearly indicate externality related issues with respect to short-term rentals both B&Bs and STRs. Whereas the economic impacts on output, employment, earnings and tax revenues are generally positive, there are other costs associated with the operations of STRs. These other costs are associated with disturbances, parking, water and sewer services, pressures on the long run stock of housing, on the character of residential neighborhoods, and the urbanization of agricultural and rural lands. Other issues relate to concern over the safety and security of the guests as well as the residents.

This report does not provide an extended cost-benefit analysis, incorporating valuation of both positive and negative externalities and used for social decision-making. However, it could be noted that there are sufficient management tools in economic theory to handle externalities and make social and economic outcomes more efficient. As referenced above, these tools involve legislation, fines, and specific taxes to deal with negative externalities and subsidies for consumers and producers for the provision of public goods and services in the case of positive externalities.

III. Oahu Strs-Their Characteristics and Number

This section provides information characterizing Oahu B&Bs/STRs, their place in Oahu's housing complex and their numbers. We also present results of our e-mail survey.

a) Data Sources

The American Community Survey, for Oahu CDS Hawaii done by the US Census Bureau for 2010 is used for this study for Oahu housing characteristics. This source provides a Population and Housing Narrative Profile and is an update of the US Census Bureau figures for 2009. Information regarding the total number of visitors, the average length of stay, demand for lodging types, total visitor expenditures, visitor plant inventory by islands was all found through perusing DBEDTs Annual Visitor Research Reports from 2003-2010.Information on STR and B&B visitor days was derived by means of private communication with an official (Mr. Cy Feng, personal communication) of the Hawaii Tourism Authority (HTA) organization.

The Kauaian Institute conducted searches over the internet for each of Oahu's zip codes and looked at major vacation websites and in the print media to provide the best available estimate of the STR number on Oahu. The Kauaian Institute estimated the STR number in 2005, which they later up-dated, in their 2008 survey. In addition, for our estimate of the STR number on Oahu, we reviewed i) transcripts of testimony provided by Mike Friedel at a meeting of the Planning Commission of the City Council on January 30, 2008, ii) a news release of the Hawaii Tourism Authority on February 21, 2005, and iii) a copy of the written communication addressed to Ms. Angie Larson from Mr. Henry Eng, Director of Planning and Permitting of the City and County of Honolulu dated July 25th, 2007. We also received an update on the number of licensed STRs and B&Bs having Non - Conforming Use Certificates as of July 18, 2011. We have estimated the number of licensed and unlicensed STRs and B&Bs on Oahu, by looking at the total counts of B&Bs and other STRs from all sources, namely, from Department of Planning and Permitting of the City and County of Honolulu, Hawaii Tourism Authority, DBEDT, The Kauaiian Institute, the VRBO website and after conferring with competent authority in the context of our own analyses generated during our research process.

Finally, we conducted an e-mail survey to better understand the nature and characteristics of all Oahu's B&B/STR industry.

b) Email Survey

An email survey was designed and distributed to Oahu B&B/STR owners and operators (see Appendix 1 for a copy of the survey document). There were 102 respondents to the survey.

i *Respondents by STR Type*

The total respondent number (102) owns or operates a total of 904separate STR units which comprises 31.4% of the total estimated STR number on Oahu (2,875).** The sample can be characterized as follows.

- Distribution
  - Respondents (Total = 102)
    - 28.4% B&Bs
    - 21.6% condos/townhouses
    - 50.0% STRs
  - Units (Total = 904)
    - 8.1% B&Bs
    - 32.2% condos/townhouses
    - 59.7% STRs
- Characteristics
  - Book & Own
    - B&Bs
      - 46.8% of B&B respondents book & own a single B&B

** Derivation of this value is presented below.

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- The average number of B&Bs per respondent equals 1.5 reflecting the high percentage of B&B operators booking and owning their B&B

▪ Condos/Townhouses
- 18.5% of townhouses/condos respondents book & own a single townhouse/condo
- The average number of townhouse/condos per respondent equals 10.8 reflecting the high percentage of townhouse/condo operators who book but do not own the townhouse/condo

▪ STRs
- 33.8% of STR respondents book & own a single STR
- The average number of STRs per respondent equals 7.3 reflecting the high percentage of STR operators who book but do not own the unit

Travel agent and real estate respondents comprised 3.9% and 12.7% of the sample, respectively. It seems reasonable to surmise that these respondents book multiple units without ownership and thus are responsible for the high unit number per respondent for townhouses/condos and STRs.

ii *STR Distribution*

Figure 1 shows the Oahu geographical distribution of the sample respondent STRs. Sixty percent (60%) of sample respondents indicated their STR location as North Shore and Waimanalo/Lanikai/Kailua. The remaining respondent STR locations are roughly equivalent in number. Since the number of STRs by location per respondent was not gathered in our sample, we can only surmise that the STR unit number in our sample roughly corresponds to the location of sample respondent STRs.

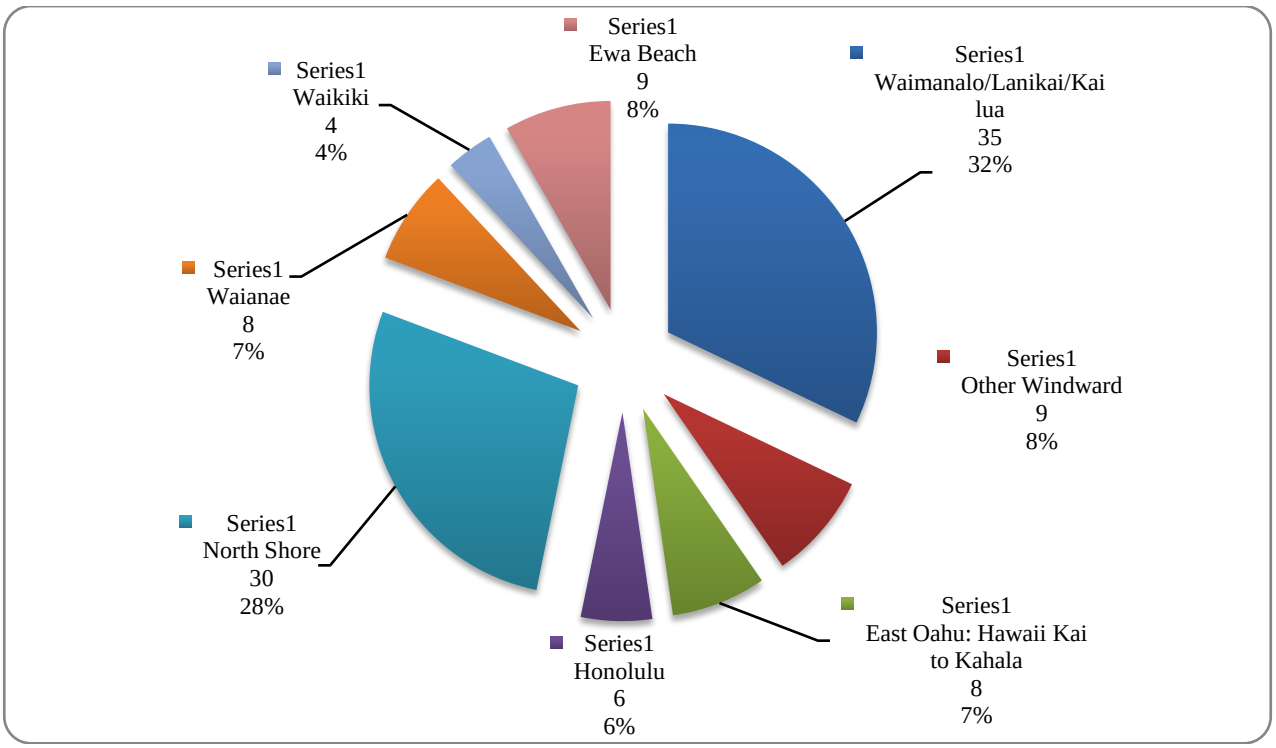


Figure 1: Location of Sample Respondent STRs

While STRs make up an insignificant percentage of Oahu's overall housing supply this STR percentage of housing units for particular sub-regions would be higher given the Figure 1 STR distribution weighted more heavily toward Windward and North Shore sub-regions.

iii *In Operation Prior to 1986 & 1989*

Sixteen (16) or 21.6% of all sample respondents indicated that their units were in operation (renting less than 30 days) prior to 1986 & 1989. There was insufficient information in the sample to determine the STR number in operation prior to 1986 & 1989.

iv *Non-Conforming use Certificates (NCUs)*

Twelve (12) or 16.2% of all sample respondents indicated that they had at sometime in the past received a Non-Conforming Use Certificate for their STRs or B&Bs from the Department of Planning and Permitting (DPP). However, only nine (9) or 12.2% of respondents currently have a certificate to operate their STR. Three (3) respondents indicated that they dropped their NCU Certificate to operate two (2) of which indicated that their revocation was "due to the expansion of the nonconformity." There was insufficient information in the sample to determine the STR/B&B location distribution with NCUs.

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v *STR Property Habitation and Property Managers*

Almost ninety-four percent (93.6%) of B&B respondents reported that they live on the property confirming what was already noted that the vast majority of B&B's are owner-operated but adding that almost all B&B operators live on the property.

Fifty-four percent (54.0%) of STR respondents reported that they have property managers while 46.0% do not. This result is consistent with the high number of STRs per respondent (i.e. 7.3) and suggests a practical limit of how many STR's a single individual can book (and manage), especially if that individual is the STR owner and not a professional property manager. This assertion is supported by the sample reporting of a small number of respondents (10) booking more than five units, which if removed from the sample results in STR units per respondent of 1.3, would be approximately the same as the B&B units per respondent reported above. In other words, most STR operators are small, home-based business operations even if they do have a property manager.

vi *Rental Rates and Occupancy Rates*

Respondents reported the following STR rental rate information.[††]

- The average rental rate per day was $377 with a median rate of $250 per day[‡‡]
- The minimum sample rental rate per day was $40
- The maximum sample rental rate per day was $3,500.

Table 1 shows the occupancy rate per STR type. It is noteworthy that these occupancy rates are less than the average hotel occupancy rates recently reported for Oahu, which exceed 80%.[§§]

Table 1: Occupancy Rate by STR Type

STR	Occupancy Rates			
Type	Average	Min	Max	Median
STR	62.7%	0.8%	98.0%	65.0%
B&B	69.4%	20.0%	98.0%	73.0%
Condo	69.3%	24.0%	90.0%	70.0%

Using the median STR rental rate per day, the average STR occupancy rate, and the STR number, the total sample STR sales equals $58.2 million. Projecting for all of Oahu based on this sample result and the percentage of total STR units the sample represents indicates a total current Oahu STR (direct) STR lodging expenditure amount of $185.1 million.[***]

vii *STR Advertising, Community Expenditures, and Attitudes*

Ninety-four (94.1%) of sample STRs advertise their property on the Internet of which 4 (50% of STRs with NCUs) provide their NCU certificates permit number in their advertisement. This same percentage of sample STRs (94.1%) employ others to perform cleaning, maintenance, bookkeeping and other services to support their STR small business operations. The average number of individual service providers utilized by the sample equals 5 on which the average Oahu STR spends approximately $2,200 per month for their services.

All but one respondent (i.e. 101 respondents) indicated they would be agreeable to legislation that included permitting with reasonable rules and regulations. However, at least under the current regulatory regime, only 14.7% (15) would be agreeable to including their physical address with their advertisements. Based on multiple comments of respondents (the most frequently mentioned), not including a physical address may be due to increased risk of theft and break-in when a physical address is advertised. Not including a physical address to a lesser extent is also due to STR respondent neighborhood sensitivities as they noted that adding their physical address to advertising would cause more traffic problems in the neighborhood as people would have local relatives come by to investigate their unit before renting.

viii *Respondent Comments*

- Financial/Economic
  - Without vacation rental income would have to default on my mortgage.
  - Our focus is not on steady occupancy as we often use our home, but the rentals do assist in paying the monthly bills such as cleaning, utilities, and landscaping services.
  - I am usually enjoying my property when not occupied, but due to the difficult economy, we only netted $6000 this year which went into replacing the deck and a roof repair.
  - Our B&B kept us from losing our home. We bought at the top of the market and cannot afford the payments unless we short-term rent. Without this income, we would be subject to a short sale or worse foreclosure.
  - I cannot afford to live in my personal home if I didn't have the rental income from my STR.
  - Not only does this cottage industry generate income for owners who struggled to keep up in this expensive marketplace, and for the people in the owner's employ, it also generates revenues for local businesses. This revenue comes from the owners who are willing to upkeep their property and from the guest to eat/shop/play on Oahu.

[††] Some respondents reported a range of rental rates for which the analysis took the mid-point of the range for reporting purposes.

[‡‡] Given the large range in reported rental rates with several being outliers on the upper end of the range, the median would better measure rental rates typical for an Oahu STR.

[§§] Source: UHERO website Data Portal

[***] As will be presented, this estimate falls within the range of STR lodging expenditures estimated based on the approach and data used below.

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- Market
  - Without large vacation rental homes like mine (four-bedroom) many of the families I rent to choose not to come to Hawaii for their family vacation.
  - Many people live in our community book my units for their visiting family and friends as their homes are not large enough for them to stay with them. They come for weddings, funerals, graduations, etc. most cannot afford Turtle Bay resort prices. They would not come if that was their only choice for a place to stay.
  - B&Bs that are quiet, provide parking and utilize only one parking space are actually keeping the residential look because that is what sells.
  - I stopped doing short-term rentals when they became too controversial. I would do so if the controversy were removed which would lead to more economic transactions in Kailua as well as restaurant activity nearby.
  - I have made many improvements to my condo in order to make it competitive in the vacation rental market. Such upgrades increase the property value of surrounding condominiums which would not be possible without this STR income.
  - We could easily quadruple our level of activity if current regulatory problems and issues were resolved.
  - Multiple respondents indicated that they only rent out their STR when they are not staying there which varies considerably over a year.
  - People who have enjoyed our B&B return year after year becoming like family and call our B&B there Honolulu home. Our neighbors know we do B&B and have even used our B&B for their visiting relatives and friends.
- Regulatory
  - Reasonable permitting needs to be done as soon as possible. It's time to help our economy and stop the feuding among neighbors. Having guidelines to follow would be a win-win for all involved, but most importantly our communities need the economic benefits now.
  - Most of my neighbors have supported my STR activities and enjoyed my guests over my 16 years of operation. I have but one neighbor recently retired who filed complaints who has ceased so doing given he has found an alternative to work activities in retirement.
  - I can only see benefits for the City & County to license B&B/STRs. The licensing will generate extra revenue for the County beyond taxes already paid by owners. It will provide rules and regulations by which the owners will need to abide, minimizing complaints by neighbors. It (licensing) would allow law enforcement to focus on the true complaints rather than those submitted by the Keep It Kailua group.
  - Because of current problems we are limited in rental income from our STR.
  - Multiple respondents indicated that they rent their STR by the month would like to have the option of renting shorter-term.
- Fiscal
  - General excise and transient accommodation taxes paid on a yearly basis for the seven condos I own on Oahu are approximately $34,000.
  - I paid $12,000 in general excise and transient accommodation taxes in the first half of this year.
  - Multiple respondents commented that even though they were not certified they did pay all general excise and transient accommodation taxes related to their STRs.

c) Oahu STR Number

The Oahu STR number is an integral value to the estimation of the economic and fiscal impacts of Oahu STRs including B&Bs. This section reviews previous research to estimate the Oahu STR number and the resulting from our research process.

i *STRs and Total Oahu Supply of Lodging by Type*

Table 2 provides information regarding the supply of visitor lodgings by type for Oahu. Overall, the total number of Oahu lodging units stands at about 34,000 with little change from 2009 to 2010. However, the change in STRs over this period was much more dramatic declining 37 percent from 2009 to 2010 with a declining percentage share of the total of all Oahu lodging units from 2.15 percent in 2009 to 1.35 percent in 2010 (percentage amounts are Appendix 2 Tables). The decline can be attributed to the significant decline (-57%) in Waikiki/Honolulu STRs as well as a somewhat significant decline in Windward STRs (-20%) (See Appendix 2 Tables for more details).

One final noteworthy observation from Table 2 data is the insignificant number of the total of all Oahu lodging units that STRs currently comprise (458 or 1.35% of the total). This STR unit number appears to be on the decline based on the data reviewed in Table 2. One could reasonably presume that the STR decline on Oahu is due to STR shutdown and other threats emanating from County authorities[†††]a decline contraindicated in the context of an apparent consumer preference for this lodging type (to be discussed).

[†††]. This statement is supported by the observation of the Hawaii Tourism Authority. It noted that while increasing in previous years, the number of bed & breakfast ("B&B") units and properties recorded for 2010 decreased partly due to enforcement of county licensing regulations and partly due to slow recovery from the recession which forced some B&B properties to close.HTA, "2010 Visitor Plant Inventory Report," (see http://www.hawaiitourismauthority.org/research-reports/reports/visitor-plant-inventory/).

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Table 2: Supply of Lodgings by Type of Accommodations, HonoluluCounty

Lodging Type	2010 Units	2009 Units	Change from 2009
Hostel	247	251	-1.6%
STR	458	732	-37.4%
Bed & Breakfast	88	105	-16.2%
Individual Vacation Unit	370	627	-41.0%
Institutional	33,256	32,936	1.0%
Apartment/Hotel	83	93	-10.8%
Condominium Hotel	5277	4695	12.4%
Hotel	25527	25786	-1.0%
Timeshare	2369	2362	0.3%
Other	79	82	-3.7%
Grand Total	34,040	34,001	0.1%

Source: Appendix 2

Figure 2 shows the STR distribution for each STR type. Windward side has the largest share of bed & breakfast B&Bs while Waikiki yet has the largest share of individual vacation units (STRs) in spite of the decline in these units from 2009 to 2010 discussed above. Exclusive of Waikiki/Honolulu, the STR distribution would show be similar to the STR respondent distribution reported from our email survey discussed above with higher concentrations of STR units in Windward and North Shore sub-regions.

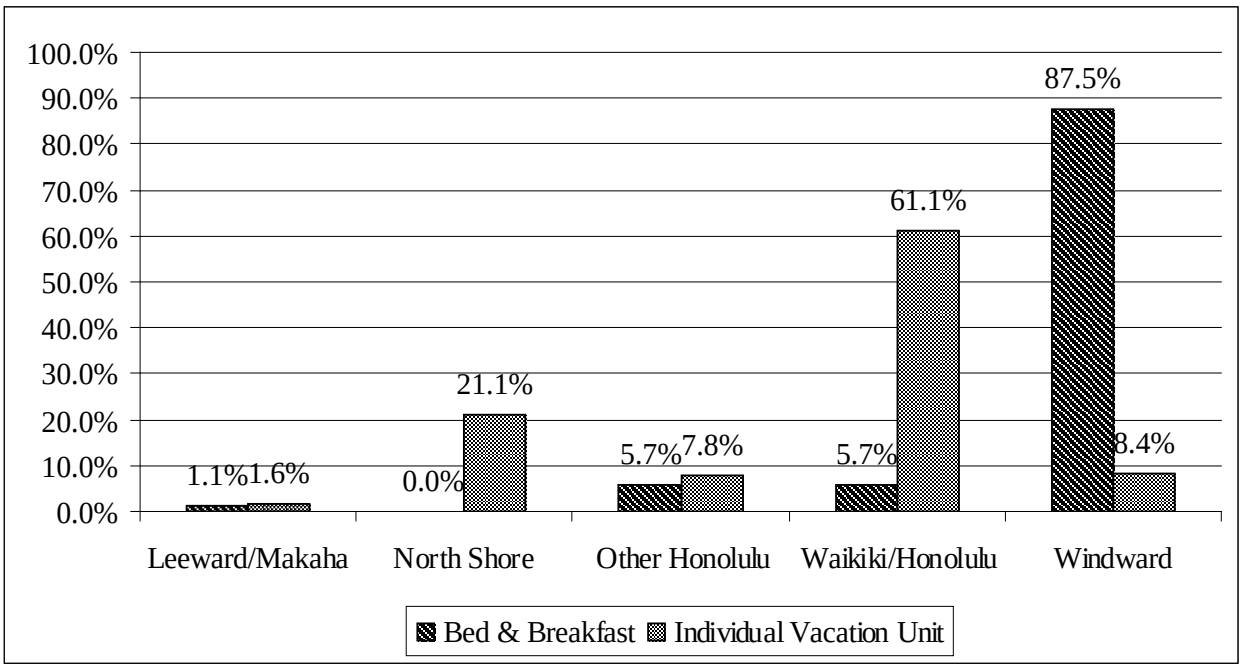


Figure 2: Current (2010) STR Distribution on Oahu

The source of the data and thus STR total in Table 2 is the Hawaii Tourism Authority. As will become apparent below, this 2010 total (458) contrasts markedly from the estimated total based on our analyses and a review of efforts to more exactly estimate the Oahu STR number for analysis use. If the STR unit number based on our best efforts to estimate this amount for Oahu more accurately estimates actual STR units and translates into a proportionate increase in STR visitor numbers, the economic impacts reported herein will be understated. We make this fact apparent in the economic and fiscal analyses of this report.

ii *Study (VRBO/Homeaway website) Oahu STR Count*

An analysis was performed on the VRBO/ Homeaway website considered the most popular website for less than 30-day rentals. B&B, condo, and STRs were distinguished and counted. Detailed results of this effort are reported in Appendix 3.

Summary results are the following.

- The total unit count equals 2,227 distributed as follows:
  - 37.3% STRs[‡‡‡]

[‡‡‡] These are House, Cottage or Separate unit from the main house.

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- 7.9% studio or apartment[§§§]
- 45.1% condos/townhouses

- Price measures are the following:
  - Lowest $ per night
    - Minimum = $65
    - Maximum = $700
    - Average = $106
    - Median = $99
  - Highest $ per night
    - Minimum = $95
    - Maximum = $4,750
    - Average = $1,456
    - Median = $850
  - Overall median = $275

Industry persons indicated that there are more units than represented by the total that does not advertise but works through a buddy network wherein unit managers refer guests to alternative locations when they have no vacancies. There are also several hundred STRs who refuse to use VRBO/Homeaway but rather use smaller websites. These data limitations suggest that the VRBO/Homeaway unit count representing all Oahu STR units is understated.

Price measures of the VRBO/Homeaway well comport with our email survey results most particularly the median price per unit. Our email survey results indicated a $250 per night median rate per night, which is fairly consistent with the $275 rate per night from the VRBO/Homeaway analysis.

iii *Oahu STR Count used for Analysis*

In order to understand changes occurring in Hawaii's Visitor Accommodation industry, the Hawaii Tourism Authority (HTA) and the Department of Business, Economic Development and Tourism, (DBEDT), State of Hawaii conducted a study to determine the number of B&Bs and vacation rentals operating throughout the state in 2004 and released the data in 2005. The study conducted by the Omni Trak Group involved an extensive search of Internet sources. It reported an additional 9000 units of B&Bs and vacation rentals in the State that were not part of the State's Visitor Plant Inventory Report that is compiled by DBEDT annually. By way of comparison, on Oahu alone, the joint study reported 2700 units of B&Bs and vacation rentals for 2004 while the DBEDT's 2005 annual report listed only 2500 such units on Oahu. The Kauaian Institute estimated STRs on Oahu to be 1117 units in 2005 and 1342 units in May 2008 of which 1133 were STR homes and 209 B&Bs. The Kauaian Institute estimates of the number of STRs and B&Bs on Oahu did not include the Waikiki district in the study, did not include condominiums and did not take note of the B&B definition used in the City's ordinance. Thus, the Kauaian Institute numbers are lower, (41.9% to 45.3%) than the ones derived from the Omni Trak study conducted jointly by HTA & DBEDT and the numbers published in the Visitor Plant Inventory by DBEDT.

This study does not attempt to reconcile the various estimates by the City &County of Honolulu, and HTA and DBEDT, State of Hawaii and The Kauaian Institute via primary research. It seems likely that the DBEDT numbers is (from the optional survey given on the backside of) the Agricultural Declaration Form that all inbound travelers fill out. Since the survey is optional, any STR estimate based on this data could only accurately estimate the STR number if there was 100% compliance. This is highly unlikely. In contrast, the Kauaian Institute Study's inventory lists were reviewed area by area by a small group of reliable, professional STR booking agents specializing in those areas. The review eliminated duplicates (same property, different website, possibly different property name, etc.), confirmed the number of rental units on the property, confirmed the B&B unit or STR unit, and provided additional (below the radar) units that were not initially found. The HTA & DBEDT Study conducted by Omni Trak Group also involved extensive Internet searches.

In our opinion, the comprehensive nature of the primary data collection process performed by the Kauaian Institute would normally result in a more accurate count of the STR number than the (optionally reported) DBEDT data. But the Kauaian Institute's estimated Oahu County STR number had some limitations as noted. After gleaning the history of NCU registration and certifications issued to STRS on Oahu since 1990 and after examining the testimony of state and county officials, our current estimate of licensed and unlicensed Oahu STRs is 2,875 (Please see Appendix 3 for data and discussion details). This estimate comports with the VRBO/Homeaway website analysis estimate adjusted for its shortcomings and is the Oahu STR unit estimate for any analysis purposes.

d) HonoluluCounty Housing Characteristics and STRs

The US Census Bureau American Community Survey of 2010 estimated the following for Honolulu County.

- 337,030 total housing units of which 91.7% (309,154) were occupied units and 8.3% (27,876) were vacant housing units[****]
- Owner-occupied units comprised 51.5% (173,487) of total housing units with a vacancy rate of 1.1% (1,908)

[§§§] These are units with or without a kitchenette that is attached to the main house.

[****] A housing unit is vacant if it is either without occupants or temporarily occupied by persons whose usual place of residence is elsewhere. A unit from which occupants are temporarily absent (due to being on vacation or the like) is not considered a vacant unit.

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- Renter-occupied units comprised 40.25% (135,667) of total housing units with a vacancy rate of 5.0% (6,783)
- 55.9% (158,134) of total housing units are (detached) single-family units and the remainders (44.4%) are attached single or multi-unit structures.

In percentage terms, Oahu STRs comprise the following.

- 0.85% of all housing units and 1.82% of all (detached) single-family units
- 0.93% of occupied housing units
- 2.12% of renter-occupied units

This implies that in percentage terms, Oahu STRs comprise an insignificant percentage of all Oahu housing units even when measured as a subset of renter-occupied units. This latter fact counters assertions that STRs have a significant impact on the Oahu rental market (i.e. "STRs deny rentals to locals"). This conclusion is supported by the fact that Oahu rental vacancy numbers according to the Census Bureau exceeded the STR numbers by a factor of 2.4. Stated otherwise, adding STRs to the rental market all other things constant, the Oahu rental vacancy rate would increase to 7.1%. Such an increased vacancy rate would translate into negative economic and fiscal consequences.

IV. Economic and Fiscal Impacts of STRs on Oahu

Estimation of the economic and fiscal impacts of STRs on Oahu requires estimation of the STR visitor number and direct expenditures not only for STR lodging but also other expenditures made by STR visitors. The total of direct expenditures made by all STR visitors has multiplier impacts because they lead to other expenditures as they circulate in the economy. These multiplier effects require measurement for a complete accounting of STR economic and fiscal impacts on Oahu. This section presents a discussion of the derivation of all variables required to measure the total STR economic and fiscal impact on Oahu and the economic and fiscal impact estimation results.

a) Number of Oahu Visitors

i *Lodging Demand by Visitor Lodging Choice*

The analysis characterizes the lodging market serviced by hotels, condos, and timeshare as the "institutional"market as third-party institutions generally manage these lodging types, not the lodging owner as is much more often the case for STRs.

The "Friends and Family" category of visitors does not constitute a demand for market lodgings but is considered reflective of an actual or potential demand for STR accommodations. STR accommodations allow close proximity of "Friends and Family" visitors to the locals visited.[††††]The "Friends and Family" category may also reflect STR visitors reported by STR operators as "Friends and Family" visiting to avoid regulatory scrutiny. It also seems reasonable to surmise that a cross-section of the Mixed accommodation type includes STR visitors. For analysis purposes, we estimate the STR portion in both the Friends & Relatives and Mixed categories as equal to their overall proportion of total Oahu visitors.

Table 3 shows the Honolulu County Lodging Demand by Visitor Lodging Choice. Table 3 shows that between 2004 and 2010, total visitors to HonoluluCounty declined from 4.56 million visitors to 4.45 million visitors, a reduction of 1.8 percent. The 2004-2010 visitor decline was evident primarily for hotels leading to the overall decline in the institutional category and to a much lesser extent to bed & breakfasts which, however, did not cause the STR category total number to decline due to the rental house increase in this category. The other lodging types experienced an absolute increase in visitor numbers being most significant for timeshare (approximately 78,000) and rental house STRs (53,000+).

[††††] STR operators contend that 30% of their requests for STR's are from locals seeking a nearby accommodation for visiting friends & family.

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Table 3: Honolulu County Lodging Demand by Visitor Lodging Choice

Lodging Type	2004	2005	2006	2007	2008	2009	2010
STR (Reported)	130,702	154,952	162,819	183,373	177,843	163,674	181,532
Bed & Breakfast	34,283	38,986	34,930	37,864	34,917	30,872	31,769
Rental Houses	96,419	115,966	127,889	145,509	142,926	132,802	149,763
Institutional	3,448,425	3,584,937	3,389,256	3,367,066	3,131,069	3,028,580	3,287,434
Hotels	3,107,010	3,228,838	3,005,630	2,932,688	2,714,813	2,612,119	2,843,335
Condo*	254,088	263,801	260,758	286,996	270,996	255,190	278,889
Timeshare*	87,327	92,298	122,868	147,382	145,260	161,271	165,210
Friends & Relatives	454,561	478,391	497,570	496,697	452,576	464,259	484,571
Bed & Breakfast (est.)	3,417	3,847	3,655	3,886	3,644	3,447	3,437
Rental Houses (est.)	9,609	11,444	13,381	14,932	14,916	14,829	16,204
Non-STR (Est.)	441,535	463,100	480,534	477,880	434,016	445,983	464,930
Mixed**	527,282	629,529	705,728	793,123	575,123	501,177	525,075
Bed & Breakfast (est.)	3,963	5,063	5,184	6,204	4,631	3,721	3,725
Rental Houses (est.)	11,147	15,059	18,980	23,843	18,955	16,008	17,558
Non-STR (Est.)	512,172	609,407	681,565	763,076	551,537	481,447	503,792
Total	4,560,970	4,847,809	4,755,373	4,840,259	4,336,611	4,157,690	4,478,612
STR (Analysis)	158,838	190,365	204,019	232,238	219,989	201,680	222,456
Bed & Breakfast	41,663	47,896	43,769	47,954	43,192	38,041	38,931
Rental Houses	117,175	142,469	160,250	184,284	176,797	163,639	183,525

**These Accommodations Only, **Staying in Multiple Accommodations*

Source: Annual Visitor Research Reports, 2004-2011, DBEDT, State of Hawaii

ii *Lodging Demand Changes over Time*

Table 4presents the growth of each lodging type for the two periods shown. Consistent with absolute visitor number per lodging type in Table 3, Table 4 shows that per lodging type visitor percentage changes have been very uneven. Condo and rental house STRs have experienced significantly greater growth than other lodging types with hotels experiencing not only the greatest absolute decline in visitor number but the largest percentage decline as well (-8.5%). However, the hotel-lodging type has the greatest visitor number increase in absolute terms relative to other lodging types and is an approximate second to the rental house percentage increase from 2009 to 2010. The rental house percentage increase from 2009 to 2010 could be considered a continuation of a pre-existing upward trend in this lodging type meaning hotels may be having the most robust recovery from the 2008-2009 visitor number doldrums.

Table 4: Percentage Changes in Lodging Demand by Visitor Lodging Choice

Lodging Type	2004-2010	2009-2010
STR	38.9%	10.9%
Bed & Breakfast	-7.3%	2.9%
Rental Houses	55.3%	12.8%
Institutional	-4.7%	8.5%
Hotel*	-8.5%	8.9%
Condo*	9.8%	9.3%
Timeshare*	89.2%	2.4%
Friends & Relatives	6.6%	4.4%
Mixed**	-0.4%	4.8%
Total	-1.8%	7.7%

Source: Calculated from Table 3

It is worthy to mention that 2010 visitor numbers increased 7.7 percent from 2009 with forecast continued but slowing growth (in percentage terms) through 2012 (DBEDT, 2011). In the context of overall total visitor numbers to Oahu increasing at a decreasing rate over the next two years, one could reasonably expect continued growth but at a decreasing rate for each of the respective lodging types given each accommodation type experienced positive growth from 2009 to 2010.

b) Oahu Visitor Demand and Market Share by Lodging Type

i *Lodging Type Market Share*

Table 5 shows market share by visitor lodging choice. Table 5 shows that institutional lodging types not only service the largest absolute number of visitors on Oahu but also capture the largest though declining market share. This declining market share is primarily due to the declining market share of hotels (i.e. declining from 75.7% to 71.2% or by 5.9%), which has lost market share not only to other institutional lodging types (condo market share increased 12.8% and timeshare market share increased 94.5%) but the STRs as well (market share increase of 42.8%). The STR market share has come primarily from rental houses (market share increase of 59.7%) as opposed to bed and breakfasts B&Bs (market share decline of 4.7%).

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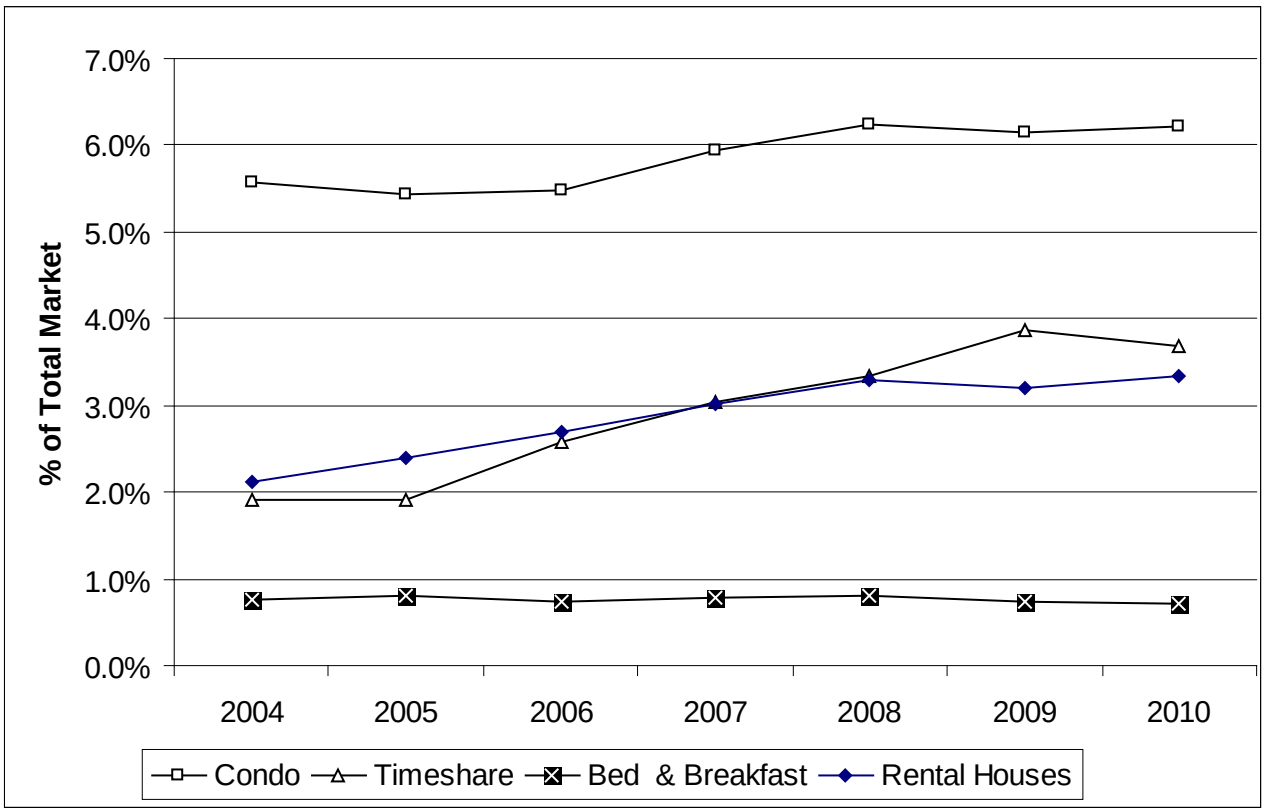
Table 3: Market Share by Visitor Lodging Type

Lodging Type	2004	2005	2006	2007	2008	2009	2010
STR Total	2.9%	3.2%	3.4%	3.8%	4.1%	3.9%	4.1%
Bed & Breakfast	0.8%	0.8%	0.7%	0.8%	0.8%	0.7%	0.7%
Rental Houses	2.1%	2.4%	2.7%	3.0%	3.3%	3.2%	3.3%
Institutional Total	75.6%	73.9%	71.3%	69.6%	72.2%	72.8%	73.4%
Hotels	68.1%	66.6%	63.2%	60.6%	62.6%	62.8%	63.5%
Condo	5.6%	5.4%	5.5%	5.9%	6.2%	6.1%	6.2%
Timeshare	1.9%	1.9%	2.6%	3.0%	3.3%	3.9%	3.7%
Friends & Relatives	10.0%	9.9%	10.5%	10.3%	10.4%	11.2%	10.8%
Mixed	11.6%	13.0%	14.8%	16.4%	13.3%	12.1%	11.7%

Source: Table _Institutional market share is the sum of that for hotels, condos, and timeshares
STR market share is the sum of bed & breakfast and rental houses

ii *Market Share Changes over Time*

Excluding hotels due to its distorting impacts on observing market share trends of other lodging types, Figure 3 more clearly shows market share changes in lodging types over time. While not registering the highest market share gain, STRs registered the second largest market share gain (41.4% increase). Such a market share gain suggests an increasing visitor preference for STR-type accommodation types with time. This conclusion is reinforced by the fact that while Oahu visitor numbers decreased 82,000 (or by 1.8%) from 2004 to 2010, STR visitors increased by almost 51,000 during the same period leading to a simultaneous market share increase of approximately 41.4% as noted. One could further surmise in contrast to hotels, that STR visitors, as well as non-hotel institutional types, are less impacted, in fact not impacted at all, from economic downturns than visitors choosing the hotel lodging type. To the extent, this is the case suggests that the existence of STR lodging types can help soften negative economic impacts which disrupt the overall visitor sector of Hawaii's economy.



Source: Table _

Figure 3: Market Share by Lodging Type

c) *Daily Spending of an STR Visitor*

Table 4 shows that on average, a visitor spent $175.10 per day on Oahu. Approximately, 39 percent of the amount expended was on lodgings, which equals $68.20 per day. In contrast to this DBEDT reported the amount, the research process of this report yielded 2

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alternative estimates of STR lodging price of STR visitor expenditure per day. These are:

- The email survey median price per night = $250
- VRBO/Homeaway website median price per night = $275

Since these prices per night reflect the price for the STR accommodation and not the per visitor expenditure, the analysis assumes an average visitor number per STR accommodation night of two (2) using these prices for analysis purposes.

Expenditures on lodgings reported by DBEDT were followed by expenditures on food and beverage ($43.20), shopping ($23.20), transportation ($19.20), entertainment ($13.90) and all other ($7.30) in order of expenditure level. In total, the average visitor spent $106.90 daily on items besides lodging while visiting Oahu. It is noteworthy that expenditure categories experiencing a decline from 2009 to 2010 were entertainment & recreation and shopping. Income elasticity and price sensitivity may provide explanations for declines in spending on these categories, as visitors are increasingly circumspect in their expenditure choices since the 2008 global meltdown.

Table 4: 2010 Visitor Personal Daily Spending by Category on Oahu (DBEDT data)

Expenditure Type	Daily Spending (in dollars)	Percent of Total Spending	% Change from 2009
Grand Total DBEDT	$175.10	100.0%	0.50%
Email Survey Average	$356.90		
Angie Daughter	$381.90		
I. Total Food & Beverage	$43.20	24.7%	4.50%
Restaurant Food	$30.60	17.5%	7.60%
Dinner Shows & Cruises	$4.40	2.5%	12.90%
Groceries & Snacks	$8.30	4.7%	-8.80%
II. Entertainment & Recreation	$13.90	7.9%	-13.60%
III. Total Transportation	$19.20	11.0%	1.70%
Interisland Airfare	$3.50	2.0%	17.50%
Ground Transportation	$1.60	0.9%	13.60%
Rental Vehicles	$12.10	6.9%	-0.80%
Gasoline, Parking, etc	$2.00	1.1%	3.70%
IV. Total Shopping	$23.20	13.2%	-11.80%
Fashion & Clothing	$9.30	5.3%	-10.40%
Jewelry & Watches	$3.80	2.2%	-15.50%
Cosmetics, Perfumes	$0.40	0.2%	-9.20%
Leather Goods	$1.00	0.6%	-16.60%
Hawaii Food Products	$3.20	1.8%	-8.10%
Souvenirs	$5.50	3.1%	-13.00%
V. Lodging DBEDT	$68.20	38.9%	4.00%
Email Survey Average	$250.00		
Angie Daughter	$275.00		
VI. All Other Expenses1/	$7.30	4.2%	21.40%

1/ Includes cruise package and on-ship spending on U.S. Flagged Hawaii ported ships

Source: DBEDT, State of Hawaii. 2010 Annual Visitor Research Report. Derived from Tables 81 & 82. P. 127

The estimation of the economic impacts on STR and B&B lodging expenditures as well as total STR and B&B visitor expenditures utilize information provided in Table 4. The analysis provides these estimates to highlight the fact that the full economic impact of the STR industry exceeds the STR and B&B visitor expenditure based solely on lodging expenditures. Making this distinction highlights that when an STR visitor chooses an alternative destination as opposed to substituting an alternative Oahu lodging type for an STR, the economic impact is more than the loss of the lodging expenditure alone. This issue is discussed more fully below.

d) Estimated STR Lodging and Total Related Expenditures from STR Visitors to Oahu

i *STR Lodging Revenues (Direct Lodging Expenditure) Calculation Formula and Data*

The formula for calculating revenues (direct expenditures) from STR and B&B visitor stays on Oahu is:

STR Lodging Revenues = Annual Number of STR Visitors x STR Visitor Length of Stay x STR visitor daily lodging expenditure

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Where,

- Oahu STR visitor number (see Table 3):
  - Bed & Breakfast = 38,931
  - Rental House = 183,525
- Oahu STR visitor daily expenditure (see Table 4 and discussion):
  - Lodging:
    - DBEDT Lodging Price = $68.20
    - Email Survey Price = $125
    - VRBO/Homeaway Website Price = $137.5
  - Total:
    - DBEDT Lodging Price = $175.10
    - Email Survey Price = $231.90
    - VRBO/Homeaway Website Price = $244.40
    - Average Oahu STR Visitor Length of Stay:‡‡‡‡
  - Bed & Breakfast = 6.14
  - Rental House = 10.52

Year	Rental House	Bed & Breakfast	All
2009	9.22	4.94	8.95
2010	10.52	6.14	8.81
% Change	14.1%	24.3%	-1.6%

ii *Estimation of Annual (Direct) STR Lodging and Total STR Visitor Expenditures*

We calculate annual (direct) lodging expenditures and total (i.e. lodging + other expenditures) annual expenditures of Oahu visitors staying in STRs and B&Bs. The lodging expenditure indicates spending directly related to Oahu property owners willingness to supply STR and B&B services to accommodate this visitor market segment. Total expenditures more broadly measure the overall direct economic impact of serving the STR and B&B market segment by STR and B&B property owners.

- Direct Lodging Expenditures:
  - Bed & Breakfast Units
    - DBEDT Lodging Price = $16.3 million
    - Email Survey Price = $29.9 million
    - VRBO/Homeaway Website Price = $32.9 million
  - Rental housing units
    - DBEDT Lodging Price = $131.7 million
    - Email Survey Price = $241.3 million
    - VRBO/Homeaway Website Price = $265.5 million
- Direct Total Expenditures:
  - Bed & Breakfast Units
    - DBEDT Lodging Price = $41.9 million
    - Email Survey Price = $55.4 million
    - VRBO/Homeaway Website Price = $58.4 million
  - Rental Housing Units Bed & Breakfast Units
    - DBEDT Lodging Price = $338.1 million
    - Email Survey Price = $447.8 million
    - VRBO/Homeaway Website Price=$471.9 million

If the STR and B&B visitor number to Oahu is higher than that used to estimate (direct) STR and B&B visitor expenditures due to a higher STR and B&B unit number on Oahu as discussed above, the (direct) STR and B&B visitor expenditure amount could increase by a factor of 6.3.

e) Oahu-wide Economic and Fiscal Impacts of STR and B&B Expenditures

i *Total Oahu STR Economic Impacts*

We used multipliers (Type II) from the 2007 State of Hawaii Input-Output Tables to estimate the economic impacts of Oahu STR and B&B visitor lodging and total expenditures. These dollar impacts include direct, indirect and induced effects for each STR and B&B visitor dollar spent on Oahu are as follows.

- Total output (sales) generated from STR and B&B expenditures
  - For Lodging Expenditures
    - DBEDT Lodging Price = $304.8 million
    - Email Survey Price = $558.6 million
    - VRBO/Homeaway Website Price=$614.5 million
  - For Total Expenditures
    - DBEDT Lodging Price = $752.3 million
    - Email Survey Price = $1.0 billion
    - VRBO/Homeaway Website Price = $1.1 billion
    - Oahu labor income (earnings) from STR and B&B expenditures
  - For Lodging Expenditures
    - DBEDT Lodging Price = $97.6 million
    - Email Survey Price = $178.8 million
    - VRBO/Homeaway Website Price = $196.7 million
  - For Total Expenditures
    - DBEDT Lodging Price = $240.0 million
    - Email Survey Price = $321.3 million
    - VRBO/Homeaway Website Price = $339.2 million
- Jobs generated by STR and B&B expenditures
  - For Lodging Expenditures
    - DBEDT Lodging Price = 2,389
    - Email Survey Price = 4,379
    - VRBO/Homeaway Website Price = 4,817
  - For total expenditures
    - DBEDT Lodging Price = 7,566
    - Email Survey Price = 9,555
- VRBO/Homeaway Website Price = 9,993
- Hawaii State taxes
  - For Lodging Expenditures
    - DBEDT Lodging Price = $24.7 million

‡‡‡‡STR Estimated Visitor Length of Stay
Source: Personal Communication with Cy Feng, Economist VI, Hawaii Tourism Authority

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- Email Survey Price = $45.2 million

- VRBO/Homeaway Website Price = $49.8 million
  - For Total Expenditures
    - DBEDT Lodging Price = $52.4 million
    - Email Survey Price = $72.9 million
    - VRBO/Homeaway Website Price = $77.5 million

For reasons noted above, these economic impact values would increase if the STR and B&B visitor number to Oahu is higher than the lower value used to estimate (direct) STR and B&B visitor expenditures for reasons discussed above.

ii *Fiscal Impacts of STRs and B&Bs on Oahu*

Based on estimated STR direct expenditures on Oahu (see above) and the 9.25% TAT rate per lodging dollar the analysis calculates that STRs contribute TAT dollars to state tax coffers of which 20.4 percent comes to HonoluluCounty.[§§§§] Added to this amount specifically for Oahu is the 0.712 percent rail tax all on Total Expenditures all of which comes to Oahu as a visitor contribution to Oahu's planned rail system.

- DBEDT Reported Lodging Amount
  - TAT = $2.8 million
  - Rail Tax = $2.7 million
- Email Survey Lodging Amount
  - TAT = $5.1 million
  - Rail Tax = $3.5 million
- VRBO/Homeaway website Lodging Amount
  - TAT = $5.6 million
  - Rail Tax = $53.8 million

There may be other Oahu-level tax consequences due to the current operation of STRs and B&Bs not measured in this analysis. It is uncertain if these tax consequences would be positive or negative.

f) Visitor Number Impact STR Regulatory Changes

A reduction in STRs for any reason including regulatory changes could reduce the Oahu visitor number if STR visitors cannot or choose not to use an alternative lodging type if STR lodgings are unavailable. It is beyond the scope of this research report on how to address the STR visitor reductions on the Oahu visitor reductions due to regulatory changes. However, one can infer that in a competitive global marketplace with the capacity to provide a potpourri of lodging types, informed and budget-conscious visitors would find alternative destinations to Oahu, if Oahu lodging choices do not meet their specific lodging tastes and preferences, most specifically an STR experience. As reported, an STR lodging experience appears to be an increasing lodging type preference. If the current Oahu STR visitor chooses an alternative destination to Oahu to secure an STR or B&B lodging experience rather than substitute an alternative Oahu lodging type, this source of exogenous (out-of-state) expenditure would cease with consequent negative economic and fiscal impacts.

Lacking the STR type experience for whatever reason, STR visitors may yet choose Oahu as their resort destination using an alternate, available lodging type. In this instance, the negative economic impact on Oahu due to not providing an STR experience from this segment of visitors would be mitigated. However, there would yet be a redistribution of income from STR owners to non-STR lodging type owners. There would also be a loss in utility or satisfaction to STR visitors who, due to STR or B&B unavailability, must then use a "second best" Oahu lodging type.

It is useful to note that a simple threat of STR or B&B closure may reduce their number or cause an STR proprietor to operate below the scope of the authorities. For example, if a closure threat caused a 10% reduction in STR or B&B numbers with no offset to this loss by virtue of using a non-STR lodging type, the economic impact would be a reduction equal to:

- $38.0 million to $53.0 million in sales
- $24.0 million to $33.9 million in labor income
- 757 to 999 Oahujobs
- $5.2 million to $7.7 million in Hawaii State taxes
- $548 thousand to $941 thousand in revenues to Honolulu County.

Again as noted, it is beyond the scope of this research effort to determine whether visitors whose first preference is an STR lodging experience would substitute another Oahu lodging type due to their unavailability, or choose an alternative resort destination. The extent to which the STR visitor lacking his/her first lodging preference substitutes an alternative lodging type on Oahu, the economic impact of a reduction in STR visitor numbers will be less than the numbers just reported. Similarly, if STRs are eliminated altogether on Oahu and there is no substitution by the STR visitor to an alternative Oahu lodging type, the (negative) economic impacts will be the full economic impact amount of the STR industry estimated and presented above.

g) STR versus Institutional Lodging Type (Economic) Leakages

It is beyond the scope of this analysis to determine the extent of the substitution and income redistribution impacts of any policy eliminating or reducing the number of STRs. Something that merits notice, however, are differences between STRs and

[§§§§]According to Hawaii Statutes, 44.8% percent of TAT (Transient Accommodation Tax) revenues belong to counties [State of Hawaii Department of Taxation, Annual Report 2008-09, Honolulu, Hawaii 2006; http://www6.hawaii.gov/tax/a5_1annual.htm]. Oahu's share of the TAT revenues was $40.2 million in the fiscal year ending 6/30/09 (City & County of Honolulu, Comprehensive Fiscal Report, June 30, 2010; http://www1.honolulu.gov/budget/cafr.htm). This amount was 20.4 percent of total TAT collections for Fiscal 2008-09 ($201.6 million) and 14.9 percent of total HonoluluCounty revenues ($1.2 billion). [Department of Taxation, State of Hawaii, Annual Report,2008-09; http://www.hawaii.gov/tax/hrs/hrs_237d.pdf].

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institutional lodging types potential multiplier impacts from direct lodging expenditures.

Email survey results indicate that the majority of Oahu STR's are locally owned. This means that whatever residual remains after expenses are deducted from revenues can reasonably be surmised to remain in the state. In contrast, as a function of its nonresident ownership structure of the institutional unit segment of the visitor lodging industry in Hawaii, less than 10 percent of the revenue generated by this segment of the visitor accommodations industry in Hawaii remains within the state fit to where they are domiciled (Ferguson, 2011) Additionally, it seems reasonable to surmise that a larger portion of institutional lodging type expenses (e.g. administration) are incurred out-of-state than is the case for STRs. This would lead to a smaller institutional type multiplier effect than it would be the case for STRs.

The implication of the ownership difference between STRs and institutional lodging types most particularly hotels is that there is a difference between the overall economic impact of these lodging types. Locally owned, STR lodging types can reasonably be expected to have a greater multiplier and thus within state economic impact than non-STR lodging types.*****

V. Conclusions and Policy Implications

Many opponents of STRs have attempted, through the political process, to prohibit the operation of STRs on Oahu, limit them to commercial or resort districts and constrain them by requiring them to have permits for Non-Conforming Use (NCUs) and deny them needed permits to operate legitimately if they did not meet the grandfathering clause in the legislation.

There is currently a draft ordinance for which hearings have occurred in Honolulu. The ordinance would ban illegal short-term rentals and cause them to cease operations. So B&Bs/STRs not covered by the 1989 ordinance would not be permitted. Our study has shown that there are significant positive economic impacts of STR operations in Honolulu. There is *strong* evidence that the STR sub-sector of the lodgings industry has grown in size, is globally networked and over the last two decades has provided significant economic benefits to the populace of Oahu. These include contributions to economic output between $752.3 million and $1.10 billion, contributions to earnings between $240.6 million and $339.2 million along with the generation of 7,566 to 9,993 jobs in the County.

The drastic reduction in numbers of permitted B&Bs/STRs between 1990 and 2011 shows that the direct and opportunity costs of compliance have been high. A possible alternative to a legal operation is an illegal one. As many STRs are currently operating outside of the law, we estimate that significant monies in General Excise Tax (GET) revenues, TAT revenues, and rail tax revenues and other business income taxes are being lost to the State of Hawaii. Honolulu could stand to gain its share of the TAT funds, Rail tax funds and through increased property taxes if STRs could operate as legitimate businesses and be required to pay their due share of taxes if all STRs operated legally. Some of these additional funds can then be used to provide additional public goods and services such as water, sewer, and parking in support of the visitor industry and for negative externality mitigation. Regulations that would ease the cost of compliance, taxes that would be neutral, uniform and have lower administrative costs associated with collections and fines that would not be excessive but have sufficient deterrent effect would enable short-term rentals to contribute significantly to the Oahu's economy specifically and Hawaii's economy in general.

STR negative externalities associated can be addressed to ameliorate citizen concerns using a variety of policy instruments to mitigate any real or perceived negative externalities. These may involve up-dating community zoning laws taking into account current realities, using citations for rowdy behavior and disturbing the peace in residential neighborhoods where STRs may be permitted, using fines for illegal and inappropriate parking, levying higher property taxes on STR establishments to provide lower taxes for residents and assigning increased responsibility for STR operators for the safety and security of the guests and mandatory evacuation plans in case of emergencies. Such policy measures have been successfully implemented elsewhere to mitigate negative externalities.

The impact on the long-term availability of housing units for residents is not a major externality given a large number of unoccupied housing in Honolulu. It has been shown that in other places outside of Hawaii, accessory dwelling units (ADUs) whether attached or detached have increased affordable housing units and family incomes for residents. ADUs could be used for short-term vacation rentals and/or housing local residents if the need exists. The character of Ohanas and local lifestyles need to be preserved as learning local customs and being exposed to native culture is one of the reasons why visitors choose to come to Hawaii and gain the Kama'aina experience of the local islander. It is this type of visitor demand which is becoming much more prevalent in today's tourist market that is met by STRs. It is also an irrefutable fact in resource economics that it is most efficient to let land gravitate

***** A research result concluded that "despite identical pricing structures, a locally owned vacation rental unit that rents for $150 a night contributes fully $236 dollars more to the local economy than does a hotel unit that also rents for the same rate but is owned by a corporation based outside of Hawaii." [Ferguson]

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to highest and best use which may mean using a property as an STR.

Alienation of property restrictions on homeowners are not isolated, extreme occurrences anymore within the country or abroad. Local governments that are close to their constituents and adaptable to change can gain much through exploring new regulatory approaches that are minimal and yet work for the entire community. There may be trade-offs involved in pursuing the goals of economic stability for individuals and the community and restricting the alienation of property rights of homeowners, especially the speculative homeowners. The need for or lack thereof of rental restrictions can best be studied and then effected by empirical analysis of complaints received, utilization of stakeholder input and having an effective public process to move the community forward from conflict and confrontation to cooperation. Some alternatives to rental restrictions may lie in the enforcement of existing ordinances with respect to noise limits, public nuisance, property maintenance standards, unruly public gatherings, nighttime curfew and parking restrictions. Numerous best practice examples are drawn from various locations also exist to deal with broad community issues such as, for example, those worried about changing the character of residential neighborhoods. These can be achieved through narrowly tailored regulations, grandfathering provisions, quantitative and operational restrictions, licensing / registration requirements, inspection requirements and enforcement provisions.

Future trends in the tourism business in Hawaii will be determined by many factors not discussed in this study such as a) Hawaii's Tourism Strategic Plan; b) policies related to small businesses, land use, and infrastructure; c) availability of sufficient plant inventory; and d) the recreational choice of baby boomers. However, based on our empirical investigation, we can state that there are a growing and surging trend of short-term rentals (STRs) in the Hawaii market as in other resort areas of the US mainland and competitive worldwide destinations, to meet this visitor demand. Before the issue is subjected to short shrift and result in the choking and demise of the STR sector of the visitor industry, it might be prudent for county officials to work in concert with state officials and STR operators to improve data gathering regarding STR visitors, conduct an extended cost-benefit analysis and explore every option to address community concerns fairly and equitably.

Finally, research results of this study indicate that the impact of supporting STRs not only would encourage local investment in Hawaii's economy but also would result in a higher level of economic activity generated per dollar of visitor spending than non-STR and B&B lodging types. Both outcomes augur for a larger fiscal impact from STRs and B&Bs then equivalent dollar spending on non-STR lodging types. Additionally, such support would enable local residents to capture their fair share of visitor industry wealth. This outcome can be considered a positive externality to local residents of a policy to support STRs.

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The Effect of Working Capital Management on the Profitability of Limited Liability Companies in Cameroon: Case of ENEO Cameroon S.A

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Abstract- Business failures has been blamed on the inability of the financial manager to plan and control the working capital of their respective firms. These reported inadequacies among financial managers is still evident today in eneo Cameroun in the form of high bad debts, high inventory cost etc. This study is out to examine the effect of working capital management on the profitability of limited liabilities companies in Cameroon the case of eneo. Using secondary data from 2010 to 2017 and with the help of Ordinary Least Square technique, we observed that ICP, AAR and AAP exerts a negative significant influence on the profitability of eneo Cameroon S.A. As a result of this we recommended that the Inventory Convention Period of eneo Cameroon S.A should be reduce by having an Economic Order Quantity of all the stocks in the warehouse and that eneo Cameroon S.A should implement policies that will entice their customers to pay faster such as allowing discount to customers who pay their dues promptly or within the due date.

Keywords: inventory convention period, average account payable, average account receivable, profitability, cash conversion cycle.

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The Effect of Working Capital Management on the Profitability of Limited Liability Companies in Cameroon: Case of ENEO Cameroon S.A

Mukete Emmanuel Mbella [α] & Yvan Nathaneal Ngongang [σ]

Abstract- Business failures has been blamed on the inability of the financial manager to plan and control the working capital of their respective firms. These reported inadequacies among financial managers is still evident today in eneo Cameroun in the form of high bad debts, high inventory cost etc. This study is out to examine the effect of working capital management on the profitability of limited liabilities companies in Cameroon the case of eneo. Using secondary data from 2010 to 2017 and with the help of Ordinary Least Square technique, we observed that ICP, AAR and AAP exerts a negative significant influence on the profitability of eneo Cameroon S.A. As a result of this we recommended that the Inventory Convention Period of eneo Cameroon S.A should be reduce by having an Economic Order Quantity of all the stocks in the warehouse and that eneo Cameroon S.A should implement policies that will entice their customers to pay faster such as allowing discount to customers who pay their dues promptly or within the due date.

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I. Introduction

Over the years, the world market has become increasingly concentrated with a wave of business combinations among giants as well as diversification of investments outside their geographical location. All these are in the quest to dominate the market as well as the maximization of shareholders wealth. Increasing market domination that will enhance the maximization of shareholders wealth depends largely on certain firm specific factors such as persistent profitability. Profit maximization for any firm depends on efficient management of cost and process of production as well as increases in sales resulting from firm's market domination. One factor that is deduced to influence firm profitability grossly is the firm's working capital (WC). As a result, working capital management (WCM) is a very important component of corporate finance as it directly affects the liquidity and profitability of a firm. It centres on current assets and current liabilities of a firm. Numerous studies on the drivers and financial impact of WCM for different types of firms for different countries of the world have been published in recent times. However, inter-country studies of world leading firms in a given industry are sparse. Attempting to fill this knowledge gap, this study sets out to assess the impact of working capital management on the profitability of limited liability companies in Cameroon, the case of eneo Cameroun S.A.

Working capital is a measure of both a company's efficiency and its short-term financial health. Working capital is calculated as: WC equals current assets minus current liabilities. The working capital ratio (Current Assets/Current Liabilities) indicates whether a company has enough short term assets to cover its short term debt. Anything below 1 indicates negative WC. While anything over 2 means that the company is not investing excess assets. Most believe that a ratio between 1.2 and 2.0 is sufficient. Also known as "net working capital" (Aggarwal, 2002). Working capital management plays a vital role in the success of business because of its effects on liquidity and profitability. Capital is what makes or breaks a business and no business can run successfully without enough capital to cover both short and long term needs. Maintaining sufficient levels of short-term capital is a constantly ongoing challenge, and in today's turbulent financial markets and uncertain business climate external financing has become both harder and more costly to obtain that companies are therefore increasingly shifting away from traditional sources of external financing and turning their eye towards their own organizations for ways of improving liquidity. One efficient but often overlooked way of doing so is to reduce the amount of capital tied-up in operations, that is, to improve the working capital management of the company. A positive working capital position is required for the continuous running of a company's operations that is to pay short term debt obligations and to cover operational expenses. A company with a negative working capital balance is unable to cover its short- term liabilities with its current assets.

Working capital management is an essential part of financial management and contributes significantly to a firm's wealth creation as it directly influences organizational profitability and liquidity (Raheman& Nasr, 2007). The most important issue in WCM is the maintaining of liquidity in the day-to-day

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operations of the firm. This is crucial so as to prevent creditors and suppliers whose claims are due in the short-term from exerting unwarranted pressure on management and thus, ensure the smooth running of the firm. This suggests that, the main objective of WCM is to ensure the maintenance of satisfactory level of WC in a way that prevent excessive or inadequate availability of working capital (Filback, & Krueger, 2005). In Cameroon, WCM is very important as most providers of credit prefer the short-term credit market to the long-term market. This behaviour may be attributed to the relatively higher inflation rates in Cameroon compared to other developed or emerging countries which have the tendency of reducing the purchasing power of future cash flows. Given the above circumstances coupled with the fact that other sources of financing the firm are scarce, it has become imperative therefore for businesses in Cameroon to efficiently manage their WC in order to become profitable. Furthermore, the importance of efficient WCM by manufacturing firms in Cameroon cannot be overemphasized as this is extremely needed to boost profitability and increase expansion, which are pre-requisites in solving the country`s unemployment issues and ensuring economic stability.

a) Statement of the Problem

Egbide, (2009) discovered that large number of business failures in the past has been blamed on the inability of the financial manager to plan and control the working capital of their respective firms. These reported inadequacies among financial managers is still evident today in eneo Cameroun in the form of high bad debts, high inventory cost etc., which adversely affect its operating performance. Also, the fact that eneo Cameroun makes profit is not necessarily an indication of effective management of its working capital because even though it is endowed with assets and profitability it still goes short of liquidity. This is due to the fact that its assets cannot readily be converted into cash. As such there is a shortage of cash available for the firm's utilization as at when due. This causes the company to run into debts that could affect its performance in the long run as it will not be able to finance its obligations as at when due. Again some managers in eneo Cameroun do neglect the organizations operating cycle thereby having large debtors collection period and shorter creditor's payment period. All these constitute the problem of the investigation, hence the need to study the effects of working capital management on the profitability of limited liability companies in Cameroon, precisely the case of eneo Cameroun S.A.

However, several interventions were undertaken by the Cameroon Government aimed at revamping the country's manufacturing sectors in order to create employment and also boost Gross Domestic Product (GDP). However, given those developments, it is intriguing to note that there are no known evidence based studies that have investigated how profitable manufacturing firms manage their WC in Cameroon. This study therefore attempts to fill the gap and contribute to the extant literature by assessing the impact of working capital management on corporate performance.

It is against the above stated problem that this research is of importance and is therefore designed to provide answers to the following research questions. Does cash conversion cycle (CCC) affect profitability in eneo Cameroun S.A? Does Inventory Conversion Period (ICP) affect the financial performance (profitability) of eneo Cameroun S.A? Does Average Collection Period (ACP) affect the financial performance (profitability) of eneo Cameroun S.A? This study is to examine the impact of working capital management on the profitability of Limited Liability companies in Cameroon, the case of eneo Cameroun S.A. This will be done by establishing the extent to which CCC affect financial performance of eneo Cameroun S.A, and investigating the cause-effect relationship between ICP, ACP and financial performance of eneo Cameroon S.A. I order to scientifically validate the result of this study, we hypothesis that;

HO1: The CCC has no significant impact on the profitability of eneo Cameroun S.A.

HO2: The ICP and ACP has no significant impact on the profitability of eneo Cameroun S.A.

b) Significance of the Study

This study assesses the potential effects of WCM on financial performance and the economic policy options of efficient WCM in order to provide meaningful insight and contribute to efforts aimed at ensuring increased capital availability through sustainable production and increased income from efficient WCM. It is also significant in the area of development economics, especially as scholars have advocated for the establishment of large scale business as a leading engine for growth in developing countries especially Cameroon.

The study will also give insight to the government in order for both the executive and legislation arm to formulate better policies in favour of limited liability companies for we know they contribute a great part of the Cameroon economy and will be major players in the 2035 emergence vision. In addition to the above, the study's findings will benefit management and staff of eneo Cameroun S.A who will gain insight into how their organization can effectively manage working capital thereby carrying out appropriate corporate practices and strategies which will offer competitive advantage.

II. Literature Review

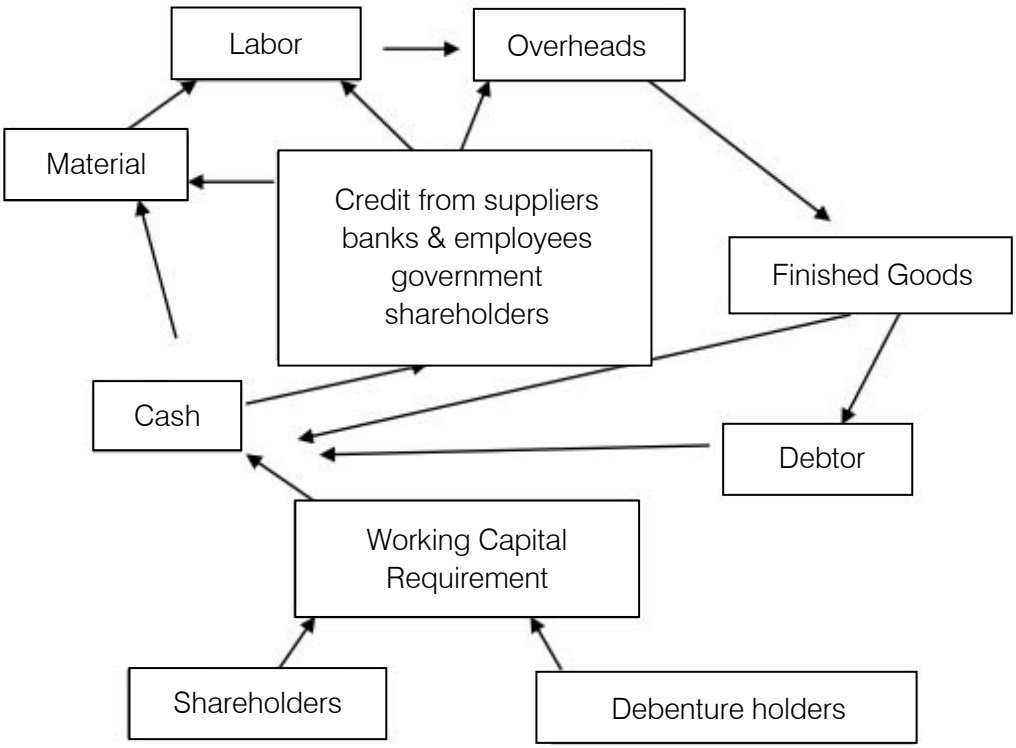
Working capital management has lately become a better known concept as more and more

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managers are starting to realize the benefits that a well-managed working capital can bring. In literature, authors generally refer to the concept of working capital as, working capital or net working capital. These two expressions are sometimes distinguished but in this dissertation we describe them with the same definition. After reviewing different sources about working capital, it has become clear that the definitions provided by Arnold G, (2008) is frequently used to define both working capital and net working capital. This is also the definition that the researcher used when he referred to working capital and net working capital in this research project.

Working capital management concern companies' management of their short-term capital. The short-term capital is the capital that companies use in their daily operations and it consists of companies' current assets and current liabilities. Current assets can be defined as assets used in Companies' daily operations with the expectation to provide companies cash in return within a period no longer than approximately a year. This consist of capital tied up in cash, short-term financial investments, inventors, account receivables and other current assets (Brealey, etal, 2009). Where current liabilities provide external financing for companies and they are especially important for small companies that can experience difficulties to get long-term loans (Teruel Marti & Nez-Solanen, 2007). They includes short-term loans, the debts to suppliers as account payables, accrued income taxes, and interest payments on long-term debts.

Working capital management aims to create an effective flow of the capital passing through the activities of current assets and liabilities. Figure1demonstrates a more detailed view of the working capital cycle and the arrows in the figure illustrate the cash flow movements within a company (Pass & Hike, 2007).



Source: An overview of working capital management and corporate financing (Phass & Hike, 2007)

Figure 2.1: The Working Capital Cycle

a) Measuring Working Capital Management

Three different concepts affect the choices that companies make regarding their working capital policies. The three concepts are solvency, liquidity and financial flexibility (Maness & Zietlow, 2005). Two typical solvency measures are the current ratio and the networking capital which both measure the relation between the current assets and the current liabilities to assess the company's ability to pay their short-term debts. The networking capital, is "the difference between current assets and current liabilities", which isanabsolutemeasurethatdemonstrateshowwellcompaniescanmanagetheir short-term commitments. Because this is an absolute measure, it becomes inappropriate to use in a comparison between companies in different sizes which is a disadvantage.

The liquidity measures are: cash flow operations, cash conversion efficiency and the cash conversion cycle. The first measure, taken from companies' cash flow statement is calculated by taking the net profit plus depreciation, long-term deferrals, and amortization. This is somewhat a more useful measure

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when making comparison over several years, rather than over just one year, because a one-year result could be misleading due to possible fluctuations on the market or situation out of the ordinary that affect the measure. The cash conversion efficiency is calculated by dividing cash flow from operations with sales. This measure is beneficial for companies as it reveals how efficiently they manage their business in terms of liquidity and profits. The measure tends to follow the company's profit levels and gives a percentage that indicates how fast companies manage to transform their sales into cash. A high percentage indicate an efficiently managed working capital and equally a short cash flow cycle, which is desirable (Maness & Zietlow, 2005). The cash conversion cycle, is a measure that provides the number of days it takes in average for capital tied up in working capital to convert into cash in the cycle. One of the benefits with this measure is that it takes the time aspect into account. This helps to provide managers with more complete and useful liquidity measure as they get information of how efficient their short-term capital is managed (Richards, & Laughlin, 2002). The cash conversion cycle includes the average number of day's inventory, the average number of day's accounts receivable and the average number of days accounts payable. A short cash conversion cycle is desirable as it indicates an effective working capital management.

The last concept is financial flexibility which reveals how realistic companies' financial policies are compared with their actual ability to grow. The management measurement to determine a company's growth is called the sustainable growth rate, it is a simplified equation of the return on shareholders' equity and the companies' net profit. The sustainable growth rate determines a company's ability to grow and make investments without getting into liquidity problems. A high growth rate indicates that a company has enough profits to both manage its obligations as well as making new investments, a more preferable state than a low sustainable growth rate which indicates that a company has too little incoming cash flow to cover its obligations.

In our study, we have chosen a liquidity measure, the cash conversion cycle, as a measure of working capital management. This is because it presents the time span between the company's cash disbursement to suppliers and its collection from customers which reflect from the company policies on inventory, accounts receivable and accounts payable.

The cash conversion cycle is used to measure working capital management and it measures companies' liquid situation and how effective the working capital is managed (Deloof, 2003). The outcome will show the number of days in average it will take for the capital that is tied up in working capital to convert to cash in the cycle (Lantz, 2008). A shorter conversion cycle with a low or even negative number of days is preferable for profit as the need for external financing is reduced (Moss & Stine, 2004).

Cash Conversion Cycle = Average number of days inventory + Average number of days accounts receivable - Average number of days accounts payable

Average Number of Days Inventory: The average number of day's inventories represents the period that inventories are held by the company before they are sold. In order to help shorten the cash conversion cycle, a lower number of days are better. According to Lantz (2008), the average amount of inventory is received by taking the sum of the beginning and ending balance of inventory for a year, and divide with two, to get the average. The average amount of inventory is then divided with the cost of goods to see how big part of cost goods sold that comes from the inventory. In order to get the outcome of the conversion cycle in days the amount given is multiplied with the average amount of days a year, 365.

Average Number of Day's Accounts Receivable: It represents the average number of days that the company uses to collect payments from its customer. This metric is received by dividing the sum of the opening and ending balance of account receivable with two and divide this with the net sales and then multiply the outcome with the average number of days in a year. Similar to the inventory, a low number of days is desirable to keep the cash conversion cycle short (Lantz, 2008).

Average Number of Days Inventory = Average Accounts Receivable Netsales x 365

Average Number of Days Accounts Payable: This represents the average number of days the company takes to pay its suppliers. This metric is calculated by dividing the sum of the opening and ending balance of account payable with two and divide this with the cost of goods sold and then multiply the outcome with the average number of days in a year. While the two previous metrics are preferred kept short, more number of days account payable is considered better for shorter cash conversion period (Lantz, 2008).

Average Number of Days Inventory = Average Accounts Payable Cost of Goods Sold x 365

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b) Theoretical Literature

i *Transaction Motive Theory*

This theory suggests factors that influence the association between inventory holding period and profitability. The first factor assumes that companies can increase profitability through a reduction of inventory holding period by keeping the minimum required inventory in order to satisfy the expected demand of production. This factor assumes that management envisage the future sales demand and there make provision for it by keeping the required inventory to meet the said demand. Companies must also keep minimum inventory for display or demonstration purpose Bhandari, & Maiti, (2007), as customers would always like to examine a sample of a particular product before committing to place an order. The keeping of the minimum inventory will reduces the inventory holding period. A reduction in inventory holding period will lead to higher profitability.

The second factor proposes a positive linkage between inventory holding period and profitability by buying in bulk. Buying in bulk will increase the inventory kept in stock, thereby increasing the holding period of inventory. But buying in bulk may reduce the procurement cost of production. The bulk purchase cost savings will also result in a decrease in the cost of sales of the product, which will reduce the overall price of the product leading to more profitability.

Transaction theory is directly linked to the Inventory holding period of companies. It depicts the essence minimum stock holding in order to safeguard any eventualities. Also, the keeping of the minimum inventory will reduce the inventory holding period there by reducing the additional cost to the company in the form of holding of inventory costs. These include interest, spoilage, obsolescence, and cost of storage.

ii *Financing Theory*

The financial theory helps explain why companies ignore financial institutions and accept credit from their suppliers. According to the financial theory, companies accept credit from their suppliers due to inefficiencies in the financial market (Kohler et al. 2000). Because of these market inefficiencies, not all companies have equal access to credit from financial institutions. Some companies, especially newly created ones are viewed by financial institutions as more risky and therefore deny them credit. Therefore, such companies are compelled to embrace any credit offer from their suppliers. In this vein, it is argued that companies with more access to financial markets will act as intermediaries by borrowing from financial institutions and then give it to customers in the form of trade credit (Emery, G. 2011; Gracia-Teruel and Martinez-Solano, 2010). Therefore according to the financial theory, the granting of trade credit will greatly depend on the financial market accessibility of both the supplier and the customer.

The financial theory influence on accounts payable has an effect on companies' profitability. This is because companies without access to capital markets may have to rely on suppliers' credit to fund their business, which may affect profitability. Also, the ability to make purchases without immediate cash means that companies can invest the cash in other profitable ventures. However, the financial theory of accounts payable may lead to a reduction in companies' profitability because of the loss of discounts offered by supplier. Suppliers normally offer cash discounts for prompt payment and therefore asking for credit means that such savings in cash discount may be lost.

c) Empirical Literature

Evidence based studies that investigated the association between profitability and working capital management practice of manufacturing firms from emerging market perspective are rare. This may be due to the relatively greater attention that is given to manufacturing firms by developed markets since it is perceived as the main driver of those economics. Thus, most of the empirical studies that abound in working capital management in the manufacturing industry are drawn from developed markets. Gill et al. (2010) also studied the relationship between working capital management and profitability if 88 US firms listed on the New York Stock Exchange. Using data from 2005-2007. The authors found no statistically significant relationship between average payable days and profitability and also between average inventory days and firm profitability. Similarly, they also observe no significant relationship between firm size and profitability but notice a negative association between accounts receivable and profitability. This suggests that managers can enhance the profitability of their firms by reducing the number of days for their account receivables.

In a related study, Karakuman et al. (2010) investigated the impact of working capital management practices on the profitability of 140 randomly selected companies listed on the Istanbul Stock Exchange. Using data from 2005-2008, their findings indicate a statistically significant negative association between firm profitability, measured as return on assets on one hand and accounts receivable and inventory days on the other hand. The study further reveals a significantly positive relationship between accounts payable days and firm profitability. Thus, the study reiterated the importance of effective and efficient working capital management in ensuring firms' profitability.

In addition to the above, Falope & Ajilore, (2009) examined the effect of working capital management on the profitability of 50 quoted non-financial Nigerian firms. Using panel data methodology and date from 1996-2005, the authors observe a

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significantly negative relationship between net operating profit and working capital management variable, namely: average collection period, inventory days, and cash conversion cycle. However, the study notices no significant variations in the effects of working capital management between large and small firms. An important lesson therefore is that, prudent working capital management is critical for the profitability of firms of all sizes.

Mathuva, (2009) examines the influence of working capital management components on corporate profitability of 30 Kenyan listed firms. Using panel data methodology and data covering the period from 1993 - 2008, the study finds a significantly negative relationship between accounts collection days and profitability, a significantly positive association between inventory conversion period and profitability and a significantly positive relationship between average payment days and profitability. The findings of this study therefore confirm the traditional view of efficient working capital management and its effects on profitability.

Raheman, A., & Nasr, M., (2007) studied the effect of different variable of working capital management including average collection and inventory days, cash conversion cycle, and current ration on the net operating profitability of 94 Pakistani firms. Using regression analysis and data covering the period from 1999-2004, the author find a significantly negative association between working capital management variables and profitability of the firms. The authors further report a significantly negative relationship between corporate debt and profitability but a significantly positive association between size and profitability. The implications of these findings are that prudent management of working capital, reasonable levels of debt use and increase sales are all very crucial in enhancing the profitability of the modem firm.

III. Methodology

a) Area of the Study

The study was carried out in eneo Cameroun S.A. In the month of August 2014, the Government of Cameroon signed a concession agreement which granted ACTIS Capital 56% of the shares of AES-SONEL and its subsidiaries KPDC and DPDC. On 11 August 2014, a new CEO was appointed and was officially installed on 19 August. On 12 September 2014, the new company name was unveiled during a ceremony at the Yaoundé Hilton Hotel, chaired by the Minister of Energy and Water Resources. This marked the beginning of the era eneo Cameroon S.A. Nevertheless, the genesis of this company goes as far as before the independence of Cameroon with the creation in 1946 of a public entity to supply electricity in the English part of the country and in 1948 a mixed economy company known as ENELCAM ("Energie Electrique du Cameroun") was created in French Cameroun to supply electricity. On 18 May 1974, SONEL was created to manage public power distribution systems in the whole country. On the 17th of July 2001, the government privatized SONEL under a concession agreement to the American company AES-Sirocco with them holding 56% of shares, and the state of Cameroun 44%. eneo Cameroun S.A has a capital of 49 billion FCFA. The transverse character of the area of electric power makes it essential to the process of economic development in a country. Indeed, electrical energy is now at the centre of all industrial activity, companies in other sectors are largely dependent for a competitive cost. This reflects an approximate performance in the energy sector impacting considerable throughout the company. This sector that the new configuration would open up to competition has always been covered by the national company scale now called eneo Cameroun S.A. It is in this light that top management has set out the following objectives; to respond to the growing demand for electricity by providing viable and secure energy. To be a prime mover of the electrical sector, catalyse its growth, furnish a viable energy, quality service while being a model of corporate governance in Africa.

b) Sources and Methods of Data Collection

The study focused on assessing the impact of working capital management on the profitability of limited liability companies in Cameroon, the case of eneo Cameroun S.A. from 2010 to 2017. This period was chosen because data was available and the year 2010 was selected by the researcher because it marked the beginning of the effects of the United States subprime crisis in the banking sector of Sub Saharan Africa countries, which includes Cameroon. This is due to the fact that most of these affected banks are creditors to the company. The study made used of secondary data collected from the certified financial statements of eneo Cameroun S.A from 2010-2017. Secondary data was used over primary data because there was the need to calculate financial ratios and analyse them to produce our results. In this study profitability which is our dependent variable will be capture by return on investment and our independent variables will be Inventory conversion period, average collection period, average payment period and cash conversion cycle. Hence, an ex post facto research design will be adopted since this study aimed at examining the existing interaction between the Working Capital Management and profitability.

c) Model Specification

In this study we carried out two separate model on working capital management and profitability. The first model shows the components of the cash conversion cycle (as a proxy for working capital management) on the return of investment and the second model which shows the aggregates of these component that is cash conversion cycle on return of

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investment. The reason for this is to capture and compare the decomposition effect of working capital on the profitability of a company. Based on the various theories and empirical works in the study, we adopted a model developed by Lawal A., et al, (2003) which has been specified to study the relationship between working capital management and profitability. Specification of the econometric model is thus:

$$\pi t = \beta_0 + \beta_1 ICP + \beta_2 ARP + \beta_3 APP + \varepsilon \quad \text{.....(1)}$$

$$\pi t = \beta_0 + \beta_1 CCC + \varepsilon \quad \text{.....(2)}$$

Table 1: Variables, Unit of Measurement, Apriori and Data

Variable	Unit of Measurement	Apriori	Source of Data
Return on Investment (ROI)	Net income/Total Capital		Certified Financial Statements (2010-2017)
Inventory Conversion Period (ICP)	$\frac{\text{Average Inventory}}{\text{Cost of goods sold}} \times 365$	$\beta_2<0$	Certified Financial Statements (2010-2017)
Average Collection Period (ACP)	$\frac{\text{Average Account Receivable}}{\text{Net Sales}} \times 365$	$\beta_3<0$	Certified Financial Statements (2010-2017)
Average Payment Period (AAP)	$\frac{\text{Average Accounts Payable}}{\text{Cost of goods sold}} \times 365$	$\beta_4>0$	Certified Financial Statements (2010-2017)
Cash Conversion Cycle (CCC)	ARP+ICP–APP	$\beta_1<0$	Certified Financial Statements (2010-2016)

Source: Computed by the Author (2018)

d) Estimation Techniques

The Ordinary Least Squares (OLS) technique of estimation is used to estimate the coefficients of the model. The choice of the OLS is contingent on the fact that it meets the BLUE characteristics of any good estimators. As such its parameters are estimated as elasticities. The choice of this tool is that the OLS is also advantageous in that; it is easy to implement on a computer using commonly available algorithms from linear algebra. Furthermore, it is easier to analyze mathematically than many other regression techniques. It is not also too difficult for non-mathematicians to understand at a basic level.

The OLS produces solutions that are easy. The estimate of the unknown parameters obtain from linear least squares regression are the optimal estimate from a broad class of possible parameter estimate under the usual assumptions and used for process modelling. Practically speaking, linear least square regression makes very efficient use of the data. Good results can be obtained with relatively small data sets.

e) Reliability Test

This employ the Alpha-Cronbach test and KMO & Bartlett's Test.

Cronbach's alpha is used as a measure of internal consistency or reliability of data. In other words, it measures how well a set of variables or items measures a single, one dimensional latent aspect of individuals. The KMO & Bartlett's Test of Sphericity is a measure of sampling adequacy that is recommended to check the ratio of the variable for the analysis being conducted. In academic and business studies, KMO & Bartlett's test play an important role for accepting the sample adequacy.

IV. Presentation and Discussion of Results

We start by presenting the descriptive statistics of the variables used in this study in order to evaluate their mean and standard deviation. The result of the descriptive statistics is presented as shown below;

Table 2: Descriptive Statistics of the Variables

	N	Minimum	Maximum	Mean	Std. Devia
ROI	8	.0000	.8450	.259789	.3029726
ICP	8	.2501	4.5195	2.928482	1.2865704
AAR	8	1.1159	3.6148	2.137135	.6476179
AAP	8	1.0803	3.6413	2.175604	.7835990
CCC	8	-1.0312	359.2770	35.274035	107.4714434
Valid N (listwise)	8				

Source: Computed by the Author (2018)

From Table 2 above, shows the descriptive statistics of the variables of working capital management and profitability measures that was used in the study including a measure of their mean and standard deviation. Return on Investment which was used to proxy the dependent variable (profitability)

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during the period 2010 to 2017 inclusive, ranged from 0.0000 to 0.8450 with a mean value of 0.259789 and it deviated at 0.3029726. Inventory Conversion Period was used as a proxy to the explanatory variable (working capital management). From 2010 to 2017, it ranged between 0.2501 and 4.5195 with an average value of 2.928482. Its standard deviation was 1.2865704.

Average Account Receivable ranged from 1.1159 to 3.6148, with a mean value of 2.137135 and it deviated at 0.6476179. Average Account Payable ranged from 1.0803 to 3.6413, with a mean value of 2.175604 and it deviated at 0.7835990. Cash Conversion Cycle ranged from -1.0312 to 359.2770, with a mean value of 35.274035andastandard deviation of 107.4714434.

We then proceed to test for reliability of the data using the Cronbach's Alpha and the KMO and Bartlett's test as shown below;

Table 3: Cronbach's Alpha Test for Reliability

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardised Items	No. of Items
.247	.829	4

Source: Computed by the Author (2018)

Cronbach's alpha is a function of the number of test items and the average inter-correlation among the items. The table above gives the Cronbach's alpha values for the variables in the research model. The standardized fact or loadings were 0.829. This means that construct validity of the measures were satisfied. Cronbach's alpha values of the factors was high. This showed that all working capital management measures and performance factor had acceptable reliabilities.

Table 5: KMO and Barlett's Test for Reliability

KMO measures of Sampling Adequacy		.50
Approx. Chi Square		36.43
Barlett's Test of Sphericity	df	
	Sig.	.00

Source: Computed by the Author (2018)

KMO & Bartlett's Test of Sphericity is a measure of sampling adequacy that is recommended to check the ratio of the variable for the analysis being conducted. While the KMO ranges from 0 to 1, an index of over 0.5 is widely accepted. With a significance chi square value which is lesser than 0.05, thus denotes that the data is adequate.

Table 6: Model 1 Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
.345[a]	.766	.701	.0658678	

a. *Predictors: (Constant), CCC, ICP, AAR, AAP*

Source: Computed by the Author (2018)

From the result on table six presented above, the coefficient of multiple determination indicates that 70 percent variation of the dependent variable (profitability) is jointly accounted for by the variables used in the model while the remaining 30 percent is explained by the error term.

Table 7: Model 2 Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
.415[a]	.662	.601	.0324156	

Source: Computed by the Author (2018)

From the result on table seven presented above, the coefficient of determination indicates that 66 percent variation of the dependent variable (profitability) is jointly accounted for by the variable used in the model while the remaining 34 percent is explained by the error term.

Table 8: Regression Results

Model	Coefficients		T -Stats	Sign
	B	Std Error		
Constant	1.606	.519	3.091	.021
ICP	-.002	.078	-3.323	.003
AAR	-.004	.068	-4.176	.001
AAP	-.386	.161	-2.400	.034
F-Stats			8.45	0.03

Source: Computed by the Author (2018)

From table eight above, we can see that the F-statistics is significant when comparing it with our 5 percent significant level. This implies that our overall result is reliable and good for policy making. Inventory Conversion Period has a negative effect on Return on Investment as observed on the table. This implies an increase in inventory conversion period will reduce return on investment in eneo Cameroun S.A by 0.002 units. Based on the t-statistics, we observed that the influence of the ICP on the profitability of eneo is significant. This means a conversion period with fewer days maximizes eneo's capacity to be liquid. This liquidity reduces the need for debt financing which in turn will make them more profitable. This finding is consistent with the just-in-time approach where effective inventory management helps keeping inventory levels low with few days of inventory conversion period. The strategy aims to make the orders of material produce and deliver just in time when it is required and not before (Brealey, et al, 2009).

Average Account Receivable was found to have a negative significant effect on Return on Investment over the period of study. This indicates that an increase average account receivable will lead to a decrease in return on investment of eneo Cameroun S.A by a magnitude of 0.004 units. In eneo Cameroon S.A they have a shorter period for

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account receivables which enables the company to collect cash first from their sales (customers). This then can be use to finance their short term liabilities and thus enables them to falter. It is therefore evidence that companies may focus on improving the management of accounts receivable and may still not be able to solve the problem of excessive cash out flow. This then means that the managers of the company should focus on all the key factors of working capital management because the sole focus on only one variable is misleading.

Average Account Payable equally has a negative effect on return on investment as observed. This indicates that a unit increase in average account payable period will lead to a decrease in return on investment in eneo Cameroun S.A by 0.386 units. This is in here not to eneo Cameroun S. A, the sector in which this company operate is a heavy and intensive capital business and eneo has most of its suppliers abroad and since as this suppliers know the economy in which this company operates they tend to require upfront payments through letters of credit first before they supply their goods or services. The findings of this study is contrary to Karakumanetal. (2010).

Table 9: Regression Results

Model	Coefficients		T -Stats	Sign
	B	Std Error		
Constant	2.231	.620	3.501	.003
CCC	-.001	.000	-4.125	.001
F- Stats			4.95	0.042

Source: Computed by the Author (2018)

Table nine as shown above denotes that our probability F-value is significant hence our result is good for policy making. The Cash Conversion Cycle exerts a negative significant influence on Return on Investment as portrayed by the table above. More precisely, a unit increase in cash conversion cycle will lead to a fall in return on investment by 0.001 unit. The cash conversion cycle is directly linked to financial profitability. Thus, a reduction in the cash conversion cycle will consequently lead to an amelioration in the financial performance of eneo Cameroun S.A and will enable managers to keep track of how effective their working capital is managed in their operating cycle. Eneo Cameroon benefit from having a short cash conversion cycles in ceit will generate more value in the long run. The benefits that it provides are, better liquidity due to a more effective operating cycle and increased earnings due to the faster routines and therefore less tied up capital. As such, managers have to find a good balance between the current assets and liabilities, a balance that is in favour for eneo Cameroun S.A and that will provide the most value. A well-adapted balance will promote both profitability and liquidity which is a desirable outcome formost companies.

V. Recommendation and Conclusion

From the empirical findings conducted, were analized that inventory conversion period has a significant negative impact on the profitability of eneo Cameroun S.A. Our recommendation to eneo Cameroon S.A is that their Inventory Convention Period should be reduce by having an Economic Order Quantity of all the stocks in the warehouse. That is by making use of inventory optimization technologies and collaboration tools that tells them what the perfect mixture of inventory and cash on hand should be.

We also observed that average account payable has a negative influence on the profitability eneo Cameroon S.A. As a result of this, eneo Cameroon S.A should implement policies that will entice their customers to pay faster such as allowing discount to customers who pay their dues promptly or within the due date. Also if they use their existing relationship with their customers that is by understanding them and knowing when they are paid they can then time their billing procedures to coincide with their customer's regular pay cycle. They canal so try getting customer's their bills sooner in order to help speed up the pay process.

With regards to Average Account Payable, eneo Cameroun SA should sign conventions and treaty agreements which will prolong the time of payment as long as possible as they can use the advantage of their suppliers to finance other investment until payment made. Therefore, in the management of the company, it is important o take both profitability and liquidity into consideration because even profitable companies might sometimes face cash flow problem. Company's liquidity ties up in working capital which comprises current assets and current liabilities. The management of working capital which plays an important role in company's operations concerns the management of cash, inventories, accounts receivable and accounts payable.

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Efficiency of the Region's Services and its Impact on the Formation of the Gross Regional Product

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Abstract- The article analyzes the economic and social development of the Republic of Uzbekistan. The analysis used indicators such as the increase in the share of paid services rendered to the population in the gross regional product, the growth of employment in the service sector. The main factors influencing the efficiency of the service sector are identified.

Keywords: gross regional product, types of services, performance indicators, services, efficiency of services.

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Efficiency of the Region's Services and its Impact on the Formation of the Gross Regional Product

Temirkhanova Mutabar Juraevna

Abstract- The article analyzes the economic and social development of the Republic of Uzbekistan. The analysis used indicators such as the increase in the share of paid services rendered to the population in the gross regional product, the growth of employment in the service sector. The main factors influencing the efficiency of the service sector are identified.

Keywords: gross regional product, types of services, performance indicators, services, efficiency of services.

I. Introduction

With the development of society, the growth of productive forces, the sphere of services is developing. There is an increase in employment in this sphere, an increase in the technical equipment of labor, the introduction of more and more advanced technologies. At present, the role of services, as one of the most important sectors of the economy, is very great and relevant.

This is due to the complication of production, the saturation of the market with goods both daily and individual demand, with the rapid growth of scientific and technological progress. Nowadays, there are more than 160 types of services (according to the WTO classification) - from research to repair services, from education to tourism, and industries based on the use of complex, intellectual labor [1] have come to the fore.

II. Literature Review

The economy of the regions, as well as the Uzbekistan economy, faces the constant task of increasing the gross domestic product. Previously high rates were achieved mainly due to the production and sale of raw materials in the world and domestic markets.[3] But at present, production is experiencing considerable difficulties, in particular, stagnation, insufficient financing and the industries themselves are developing very slowly. I. Ansoff, T. Bush, B. R., from foreign scholars on quality management, organization of educational system management activity and professional development of various leaders, their skills development. Clark, F. A. van Vught, P. Hallinger, E. L. Horng, J. W. Valentine, R. Bolam, L. Cuban, J. Lauglo, K. Leithwood, P. Sammons, R. Webb and others.

Heads of educational institutions have been informed about some aspects of managerial activity and problems of strategic management in educational systems from CIS scientists: Yu. A. Konarjevsky, G. A. Balyxin, V. G. Gurtov, E. A. Pituxin, L. M. Serova, T. I. Shamova, P. I. Tretyakov, E. D. Dneprov, G. I. Maltseva, T. D. Davydenko.

Issues of management, education system management, training, retraining and advanced training of managers in Uzbekistan S. Gulyamov, Sh. N. Zaynutdinov, Q. Abdurahmanov, D. N. Rahimova, M. I. Ikromov, A. Kucharov, D. S. Kosimova, LV Perugudov, M. X. Saidov, Sh. E. Gurbonov, E. A. Seytxalilov, M. Mirgosimov, R. H. Djuraev, S. Turgunov, N. Ahmedova and others.

Also, theoretical-methodological foundations for the management of education systems and institutions, heads of general secondary schools are directed at improving the efficiency of management activity, improving the quality of education, including U. I. Inoyatov, R. Sh. Ahlidinov, J. G. Yuldashev, S. A. Usmanov and others.

Research Methods

The dissertation uses methods such as theoretical comparison, comparative analysis, statistical analysis, surveillance, modeling, experimental research, experimental testing, analysis, expert evaluation.

III. Analysing and Methodology

Gross regional product of the Republic of Uzbekistan. The development of the social sphere is of great importance for the improvement of the well-being of the country and its regions. At the same time, the effectiveness of the development of the social sphere depends on the professional capabilities of the individual and the experience of developed countries.

Analyzing the economic and social development of the Republic of Uzbekistan, we are based on certain indicators of the system of regional accounts, namely, on paid and household services, identify trends in the formation of the GRP of the republic for 2000-2011,[4] the share of services in GRP, employment in services. It is known that the rapid development of the service sector and the increase of its share in the gross national product is a characteristic feature of the country's transition to the post-industrial stage of development. Gross domestic product (GDP) is the most important

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indicator of the system of national accounts (SNA). The analog of GDP at the regional level is the gross regional product (GRP), which is the value of goods and services produced for end use [5].

So, consider the GRP for the Republic of Uzbekistan for 2000-2011.[6] GRP in 2002 compared to 2001 decreased by 8425.1 million soums or by 3.52%, which was due to a fall in the production of goods in 2002 and an increase in net taxes (net of subsidies) on products. Since 2003, GRP has a positive trend [7].

Currently, there are only projected data on the volume of GRP of the Republic of Uzbekistan for 2010 and 2011, according to which the gross regional product by 2010 will be 1.1 trillion soums, and in 2011 - 1.4 trillion soums. In the province, by 2010, prerequisites were created to make significant progress in this direction, as well as to get rid of the dependence of the regional economy on one industry (extraction of non-ferrous metals).[8] The central task now facing the authorities of the Republic of Uzbekistan is to create conditions for increasing investment flows that come to the edge. The list of these conditions includes political stability in the republic. Not the least role is played by the quality of the legislative framework regulating the business sphere.

Growth in the share of household services in the gross regional product of the Republic of Uzbekistan.[9]

Consider the volume of paid and personal services rendered to the population of the Republic of Uzbekistan for 2000-2010. in billions of soums.[10]

Analyzing we can note that the production of services has a positive trend, and the growth rate of services by 2010 are increasing. The dynamics of the pronounced growth in the volume of paid services, including household services, is determined by the development of business processes in the region. The state regulation of prices (tariffs) and compulsory payments also plays an important role, for example, transport services are declining (in 2000, 38.4% of the total volume of services, in 2010 - 15.5%), with the increase in services Housing and communal services (in 2000 - 14.1%, in 2010 - 37.5%), communications (in 2000 - 10.5%, in 2010 - 20.3%).

In the Republic of Uzbekistan, more than half of the gross added value falls to the share of industrial organizations that carry out activities in the sphere of extractive, processing industries, production and distribution of electricity, gas and water, for example, 60.4% of GRP in 2007. The industry is gaining momentum and crowding the services market. Such a state of the republic's economy is characteristic until 2008. In 2008, the share of the services market is increasing, for example, the share of transport and communications increased to 10.8%.[11]

The share of employed in the service sector in the total number of the employed population of the Republic of Uzbekistan is increasing every year. This suggests that the demand for services in the region is growing. This is also connected with the fact that the regional target program for supporting small and medium-sized businesses "Development of small and medium-sized businesses in the Republic of Uzbekistan for 2008-2010" works, which in turn leads to an increase in firms that provide certain services [12].

Growth in labor productivity in services A feature of the service sector is the territorial nature of the effect of most of the factors of increasing efficiency, which is determined by the specifics of the formation of demand and supply of services.[14]

Economic efficiency is measured by two types of indicators: one characterizes the results of production per capita, the other - the ratio of results and costs. The most important indicators of the first type are: gross national product per capita and national income per capita, at the regional level, the gross regional product. Performance indicators, comparing the results of production with its costs, are: the productivity of social labor.[15] Calculate the productivity of labor in the service sector of the Republic of Uzbekistan. The volume of paid services must be cleared of the influence of inflation and taken for calculation in real terms (see Table).

Table 1: Labor productivity in the service sector of the Republic of Uzbekistan

No.	Indicators	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
1	The volume of paid and personal services (in the current set of prices.	14,1	18,1	25,1	33,2	39,8	47,6	57,5	68,7	79,6	84,6	87,2
2	CPI for paid services (by the prior year)%	126,1	155,2	135,5	150,5	112,8	118,2	115,8	111,1	115,6	108,6	109,1
3	The volume of paid and personal services (in real terms, billion soums)	11,2	11,7	18,5	22,1	35,2	40,3	49,7	61,8	68,9	77,9	79,9
4	Employed in the provision of services, thousand people	776,6	787,3	814,8	831,5	845,2	893,3	901,5	905,0	913,0	921,8	921,8
5	Productivity of labor sum / person	14 422	14861	22705	26578	41647	45114	55130	68287	75465	84509	86678

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The table shows that labor productivity tends to increase over the entire period under review. This suggests that the rate of growth in the volume of paid and personal services in real terms exceeds the growth rate of personnel engaged in the provision of services.

Factors affecting the efficiency of the service sector:[16]

- The policy of the state, both at the level of the region and the country as a whole;
- Labor efficiency in organizations providing services;
- Strategic management of the organization;
- The right choice of the market segment.

Activities that may affect the effectiveness of services:

- Various targeted programs, such as the regional target program to support small and medium-sized businesses "Development of small and medium-sized businesses";[17]
- Holding regional economic forums with the involvement of young people;
- Use of scientific and technical developments;
- Flexible price and tariff policy (transport, communication).[18]

IV. Conclusion

Summarizing, we can conclude that the share of paid and personal services is very significant in the gross regional product of the Uzbekistan Territory. Also, the share of employed in the service sector in the total number of employed people tends to increase. The research was carried out according to the types of activity of the service industry. But among the employed in the service sector are not only those who work directly in this industry (household, transport, medical, etc.), but also workers in other sectors of the economy.

In the extractive, processing and agricultural sectors, there is a hidden sector of services. They can be called "internal services" potentially involving a wide variety of activities. If you transfer these activities to organizations that have the status of a legal entity, then the services they perform would become part of the competitive market and be included in statistics in the regional gross regional product in the "services" section. And this is new results and an increase in the share of services [6].

Thus, the sphere of services occupies an increasingly important place in the creation of the GRP of the Uzbekistan Territory and the GDP of RUz The efficiency of labor in the sphere of services in the region is increasing, contributing to the increase in the efficiency of the economy of the region.

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A Study on Work-Life Balance of Working Women with Special Reference to Government Schools and Divisional Secretariat in Nintavur

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Abstract- The working women have dual roles namely role in the working place and role at home in the modern economy. This leads to face more difficulties in the life of working women in order to be more effective in their dual life while the working men have less pressure comparing with working women. Thus, achieving balance between work life and personal life is an important concept in the life of working women since the imbalance between the work life and personal life will affect adversely. This study is aimed to identify the level or extent of work life balance of working women. The sample size was 100 working women in Nintavur especially the teachers of government school and employees in divisional secretariat. The measuring tool was modified questionnaire of Hayman (2005) which consist of 15 questions. Data were subjected to descriptive statistics. The results of the study revealed that the level of work life balance of working women in Nintavur was low level.

Keywords: *work-life balance, working women, personal life, work life.*

GJMBR-B Classification: *JEL Code: D60*



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A Study on Work-Life Balance of Working Women with Special Reference to Government Schools and Divisional Secretariat in Nintavur

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Abstract- **The working women have dual roles namely role in the working place and role at home in the modern economy. This leads to face more difficulties in the life of working women in order to be more effective in their dual life while the working men have less pressure comparing with working women. Thus, achieving balance between work life and personal life is an important concept in the life of working women since the imbalance between the work life and personal life will affect adversely. This study is aimed to identify the level or extent of work life balance of working women. The sample size was 100 working women in Nintavur especially the teachers of government school and employees in divisional secretariat. The measuring tool was modified questionnaire of Hayman (2005) which consist of 15 questions. Data were subjected to descriptive statistics. The results of the study revealed that the level of work life balance of working women in Nintavur was low level.**

Keywords: work-life balance, working women, personal life, work life.

I. Introduction

In early centuries, the women were engaging mostly in safeguarding their children, home and other properties while men were engaging in earning money for their spouse and children. And also very few women entered into the higher education and joined in the workforce. However, the fast moving technological world is giving opportunity to the women and motivating them to enter the higher education as well as to become the professionals in modern economy. In addition, the working women in the new era are actively engaging like men in every field of work such as medicine, information technology, engineering, teaching, business and administration. The need of working women in the world is essential and compulsory in some field such as healthcare, teaching in order to preserve the female society.

Sigroha (2014) indicated that the roles and expectation of women and men have changed significantly over the past 50 years. Researcher observed that the average time spent on job has increased drastically. As a result work dominates the personal life. For every individual there is a life at work and at home and also a life in which he has a space for leisure and maintaining a balance between all these is crucial. If balance is not maintained between all these elements of life, than there would be a conflict. As a result there would be an adverse effect on the work life as well as personal life.

Tasnim et al. (2017) stated that in today's competitive world, the issue of work-life balance has grabbed the attention of researchers and academics because of its effect on professional as well as personal life.

II. Statement of the Problem

Working women in the modern world have lot of duties in home and office as well. In addition, they have to serve for the children when they got married and become as mothers. The working women have additional responsibilities comparing with working men. Working women have to fulfill the dual responsibilities since they have to manage the responsibilities at home as well as office. They have to plan, organize and control the dual responsibilities well in advance in order survive without any interruption between work and life. Sigroha (2014) stated that work-life balance is seen more as women issue due to the traditional mindset, where the woman is considered primarily responsible for the smooth running of the day to day affairs of the family irrespective of her job profile and official responsibilities that is why managing work and family responsibilities can be very difficult for women.

Working women have to maintain a good balance between job and home. If they fail to maintain this balance, they will face unnecessary problems, pressure, health related problems and stress.

III. Research Question

Based on the problem statement, the researcher is interested to do this research proposing the issue that whether working women have work life balance? This study focuses on addressing the following research question.

Do the working women have significant work life balance?

IV. Literature Review

Work-life balance is most frequently used to describe the equilibrium between responsibilities at work

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and responsibilities outside paid work; having a work-life balance means that this equilibrium is in the right position for the individual concerned (Dissanayaka and Hussain Ali, 2013).

We simply define work-life balance as the healthy blend of an employee's professional and personal responsibilities. It's about being able to make the two work together over the long term, understanding that on any given day, employees may not fully "balanced" one way or the other. Rather, positive work-life balance means employees have the control and flexibility to be successful on both fronts (Eagle Hill Washington DC Survey, 2014).

Dhas and Karthikeyan (2015) indicated that Work-life balance is about effectively managing the juggling act between paid work and other activities that are important to us - including spending time with family, taking part in sport and recreation, volunteering or undertaking further study. It can help to build strong communities and productive businesses. In a society filled with conflicting responsibilities and commitments, work/life balance has become a predominant issue in the workplace.

Dolai (2015) indicated that Work-life balance is one of the work-related issues affecting productivity of employees in an organization.

Without creating a work-life balance a person isn't able to take time to enjoy the life they have worked so hard to create. They aren't available for friends and family members, and often take their stress out on the ones they love. They can also suffer from illness and physical disorders that stem from prolonged stress such as heart disease, alcoholism, and even diabetes (Meenakshi et al., 2013).

Dhas and Karthikeyan (2015) indicated that Employees in companies already implementing work-life practices enjoy significant benefits such as: Being able to effectively manage multiple responsibilities at home, work and in the community without guilt or regret: Being able to work in flexible ways so that earning an income and managing family/other commitments become easier: Being part of a supportive workplace that values and trusts staff: People want to be able to have a good quality of life, an enjoyable work life and career progression, training and development, good health, affordable childcare or eldercare, further education, more money, time to travel, time with friends and family, time to do sports and hobbies, and time to do voluntary work.

a) Dimensions of work life balance

Hayman (2005) indicated that "he conducted a study on "Psychometric Assessment of an Instrument Designed to Measure Work Life Balance "which evaluated the factor analysis of the items confirmed three dimensions to the work life balance scale. These are operationalised as factor 1- work interference with personal life (WIPL), factor 2- personal life interference with work (PLIW), and factor 3- work/personal life enhancement (WPLE). These three items consist of fifteen questions. This instrument was found to have acceptable validity and reliability. This paper reports and validates a new measure to capture employee perceptions of work life balance.

Smeltzer (2016) conducted a study which investigated the psychometric properties of the Work/Life Balance Self-Assessment scale among nurse faculty involved in doctoral education. This study addresses 3 factors: work interference with personal life (WIPL), personal life interference with work (PLIW), and work/personal life enhancement (WPLE). The Cronbach's alpha coefficients for reliability of the scale were .88 for the total scale and for the subscales, .93 (WIPL), .85 (PLIW), and .69 (WPLE). The Work/Life Balance Self-Assessment scale appears to be a reliable and valid instrument to examine work-life balance among nurse faculty.

Dolai (2015) conducted a study with the twin objective of establishing the psychometric properties of the measure used for measuring work-life balance and trying to see if there are marked differences in the perception of work-life balance across respondents based on different demographic parameters. By means of factor analysis and reliability analysis, the dimensionality of the scale was well established and the correlations between different dimensions of work-life balance and negative and positive work-life balance were all in the expected directions, suggesting that the scale was a valid and reliable scale for measuring work-life balance. On the other hand, the comparative analysis of the work life balance scores of different demographic profiles could not suggest that there were statistically significant differences in the perception of work-life balance across these demographic groups.

The researcher found the following previous studies within the Sri Lankan context;

Tharsiny and Sareena Umma (2015) conducted a study on "The Impact of Work Life Balance on Employees' Work Performance: Special Reference to Insurance Companies Operating in the Kilinochchi District". This study aims to identify the relationship between work life balance and employees' work performance with special reference to insurance companies in Kilinochchi District. The result suggested that there is a positive relationship between work life balance and employees' work performance. According to the simple regression analysis, when the work life balance increases the employees' work performance also increases in the insurance companies. Further, when the organization considers the improvement in the work life balance, it will lead to maintain high level employees' work performance in the insurance companies.

Dissanayaka and Hussain Ali (2013) conducted a study on "Impact of Work-Life Balance on Employees

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Performance: An Empirical Study on Seven Apparel Organizations in Sri Lanka. The objective of study is to analyze the relationship between Work Life Balance (WLB) and Employees Performance. This study involved 96 employees who were selected from seven apparel firms in Sri Lanka. The research revealed there is a positive relationship between work life balance and employee performance.

V. Objectives

a) General Objective

The primary objective of the study is to examine the level of work life balance of working women in government schools and divisional secretariat in Nintavur.

b) Specific Objectives

- To study the work-life balance of working women based on the demographic variable namely type of position of respondents.
- To study the work-life balance of working women based on the demographic variable namely Age limit of respondents.
- To study the work-life balance of working women based on the demographic variable namely job of spouse of respondents.
- To study the work-life balance of working women based on the demographic variable namely service period of respondents.
- To study the work-life balance of working women based on the demographic variable namely number of children of respondents.

VI. Hypothesis of the Study

This research is based on the following two hypothesis that identifies the significant level of work life balance of working women in government schools and divisional secretariat in Nintavur.

Hypothesis-01

$H1_0$: The working women of government schools and divisional secretariat in Nintavur do not have work life balance.

$H1_a$: The working women of government schools and divisional secretariat in Nintavur do have work life balance.

Hypothesis-02

$H2_0$: There is no significant difference between the work life balances of working women based on demographic variables.

$H2_a$: There is significant difference between the work life balances of working women based on demographic variables.

VII. Research Methodology

a) Description of Sample

The study was conducted among the married working women in government schools and divisional secretariat in Nintavur. 100 married working women were selected as the sample population using random sampling method. 50 women from government schools and 50 women from divisional secretariat in Nintavur were chosen for this study. 50 women from government schools were the teachers and 50 women from divisional secretariat were public service officer, economic development officer, samurdhi development officer and development officer.

b) Description of the tool used

Table -1 shows the major tool of data collection of this study which was the modified questionnaire of Hayman (2005). It consists of 15 statements about work-life balance. Researcher has modified the questionnaire of Hayman (2005) according to the presents study setting. Five statements were on the demographic details of the respondents namely Age limit, number of children, job of spouse, service period, and type of position of respondent. The responses for each question were provided scores ranging from 1-5 (1-Strongly disagree, 2- disagree, 3-Neutral, 4- Agree, 5-Strongly agree).

Statements		5	4	3	2	1
01.	My personal life does not suffer because of work					
02.	My job does not make my personal life difficult					
03.	I do not neglect personal needs because of work					
04.	I do not put personal life on hold for work					
05.	I do not miss personal activities because of work					
06.	I do not struggle to juggle work and non-work					
07.	I am happy with the amount of time for non-work activities					
08.	My personal life does not drains me of energy for work					
09.	I am not too tired to be effective at work					
10.	My work does not suffer because of my personal life					
11.	It is not hard to work because of personal matters					
12.	My personal life gives me energy for my job					
13.	My job gives me energy to pursue personal activities					
14.	I have better mood at work because of personal life					
15.	I have better mood because of my job					

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c) Data Collection

The questionnaire was distributed to the married working women of government schools and divisional secretariat in Nintavur. A total of 100 questionnaires were distributed and 100 completely filled questionnaires were collected giving an overall response rate of 100 percent.

d) Scope

The scope of the study was limited to the married working women of Nintavur from the government schools and divisional secretariat.

VIII. Analysis and Interpretation

As soon as the collection of data was completed through questionnaire survey, each questionnaire was carefully scrutinized and confirmed that all the questionnaires received back had been filled properly. All returned questionnaires were transferred to worksheets by assigning with scores. In coding data, response categories of the Likert Scale provided in the questionnaire were organized in the following way:

Table 1: Scores for Response Categories (Variables Measured on Interval Scales)

Response Category	Very High Extent	High Extent	Moderate Extent	Low Extent	Very Low Extent
Scores	5	4	3	2	1

After assigned these numerical values to each question they were transferred to worksheets. Then they were checked for accuracy and fed to the computer for performing statistical analysis with Statistical Package for Social Science (SPSS) version 19.

a) Reliability Analysis

To test the reliability of the questionnaire, the interim consistency reliability was used. In this study, the Cronbach's coefficient alpha was .995 which indicates that the reliability was assured.

b) Personal Information

i *Distribution of respondents based on Type of Position of respondents*

100 respondents of this study have been described in table -2 below. Based on the analysis carried out among 100 respondents, 10% of respondents are Development Officer at Divisional Secretariat, 22% of respondents are Economic Development Officer at Divisional Secretariat, 3% of respondents are Public Service Officer at Divisional Secretariat, 15% of respondents are Samurdhi Development Officer at Divisional Secretariat and 50% of respondents are Teachers at School.

Table 2: Distribution of School Teachers and employees of Divisional Secretariat in the Sample based on Type of Position of respondents

Type of Position	Frequency	Percentage
Development Officer at Divisional Secretariat	10	10
Economic Development Officer at Divisional Secretariat	22	22
Public Service Officer at Divisional Secretariat	3	3
Samurdhi Development Officer at Divisional Secretariat	15	15
Teachers at School	50	50
Total	100	100%

ii *Distribution of respondents based on Age limit of Respondents*

100 respondents of this study have been described in table- 3 below. Based on the analysis carried out among 100 respondents, 5% of respondents are below 30 years old, 50% of respondents are 30-40 years old and 45% of respondents are above 40 years old.

Table 3: Distribution of School Teachers and employees of Divisional Secretariat in the Sample based on Age limit of Respondents

Age Limit	Frequency	Percentage
Below 30 years old	5	5.0
30-40 years old	50	50.0
Above 40 years old	45	45.0
Total	100	100%

iii *Distribution of respondents based on Job of Spouse of Respondents*

100 respondents of this study have been described in table- 4 below. Based on the analysis carried out among 100 respondents, 6% of spouses of respondents are occupied in business, 55% of spouses of respondents are occupied in government job, 14% of spouses of respondents are occupied in non government job and 25% of spouses of respondents are occupied in others.

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Table 4: Distribution of School Teachers and employees of Divisional Secretariat in the Sample based on Job of Spouse of Respondents

Job of Spouse	Frequency	Percentage
Business	6	6
Government	55	55
Non government	14	14
Other	25	25
Total	100	100%

iv *Distribution of respondents based on Service Period of Respondents*

100 respondents of this study have been described in table- 5 below. Based on the analysis carried out among 100 respondents, 46% of respondents have 5-10 years service experience and 54% of respondents have above 10 years service period.

Table 5: Distribution of School Teachers and employees of Divisional Secretariat in the Sample based on Service Period of Respondents

Service Period	Frequency	Percentage
5-10 years	46	46
Above 10 years	54	54
Total	100	100%

v *Distribution of respondents based on number of children*

100 respondents of this study have been described in table -6 below. Based on the analysis carried out among 100 respondents, 4% of respondents have no children, 16% of respondents have one child, 50% of respondents have two children and 30% of respondents have three or more children.

Table 6: Distribution of School Teachers and employees of Divisional Secretariat in the Sample based on number of children

Number of Children	Frequency	Percentage
None	4	4
One child	16	16
Two children	50	50
Three or above three children	30	30
Total	100	100%

c) *Mean and Standard Deviation*

In this analysis, the level of existence or degree of occurrence or level of each variable in the sample was analyzed in terms of degree of responses given by the respondents with the help of descriptive statistics. The researcher used the Mean and Standard deviation as the measures of this analysis. The mean and standard deviation of responses (based on agreement of respondents) for each statement in the checklist are tabulated as below.

Table 7: Mean and Standard Deviation

Sr. No.	Statements	N	Mean	S.D
Q1	My personal life does not suffer because of work	100	2.95	1.50
Q2	My job does not make my personal life difficult	100	2.93	1.58
Q3	I do not neglect personal needs because of work	100	3.00	1.44
Q4	I do not put personal life on hold for work	100	3.01	1.480
Q5	I do not miss personal activities because of work	100	2.89	1.50
Q6	I do not struggle to juggle work and non-work	100	2.85	1.58
Q7	I am happy with the amount of time for non-work activities	100	2.89	1.54
Q8	My personal life does not drains me of energy for work	100	2.92	1.59
Q9	I am not too tired to be effective at work	100	2.90	1.57
Q10	My work does not suffer because of my personal life	100	2.91	1.50
Q11	It is not hard to work because of personal matters	100	2.91	1.52
Q12	My personal life gives me energy for my job	100	2.94	1.55
Q13	My job gives me energy to pursue personal activities	100	2.96	1.49
Q14	I have better mood at work because of personal life	100	2.95	1.52
Q15	I have better mood because of my job	100	2.98	1.47
Work life balance		100	2.93	1.46

According to the above table- 7, the statement "My personal life does not suffer because of work" (Q1) is found to have the mean score of 2.95. This value falls under the lowest level of the above continuum (Table 1). The statement "My job does not make my personal life difficult" (Q2) is found to have the mean score of 2.93. This value falls under the lowest level in continuum. The statement "I do not neglect personal needs because of work" (Q3) is found to have the mean score of 3.00. This value falls under the moderate level in continuum. The statement "I do not put personal life on hold for work" (Q4) is found to have the mean score of 3.01. This value falls under the moderate level in continuum. The statement "I do not miss personal activities because of

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work" (Q5) is found to have the mean score of 2.89. This value falls under the lowest level in continuum. The statement "I do not struggle to juggle work and non-work" (Q6) is found to have the mean score of 2.85. This value falls under the lowest level in continuum. The statement "I am happy with the amount of time for non-work activities" (Q7) is found to have the mean score of 2.89. This value falls under the lowest level in continuum. The statement "My personal life does not drain me of energy for work" (Q8) is found to have the mean score of 2.92. This value falls under the lowest level in continuum. The statement "I am not too tired to be effective at work" (Q9) is found to have the mean score of 2.90. This value falls under the lowest level in continuum. The statement "My work does not suffer because of my personal life" (Q10) is found to have the mean score of 2.91. This value falls under the lowest level in continuum. The statement "It is not hard to work because of personal matters" (Q11) is found to have the mean score of 2.91. This value falls under the lowest level in continuum. The statement "My personal life gives me energy for my job" (Q12) is found to have the mean score of 2.94. This value falls under the lowest level in continuum. The statement "My job gives me energy to pursue personal activities" (Q13) is found to have the mean score of 2.96. This value falls under the lowest level in continuum. The statement "I have better mood at work because of personal life" (Q14) is found to have the mean score of 2.95. This value falls under the lowest level in continuum. The statement "I have better mood because of my job" (Q15) is found to have the mean score of 2.98. This value falls under the lowest level in continuum.

To gauge work life balance, fifteen questions were used. Based on the responses of 100 respondents, two questions (Q3 and Q4) recorded mean score under the moderate level and others have fallen under lower level.

The overall mean score for work life balance is 2.93. It's meant that respondents have lower level work life balance. Therefore, it can be concluded that the teachers at the government school and employees in the divisional secretariat have lower level of work life balance. By considering the standard deviation of 1.46, it can be concluded that the mean score may be increased to high level (2.93+1.46= 4 .39) as well as may be decreased to very low level (2.93-1.46= 1.47).

d) Comparison of Means Scores

Table-8 represents the comparison of means scores based on the demographic variable.

Table 8

Demographic Variable	Sub Categories of Demographic Variable	Mean Score
Type of Position	Development officer at divisional secretariat	1.64
	Economic development officer at divisional secretariat	1.62
	Public service officer at divisional secretariat	2.56
	Samurdhi development officer at divisional secretariat	4.35
	Teachers at school	3.37
Age	Below 30 years old	1.48
	30-40 years old	1.65
	Above 40 years old	4.51
Job of Spouse	Business	3.82
	Government	2.76
	Non government	2.289
	Other	3.43
Service period	5-10 years	1.73
	Above 10 years	3.96
Number of Children	None	4.05
	One child	2.96
	Two children	2.54
	Three or above three children	3.42

From the table- 8, it can be concluded that Samurdhi Development Officer at Divisional Secretariat have the highest mean score of 4.35 by comparing the demographic variable " Type of position". It can be concluded that Samurdhi Development Officers have high level of work life balance and teachers have moderate level work life balance while other category have low level.

The respondents who are above 40 years old have the highest mean score of 4.51 by comparing the demographic variable "Age limit". It can be concluded that the respondents who are above 40 years old have the high level of work life balance while others have low level.

The respondents whose spouses are occupied in business and other category have the highest mean

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score of 3.82 and 3.43 respectively by comparing the demographic variable "job of spouse". It can be concluded that the respondents whose spouses are occupied in business and other category have moderate level of work life balance while other category have low level work life balance.

The respondents who have service experience above 10 years have the highest mean score of 3.96 by comparing the demographic variable "service period". It can be concluded that the respondents who have service experience above 10 years have moderate level of work life balance while others have low level of work life balance.

The respondents who have no children have the highest mean score of 4.05 by comparing the demographic variable "number of children". It can be concluded that the respondents who have no children have high level of work life balance and respondents who have three children or above have moderate level work life balance while others have low level.

IX. Conclusion

This study aimed to measure the level work life balance of working women and measure whether the work life balance of working women is varying based on the demographic variable such as type of position, age limit, job of spouse, service period and number of children. The level of work life balance of working women in Nintavur was low level.

Further, this study proof that there are significant differences in the level of work life balance based on the demographic variables. Based on the type of position, Samurdhi Development Officers have high level of work life balance and teachers have moderate level work life balance while other category have low level. Based on the age limit, the respondents who are above 40 years old have the high level of work life balance while others have low level. Based on the job of spouse, the respondents whose spouses are occupied in business and other category have moderate level of work life balance while other category have low level work life balance. Based on the service experience, the respondents who have service experience above 10 years have moderate level of work life balance while others have low level of work life balance. Based on the number of children, the respondents who have no children have high level of work life balance and respondents who have three children or above have moderate level work life balance while others have low level.

This study has two hypotheses where $H1_0$ of Hypothesis -1 (The working women of government schools and divisional secretariat in Nintavur do not have work life balance) was accepted. And also, $H2_a$ of Hypothesis -2 (There is significant difference between the work life balances of working women based on demographic variables) was accepted.

The programs and measure should be taken in order to improve the work life balance of working women since there are evidence in the literature review which show the negative effects such as stress, decrease in performances, physical disorders, and heart disease due to the imbalance of work and life.

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One should start brainstorming lists of potential keywords before even beginning searching. Think about the most important concepts related to research work. Ask, “What words would a source have to include to be truly valuable in a research paper?” Then consider synonyms for the important words.

It may take the discovery of only one important paper to steer in the right keyword direction because, in most databases, the keywords under which a research paper is abstracted are listed with the paper.

Numerical Methods

Numerical methods used should be transparent and, where appropriate, supported by references.

Abbreviations

Authors must list all the abbreviations used in the paper at the end of the paper or in a separate table before using them.

Formulas and equations

Authors are advised to submit any mathematical equation using either MathJax, KaTeX, or LaTeX, or in a very high-quality image.

Tables, Figures, and Figure Legends

Tables: Tables should be cautiously designed, uncrowned, and include only essential data. Each must have an Arabic number, e.g., Table 4, a self-explanatory caption, and be on a separate sheet. Authors must submit tables in an editable format and not as images. References to these tables (if any) must be mentioned accurately.

Figures

Figures are supposed to be submitted as separate files. Always include a citation in the text for each figure using Arabic numbers, e.g., Fig. 4. Artwork must be submitted online in vector electronic form or by emailing it.

Preparation of Eletronic Figures for Publication

Although low-quality images are sufficient for review purposes, print publication requires high-quality images to prevent the final product being blurred or fuzzy. Submit (possibly by e-mail) EPS (line art) or TIFF (halftone/ photographs) files only. MS PowerPoint and Word Graphics are unsuitable for printed pictures. Avoid using pixel-oriented software. Scans (TIFF only) should have a resolution of at least 350 dpi (halftone) or 700 to 1100 dpi (line drawings). Please give the data for figures in black and white or submit a Color Work Agreement form. EPS files must be saved with fonts embedded (and with a TIFF preview, if possible).

For scanned images, the scanning resolution at final image size ought to be as follows to ensure good reproduction: line art: >650 dpi; halftones (including gel photographs): >350 dpi; figures containing both halftone and line images: >650 dpi.

Color charges: Authors are advised to pay the full cost for the reproduction of their color artwork. Hence, please note that if there is color artwork in your manuscript when it is accepted for publication, we would require you to complete and return a Color Work Agreement form before your paper can be published. Also, you can email your editor to remove the color fee after acceptance of the paper.

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

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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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