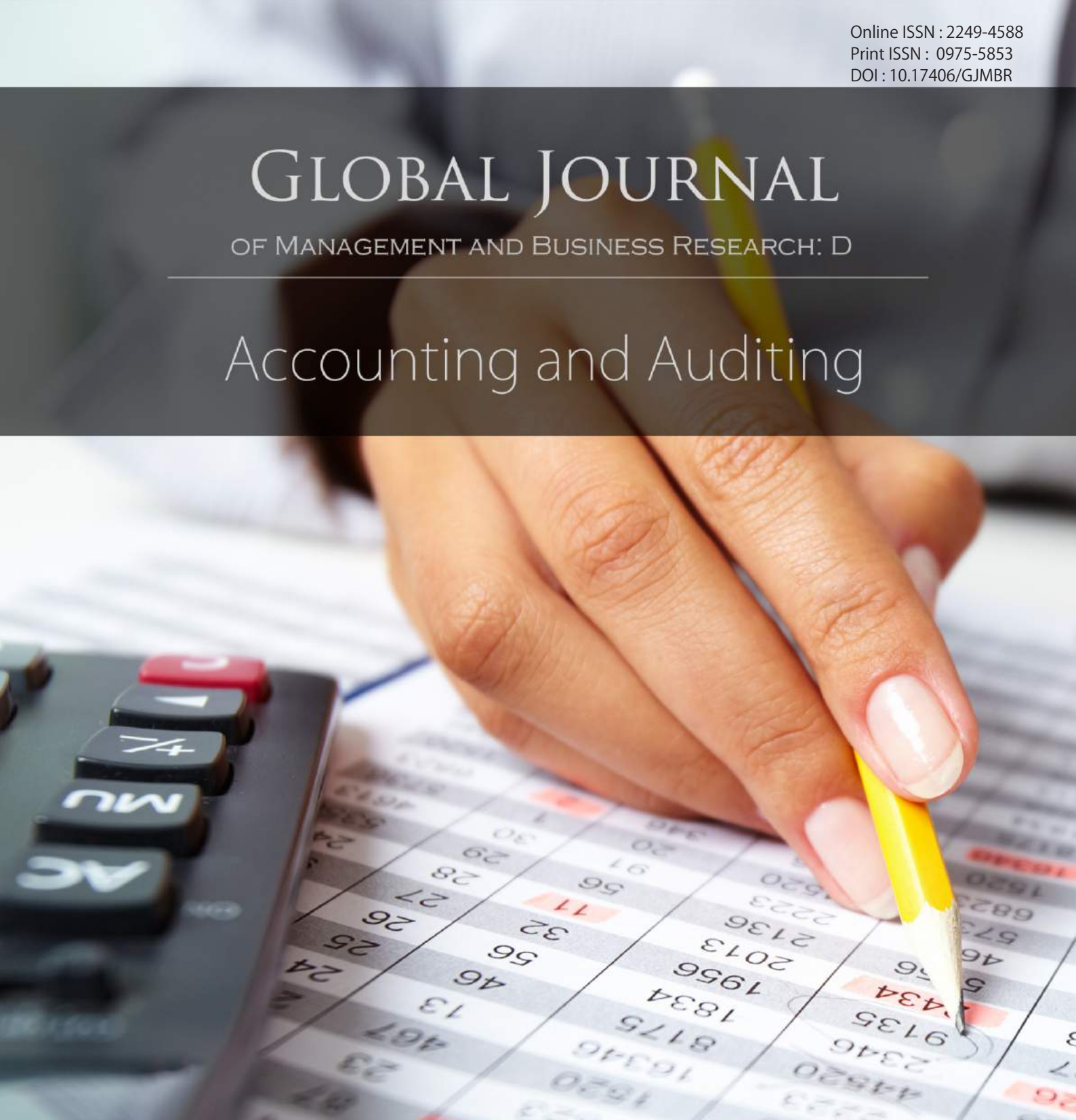
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Accounting and Auditing



Highlights

A Study on Textile Industry

Transformation of Property Taxes

Competitors of Stock Market

Contribution & Production Capacity

Discovering Thoughts, Inventing Future

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Transformation of Property Taxes in the Conditions of Digitalization of Russia

By Fatima S. Aguzarova
North Ossetian State University

Abstract- *Introduction, Purpose:* The subject of the research is the study of the current state of property taxes in the conditions of digitalization. Property taxes in the tax system of the Russian Federation are insignificant. There is an urgent need to increase their role in the budgets of the subjects. The author proposes to implement this task by using advanced digital technologies. The main objective of the study was to identify how to change property taxes using electronic products.

Results: The use of digital software products in the system of property taxation will help to identify unaccounted-for property items, to reduce the costs of tax administration and control, to accelerate the process of tax production, to simplify the procedure of calculation and payment of property taxes, calculate large analytical data automatically. The main advantage of using digital technologies is high speed, convenience and comfort.

Conclusion: The introduction and use of digital products in the system of property taxation will increase the productivity of inspectors (business entities). There is a huge difference in time when comparing the work manually and automatically, reduced routine operations by fast data processing, spent much less time in the process of performing tasks of specialists and payers, faster processed any information.

Keywords: *property taxes; digital technologies, electronic products, software, budget of the subject.*

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Conclusion: **The introduction and use of digital products in the system of property taxation will increase the productivity of inspectors (business entities). There is a huge difference in time when comparing the work manually and automatically, reduced routine operations by fast data processing, spent much less time in the process of performing tasks of specialists and payers, faster processed any information. Today, digitalization in property taxation has become not only an urgent need, but also a necessary condition for implementation.**

Keywords: property taxes; digital technologies, electronic products, software, budget of the subject.

I. Introduction

The role of property taxes in the Russian tax system is insignificant. In order to increase the importance of these taxes, there is an urgent need for their modernization. It is quite reasonable on the basis of an in-depth analysis of the current state of property taxes, to identify existing problems in the practice of application and offer effective solutions using digital products.

Today, digital technologies are becoming more widespread in the world. The nature of work under the influence of innovative processes is changing. Traditional ways of economic activity are replaced by new products that accelerate the implementation of the assigned tasks.

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In this study, we consider how digital products will affect the collection of property taxes.

II. Method

Various economic methods were used in the study. Thus, on the basis of the observation method, the main software products of the tax authorities in the calculation of property taxes are determined. Using the system-functional method, the method of synthesis and analysis, the proportion of property taxes in the structure of tax revenues, as the budgets of the budget system of the Russian Federation in General, and the budgets of subjects in particular is calculated. When using the method of scientific abstraction, the author makes relevant conclusions to improve the situation in the field of the problem.

Property taxes are a source of income for the formation of budgets of subjects and local budgets of the Russian Federation. Analyzing the analytical data, we note that the share of these taxes is small in the structure of tax revenues of the budget system of the Russian Federation and is about 6.0-8.0% in different periods. In turn, in the budgets of the budget system of subjects of the Russian Federation, the same indicator varies from 14.0-15.5%, respectively. (Table 1).

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III. Results

Table 1: Analysis of the dynamics and share of property taxes in the structure of tax revenues of the budget system of the Russian Federation for 2015-2017

Name indicator's	The budgets of the BS of the RF, billion rubles.	specific weight, %	The budgets of the BS of the RF, billion rubles.	specific weight, %	The budgets of the BS of the RF, billion rubles.	specific weight, %
TOTAL IN RUSSIA						
Tax yield among them:	15497,7	100,0	16291,5	100,0	19250,3	100,0
The tax on property of physical persons	30,3	0,3	36,1	0,2	52,2	0,3
Corporate property tax	712,6	4,6	764,7	4,7	856,3	4,4
Transport tax	140,0	0,9	139,1	0,9	154,9	0,8
Gambling tax	0,6	0,004	0,8	0,005	1,0	0,005
Land tax	185,1	1,2	176,4	1,1	186,0	1,0
Subtotal Property taxes	1068,6	7,004	1117,1	6,905	1250,4	6,505
BUDGETS OF THE BUDGET SYSTEM OF THE SUBJECTS OF THE RUSSIAN FEDERATION						
Tax yield among them:	6924,1	100,0	7573,09	100,0	8204,2	100,0
The tax on property of physical persons	30,3	0,4	36,1	0,5	52,2	0,6
Corporate property tax	712,6	10,3	764,7	10,1	856,3	10,4
Transport tax	140,0	2,02	139,1	1,8	154,9	1,9
Gambling tax	0,6	0,009	0,8	0,01	1,0	0,01
Land tax	185,1	2,7	176,4	2,3	186,0	2,3
Subtotal Property taxes	1068,6	15,429	1117,1	14,71	1250,4	15,21

Sources: reporting data on the implementation of the consolidated budget of the Russian Federation for 2015-2017 (www.roskazna.ru.), authors ' calculations. [5].

On the basis of the study of theoretical and practical material, the situations preventing the increase of the role of the studied taxes are established. Among them: there are still unaccounted property objects that are not registered; insufficiently strict control measures of tax authorities, leaving the opportunity to hide property objects and not to pay taxes; lack of a complete and reliable information resource on property objects; ineffective interaction of tax authorities with other state bodies.

The introduction of new innovative (digital) products will improve the collection of property taxes in all regions of the country, as well as eliminate the specified circumstances that prevent the increase of their role in the structure of tax revenues of the budgets of the subjects of the Russian Federation.

Property tax payers are provided with a wide range of remote digital technologies: They can pay tax payments through the most popular digital resources - a line of personal accounts for all categories of taxpayers. These include: personal account of the taxpayer for individuals; personal account of the taxpayer of a legal entity; pay taxes; fill out a payment order; calculator of transport tax of an individual; calculator of land tax and property tax of individuals will Give them a brief description.

Personal account of the taxpayer for individuals: This service allows you to get up-to-date information about the debt on property taxes (transport tax, land tax, property tax of individuals) to the budget, the amounts of accrued and actually paid property taxes, property and possession. Also, the service allows you to monitor the status of calculations with the budget, receive and print tax notifications and receipts for payment of property taxes, make payment, fill in the tax Declaration 3-pit online, send the Declaration 3-pit to the tax authority, signed by the electronic seal of the payer of property tax, monitor the status of the Desk audit of the Declaration 3-pit, contact the tax authorities without a personal visit;

A personal account of the payer a legal entity: [1] This service allows you to receive relevant information on the arrears of property taxes (the transport tax, property tax, gambling tax, land tax) to the budget, the amounts accrued and the actual amount of property tax payments, the presence of overpayments, outstanding property payments; to monitor the status of settlements with the budget; compile and send to tax authorities of

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an application for clarification of property payment, the application for credit or refund of overpayment of property taxes; receive certificates on the status of settlements with the budget, on the performance of duties on payment of property taxes, reconciliation acts;

Pay your taxes: This service allows all categories of property tax payers to form payment documents and make payments online through one of the partner banks of the Federal tax service of Russia;

Fill in the payment order: This service allows you to prepare payment documents for the transfer of property taxes to the budget system of the Russian Federation in electronic form. Provided for all categories of payers;

Vehicle tax calculator individuals: The service allows citizens to calculate the amount of transport tax. Calculation of transport tax with the help of this service is for informational purposes only. Since this tax relates to taxes calculated by the tax Inspectorate, the Federal tax service recommends paying the transport tax after receiving the tax notification. Tax notification is sent not later than 30 days before the due date.

Calculator of land tax and property tax of individuals: The service allows you to calculate the amount of land tax and property tax of individuals. The Federal tax service of Russia notes that the calculation of the property tax of individuals and land tax is carried out in respect of each object of immovable property owned by a person on the right of ownership (land tax, also owned by a person on the right of lifetime inheritable possession or on the right of permanent (perpetual) use).

IV. Discussion

The digital products we have considered will certainly transform the system of property tax payment. It should be noted that the introduction of new versions of digital systems for monitoring the payment of taxes on the basis of large analytical data will annually increase property payments. First of all, this is due to the monitoring of their payment online through digitalization. The use of digital resources is convenient to use in the process of working with massive data, in cooperation with customers and other government agencies. Such innovative approaches in practice open up completely new opportunities and competencies.

The use of digital software products in the system of property taxation will help to identify unaccounted property objects, reduce the cost of tax administration and control, as well as speed up the process of tax production, simplify the procedure of calculating and paying property taxes. [2] Moreover, with the help of digital resources it is possible to calculate large analytical data automatically.

The main advantage of the use of digital technologies is the high speed of work, as well as convenience and comfort for all participants in tax relations. It is important to note that there is now some practice of using digital products. Digital user experience plays an important role in the work of modern economic entities and government agencies. Not only the system of payment of property taxes is modified, but also the nature and structure of the activities of tax authorities in providing payers with a full digital service. In our opinion, it is reasonable to develop a digital transformation plan for the tax authorities in the future.

Digital technologies are a multi-level form of organizational management of the Federal tax service of Russia on the basis of new means and methods of data processing. The transformation of the tax authorities ' activities in the context of digitalization requires new approaches to the organization of activities in terms of the system of motivation of tax authorities and increasing the automation of their work.

Meanwhile, in our opinion, it is advisable to improve the quality of existing digital resources and software. In the work of the tax authorities often occur various kinds of failures and unusual situations. For example, software failures may occur. It is reasonable to find ways and methods that would take into account non-standard cases. It is necessary to take into account the human factor in possible errors, without ignoring it. Since, a person, as a specialist in programming, can troubleshoot software, and a specialist in taxation can do the job without the use of digital technology, manually.

Moreover, separate software resources require systematic updates, due to the fact that the tax law is amended annually. In the course of the activities of the tax services, there are outdated provisions in the program itself that do not meet modern realities. It should be noted that today special units and services have been created, the employees of which are obliged to update digital resources (programs) in time. In fact, it turns out that electronic products are not updated in a timely manner and the software or its individual teams do not meet modern requirements. This is contrary to the correct order of collection of tax payments, and, as a result, it delays the timing of the work to clarify the circumstances. [3] Such situations only have a negative impact on the work of the tax authorities, delaying the fact of payment of property taxes in a timely manner.

An important problem is the material and technical support of the tax authorities. In this case, we are talking about the fact that the speed of the hard disk, RAM and other important characteristics of personal computers do not leave the opportunity to develop, strengthen the system data of office equipment. On the one hand, there is a progressive trend of automation and computerization in the tax authorities, but they do not always withstand the load carried out for various reasons (low speed hard disk, insufficient memory, etc.). Material and technical equipment should correspond to

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the work of tax authorities with big data. There is insufficient investment in new digital (electronic) technologies, despite the fact that tax reporting is increasingly based on advanced digital technologies. Personal computers must have the necessary set of characteristics and meet certain parameters, technical requirements for the solution of functional financial tasks of the service. Without adequate computer equipment it is difficult to create conditions for high-quality and effective work of tax authorities in terms of tax administration and control over the correctness, timeliness of calculation of property taxes and completeness of their revenues. Certainly, the active implementation of the process of digitalization in the work of the tax authorities leads to the rapid entry of information into the database, high-quality processing and storage of data for use in the future during the tax audit. It is important to save time and quickly obtain the necessary data.

For the full implementation of digital (electronic) technologies, risk assessment tools related to the use, including foreign products, should be created and the composition of measures for their leveling and minimization should be defined.

In the context of digitalization, first of all, it is necessary to determine the terminology for solving tax problems. Therefore, some provisions of the Russian legislation should be revised and edited.

Such essential factors as big data and automation of processes transform the usual models of development. [4] The System of property taxation is also subject to these trends. Complex, often multidirectional, factors affecting taxation prevent tax authorities from taking full advantage of modern technologies. The report provides a comprehensive analysis of the digital opportunities: from tax purposes to specific tax administration tools.

Thus, the development of the digital economy regarding property taxation will reduce the cost of services by eliminating paper and the introduction of electronic services. However, digitization should be phased to citizens and organizations and competent bodies have adapted to the innovations, and learned to work with robotics.

It is important to take into account that in order to introduce the digital economy into Russian practice it is reasonable to radically change the legislation. We need personnel trained and adapted to the new regulation. It is necessary to adopt new rules of property taxation, which would correspond to the modern world economy.

Digital products provide completely new opportunities for the implementation of both the analysis of the activities of tax authorities and increase the efficiency of their work, and for interaction with all participants of the tax process. New advanced technologies facilitate statistical and analytical processing of property taxes, making it transparent, accessible, and also allow legalizing the "shadow" sector of the economy. In addition, they create comfortable conditions for all participants of the tax process, while reducing the time and cost of control measures.

The introduction and use of digital products, in the first place, will increase productivity and the level of automation of technological processes of inspections. There is a huge difference in time when comparing the work manually and automatically, reduced routine operations by fast data processing, spent much less time in the process of performing tasks of specialists and payers, faster processed any information.

With the help of digital products, an effective relationship is formed between all structural units of tax services and other state bodies through digital (electronic) resources, that is, any necessary information can be transferred to the Inspectorate immediately.

At the same time, property taxation in the digital economy should be improved, taking into account existing experience and identifying problems.

Effective functioning of the Russian current tax system is possible only with the use in practice of advanced information technologies based on modern computer technology. Today, digitalization in property taxation has become not only an urgent need, but also a necessary condition for implementation.

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How to Understand Earnings Management Across Identification of Discretionary Accounting and Financial Variables: The Case of Tunisian Companies

By Dr. Kamel Fekiri
University of Tunis

Abstract- This research work is part of the investigation of the determinants that taint the quality of accounting information disclosed on the Tunisian financial center and the incentives that enact Accounting policies conducted by managers and which are related to financial failure. To better understand this dilemma (manipulation of accounting data - financial failure) we have adopted an econometric approach allowing us to distinguish the discretionary accruals characterizing companies with high financial profitability from those specific to companies with low financial profitability and this, based on the postulate of the positive theory of accounting which considers that managers of companies experiencing difficulties make accounting choices to artificially embellish the published net result.

Keywords: *earnings management - discretionary accruals - financial failure.*

GJMBR-D Classification: *JEL Code: H20*



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Keywords: earnings management - discretionary accruals - financial failure.

I. Introduction

Based on the postulate of the positive theory (Watts and Zimmermann, 1986-1990), which considers that the directors of financially distressed companies, exploit the accounting information in their interests, we adopted an econometric approach to detect accounting manipulations by the income management method and by estimating, under ordinary least squares, the Modified Generalized Jones model, it was possible to confirm the existence of discretionary accounting manipulations in the accounting results published by the companies forming the sample studied throughout listing from 1999 - 2014, on the Tunis Stock Exchange. The analysis of the significance and relevance of the model used allowed us to validate empirically this hypothesis concerning the management of the result. Other significant returns relating to the residual of the estimate were revealed by the regression that was conducted on the econometric model used. Indeed, the terms of the residual of the estimate, which summarize all the discretionary accruals or all the other exogenous variables not taken into account in the modeling, do indeed satisfy the stochastic and structural assumptions (relating to the bias and the convergence), in other words, these terms are governed by a normal centered, reduced law, and therefore, the sample studied perfectly induces the characteristics of the population it represents in terms of mean and variance. What led us in this article to push the analysis of the residual by distinguishing the companies that handle discretionary accruals upward from those that manage it downward, this approach is interesting, in the sense that it allowed us to divide the sample into two groups and to reveal the characteristics of the defensive strategy through exogenous explanatory variables of the adjustments of the accounting items of total regularization (total accruals). This process allowed us to verify the correlation between financial failure and the upward management of the result (defensive strategy).

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II. Research Approach

For the specification of the characteristics of the discretionary adjustments by the econometric Model

$$\frac{AVCRT_{it}}{TA_{it-1}} = \lambda_0 + \lambda_1\left(\frac{Var_{t-1}^{t}CA_i - Var_{t-1}^{t}Cr_i}{TA_{it-1}}\right) + \lambda_2\left(\frac{IMMO_{it}}{TA_{it-1}}\right) + \lambda_3\left(\frac{\Delta FMO_{it-1}}{TA_{it-1}}\right) + \varepsilon_{it} \qquad (1),$$

our approach must take into account the constraint relating to the unavailability of information (lack of database relating to companies in financial difficulty) at the level of the TMB or the CMF concerning companies that have not complied with the NPCGA (managing their results outside the limits of generally accepted accounting principles and standards). Indeed, the provision by the directors of discretionary accounting and financial information would make it possible to identify difficulties and thus to resort to an informal reorganization. This is why one of the privileged fields of research on the accounting/business failure interface is that of prediction models of financial failure vs. fraud through the accounting and financial variables characterizing the incentives to the management of the result. In this respect, the predictions of the positive theory (Dechow, Kothari, Watts, 1998) announce that executives of companies experiencing difficulties make

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accounting choices to improve the result by carrying out discretionary accounting manipulations that tend to artificially increase the published net result. To highlight this assumption of the positive theory of accounting at the Tunisian context level, we have borrowed an approach that focused on a selection of a sample of 18 companies for a listing at the BVMT over the period 1999 - 2014. This choice is thus set to have two subsamples of the same overall size and size at the level of the selected activity sectors (industry, trade, and service delivery - Table 1). This led us to dismiss the E21 company from the global sample as it is the only one in its sector that of air transport.

III. Discussion - Interpretations and Results

The relative variation (see Table 6) of the exogenous variation in cash flow generated by the operation is on the average negative of -0.30% for the group that managed its earnings upwards (+4 % on average of discretionary accruals) versus a positive variation of 1.94% in the other group (-4% on average of discretionary accruals). This failure was found again at the level of the performance indicator variable, namely that of the change in turnover adjusted for any abnormal increase at the level of the receivables item, where there was a clear difference (7.73% for the sample F versus 8.76% in sample C). This finding is corroborated by research work such as that conducted by Kothari, Leone, and Wasley, (2001) or Dechow, (2011). Finally, in this chapter we managed to make an important step in the exploratory study of the financial statement fraud's phenomenon by specifying the determining variables of the companies' financial failure that manages the result upwards and identifies at the same time the two samples (F and C). This approach can be used to perform a logistic regression of a fraud prediction model at the level of a new econometric Fraud Detection process research perspective at published financial statement levels.

The model (see Table 2) is relevant in its entirety, even though the observations concerning company E21 have been removed. Indeed, the adjusted R2 has improved (76.2568% instead of 75.9369%), and the coefficients of the regression are very significant at the 1% threshold, therefore, the exogenous variables are relevant.

The residual of the estimate corresponds to the discretionary accruals thus to all the other exogenous variables not taken into account in the modeling. As shown in Figure 3 - 4, the residual of the estimate is highly dispersed between both positive and negative directions, so it is important to distinguish the two meanings of variation of the residual to identify the firms that manage discreetly their results upward (financially failing companies) of those who manage their results downwards (companies not financially failing). This approach is interesting insofar as it makes it possible to better understand the accounting and financial variables characteristic of the home of discretionary accruals. The generation of the two directions of variation is carried out by E Views software 9 as indicated in the table (3) with identification of the companies according to these meanings of variation of the average of the discretionary accruals (residuals of the estimate of the model (1).

Table 1: Characteristics of the Sample (19 companies observed over the period 1999 - 2014)

Sample	Firm Ei	Activity sector		Distribution by sector of activity	
	COMPANY CODE	DETAIL OF THE SECTOR	% IN THE SECTOR	SECTOR	% IN RELATION TO ALL SECTORS
Industrial	E1	CHEMICAL INDUSTRY	10.00%	I	5.26%
	E2	CHEMICAL INDUSTRY	10.00%	I	5.26%
	E3	MECHANICAL INDUSTRY	10.00%	I	5.26%
	E4	CHEMICAL INDUSTRY	10.00%	I	5.26%
	E5	HOUSEHOLD INDUSTRY	10.00%	I	5.26%
	E8	ELECTRIC INDUSTRY	10.00%	I	5.26%
	E9	PHARMACEUTICAL INDUSTRY	10.00%	I	5.26%
	E10	GLASS INDUSTRY	10.00%	I	5.26%
	E13	PNEUMATIC INDUSTRY	10.00%	I	5.26%
	E14	MILK INDUSTRY	10.00%	I	5.26%
subtotal 1		**10**	**100%**	**10**	**52.63%**

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Commercial	E6	AGRO-FOOD TRADE	16.66%	C	5.26%
	E7	DISTRIBUTION TRADE	16.66%	C	5.26%
	E12	WHOLESALE	16.66%	C	5.26%
	E15	DISTRIBUTION TRADE	16.66%	C	5.26%
	E16	COMMERCE DE GROS	16.66%	C	5.26%
	E17	DISTRIBUTION TRADE	16.66%	C	5.26%
subtotal 2	**6**		**100%**	**6**	**31.59%**
Service provider	E18	TELECOMMUNICATION SERVICES	33.33%	S	5.26%
	E20	REAL ESTATE PROMOTION	33.33%	S	5.26%
	E21	AIR TRANSPORT	33.33%	S	5.26%
subtotal 3		**3**	**100%**	**S**	**15.78%**
Total		**19**	**100%**	**3**	**100,00%**

Table 2: Regression coefficients and model significance tests

Dependent Variable : $\frac{AVCRT_{it}}{TA_{it-1}}$

Method: Panel Least Squares

Sample: 1999 2014

Periods included: 16

Cross-sections included: 18

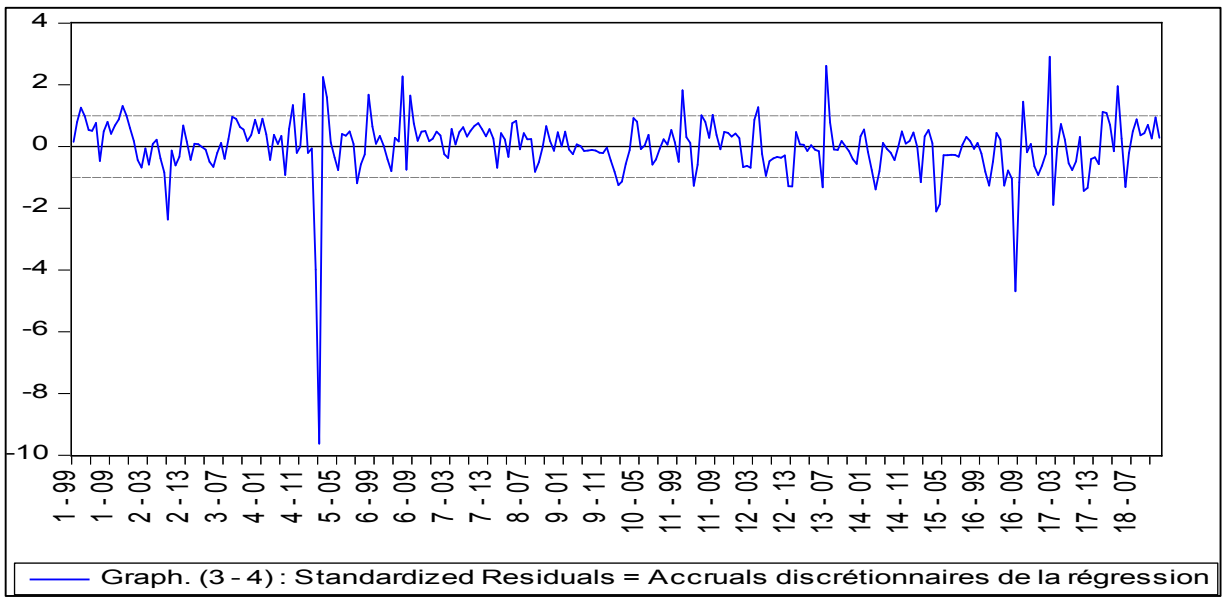
Total panel (balanced) observations: 288

$$\frac{AVCRT_{it}}{TA_{it-1}} = \lambda_0 + \lambda_1\left(\frac{Var_{t-1}^{t}CA_i - Var_{t-1}^{t}Cr_i}{TA_{it-1}}\right) + \lambda_2\left(\frac{IMMO_{it}}{TA_{it-1}}\right) + \lambda_3\left(\frac{\Delta FMO_{it-1}}{TA_{it-1}}\right) + \varepsilon_{it}$$

Variable	Coefficient	Std. Error	t-Statistic	Prob.
$\frac{Var_{t-1}^{t}CA_i - Var_{t-1}^{t}Cr_i}{TA_{it-1}}$	0.071039	0.027486	2.584562	0.0102
$\frac{IMMO_{it}}{TA_{it-1}}$	-0.144015	0.034789	-4.139696	0.0000
$\frac{\Delta FMO_{it-1}}{TA_{it-1}}$	-0.402415	0.013882	-28.98886	0.0000
Constante C	0.019451	0.017437	1.115548	0.2656

R-squared	0.765050	Mean dependent var	-0.048375
Adjusted R-squared	0.762568	S.D. dependent var	0.264849
S.E. of regression	0.129053	Akaike info criterion	-1.243399
Sum squared resid	4.729912	Schwarz criterion	-1.192525
Log likelihood	183.0495	Hannan-Quinn criter.	-1.223012
F-statistic	308.2557	Durbin-Watson stat	1.536564
Prob(F-statistic)	0.000000		

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Graph 3-4: Classification of firms in the sample according to the direction of variation of the residual

Following the econometric analysis carried out previously, which proved the effectiveness and relevance of the model tested (equation 1), to detect the management of the result, we were able to push its exploitation towards the distinction and the identification of the companies that manage the upward result (defensive strategy) of those who adopt a completely divergent strategy (offensive strategy). This procedure is justified in the work on the topic of accounting data management. Indeed, Kothari, Leone and Wasley (2001) were able to verify that firms manipulating their results take into account the past and current performance of their economic activities. In other words, profitable firms use discretionary increments (offensive strategy) differently than unprofitable businesses (defensive strategy). This finding, confirmed in the research work on results management (Dechow, 2010), was found in our empirical work. Indeed, the results (Tables 4, 5 and 6) of our study conducted on the sample of Tunisian companies listed in the BVMT, reveals that the companies that manage their results upwards (sample F) manipulate towards the increase in discretionary accruals up to (on average) + 4% of total assets delayed versus -4% for companies that manage their results downwards (sample C). Another revealing result of the characteristic of financial failure among the companies that manage the result upward, is that they display an average negative cash flow variation of about -0.30% of the total assets delayed against a positive variation of + 1.94% of total assets delayed among those who manage their results downward. This failure is also reflected in the variable change in turnover adjusted for any abnormal increase at the level of the receivables item (7.73% in the sample F versus 8.76% in the sample C).

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Table 3: Classification of firms in the sample according to the direction of variation of the residue of the estimate of equation (1)

Descriptive Statistics for RESID
Categorized by values of RESID and Firm_EiI
Sample: 1999 2014
Included observations: 288

Mean Quant.* Std. Dev.		Firm_Ei								
		E1	E10	E12	E13	E14	E15	E16	E17	E18
	[-1.5, -1)	NA	NA	NA	NA	NA	NA	NA	NA	NA
		NA	NA	NA	NA	NA	NA	NA	NA	NA
		NA	NA	NA	NA	NA	NA	NA	NA	NA
	[-1, -0.5)	NA	NA	NA	NA	NA	NA	NA	-0.604743	NA
		NA	NA	NA	NA	NA	NA	NA	-0.604743	NA
		NA	NA	NA	NA	NA	NA	NA	NA	NA
RESID	[-0.5, 0)	-0.060408	-0.067909	-0.079038	-0.081514	-0.043532	-0.062079	-0.095070	-0.102984	-0.093419
		-0.060408	-0.063265	-0.070156	-0.070792	-0.019374	-0.041107	-0.036388	-0.105518	-0.071920
		NA	0.059457	0.063499	0.047459	0.051926	0.060736	0.099528	0.049393	0.070552
	[0, 0.5)	0.096286	0.050359	0.079609	0.093000	0.069289	0.035930	0.030334	0.071326	0.134873
		0.098280	0.039649	0.055722	0.086214	0.008623	0.033052	0.022224	0.043514	0.067295
		0.040615	0.043545	0.061573	0.057115	0.122974	0.026386	0.021554	0.079790	0.162944
	All	**0,086492**	**-0,008775**	**0,039947**	**-0,037885**	**0,005827**	**-0,013075**	**-0,040206**	**-0,090767**	**-0,036346**
		0.093233	-0.001876	0.045024	-0.048465	-0.012687	-0.000741	-0.022056	-0.091230	-0.057040
		0.055445	0.079149	0.092847	0.091625	0.104059	0.067882	0.097964	0.166214	0.139226

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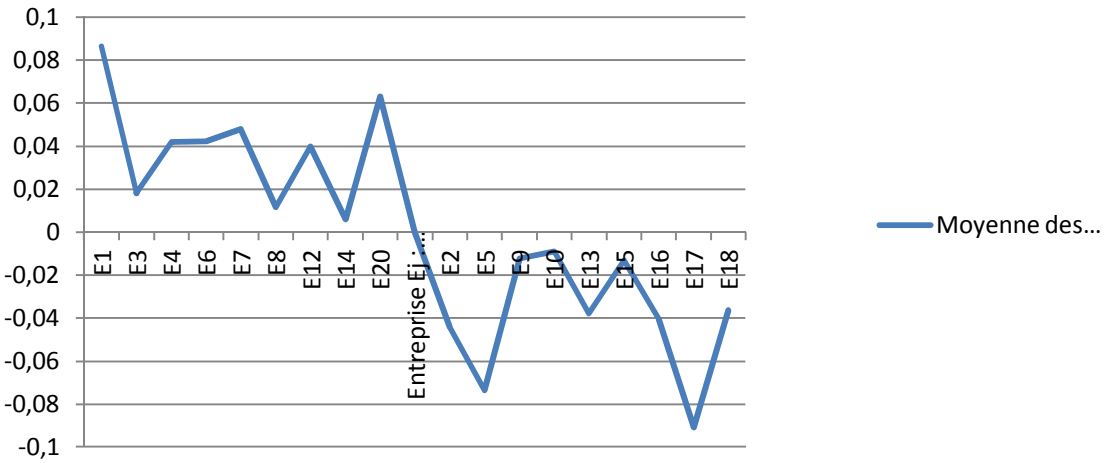
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Continued Table 3: Classification of firms in the sample according to the direction of variation of the residue of the estimate (1)

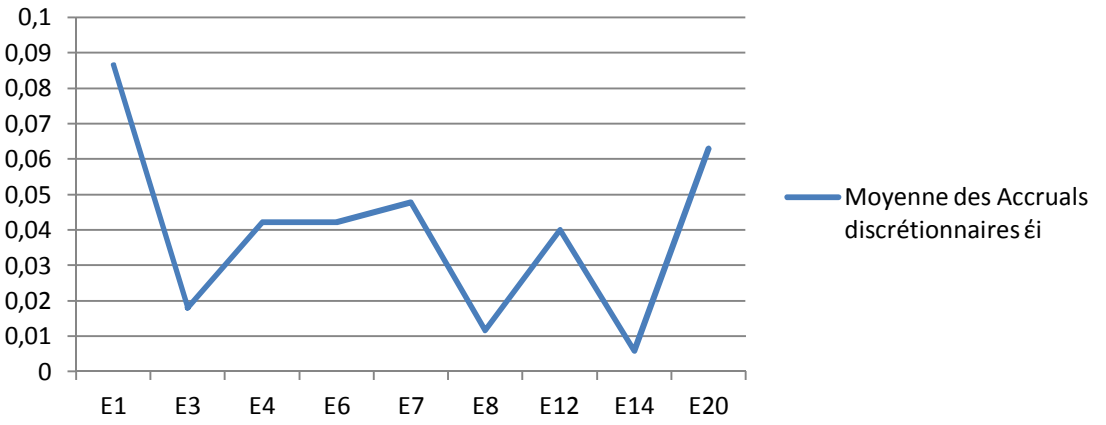
Mean Quant.* Std. Dev.		ENTREPRISE__Ei									
		E2	E20	E3	E4	E5	E6	E7	E8	E9	All
	[-1.5, -1)	NA	NA	NA	NA	-1.241818	NA	NA	NA	NA	-1.241818
		NA	NA	NA	NA	-1.241818	NA	NA	NA	NA	-1.241818
		NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
	[-1, -0.5)	NA	NA	NA	NA	-0.514177	NA	NA	NA	NA	-0.559460
		NA	NA	NA	NA	-0.514177	NA	NA	NA	NA	-0.559460
		NA	NA	NA	NA	NA	NA	NA	NA	NA	0.064040
RESID	[-0.5, 0)	-0.080356	-0.072174	-0.040538	-0.046976	-0.080962	-0.084364	-0.039818	-0.047255	-0.030018	-0.069866
		-0.056199	-0.027254	-0.038985	-0.026548	-0.074488	-0.096637	-0.039818	-0.042940	-0.018252	-0.053919
		0.080225	0.084458	0.031634	0.043456	0.047880	0.027129	0.011231	0.040319	0.028549	0.060001
	[0, 0.5)	0.034512	0.094227	0.053180	0.082633	0.109637	0.071477	0.060398	0.057396	0.026662	0.071099
		0.022967	0.090263	0.039713	0.056189	0.063005	0.036928	0.064104	0.055872	0.008960	0.055988
		0.030680	0.061926	0.042772	0.067424	0.101260	0.086027	0.023770	0.032120	0.031211	0.066076
	All	**-0,04446**	**0,063027**	**0,018036**	**0,04213**	**-0,07338**	**0,042257**	**0,047871**	**0,011611**	**-0,012306**	1.35E-18
		-0.045885	0.059618	0.013205	0.047051	0.014241	0.028733	0.061165	0.026558	-0.015562	0.009615
		0.086980	0.092295	0.060224	0.085930	0.360785	0.099825	0.040863	0.063838	0.039235	0.128377

This procedure allowed us to identify two sub-samples "F" and "C" of the same size ("F": 9 companies that manage the result upward and "C": 9 other companies that manage the result towards the decline), which features the manipulations of discretionary accruals summarized by, respectively, the graphs (3 - 5), (3 - 6) and (3 - 7).

Graph. (3 - 5) : Sens de variation des Accruals discrétionnaire ɛi - ɛj de l'échantillon globale (18 entreprises / 1999 - 2014)



Graph. (3 - 6) Gestion du Résultat Défensive = Accruals discrétionnaires positifs - ɛi > 0



Graph. (3 - 7) : Gestion du Résultat Offensive = Accruals discrétionnaires négatifs - ɛj < 0



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Table 4: Statistics of the Discretionary Accruals of the "F" sample

Company Ei Sample "F"	Average of discretionary Accruals $\hat{\varepsilon}_i$	Median of the discretionary Accruals $\hat{\varepsilon}_i$	Standard deviation of discretionary Accruals $\hat{\varepsilon}_i$
E1	9%	9%	6%
E3	2%	1%	6%
E4	4%	5%	9%
E6	4%	3%	10%
E7	5%	6%	4%
E8	1%	3%	6%
E12	4%	5%	9%
E14	1%	-1%	10%
E20	6%	6%	9%
Average	**4%**	**4%**	**8%**

Table 5 1: Statistics of the Discretionary Accruals of the « C » sample

Company Ej Sample « C »	Average of discretionary Accruals $\hat{\varepsilon}_j$	Median of the discretionary Accruals $\hat{\varepsilon}_j$	Standard deviation of discretionary Accruals $\hat{\varepsilon}_j$
E2	-4%	-5%	9%
E5	-7%	1%	36%
E9	-1%	-2%	4%
E10	-1%	0%	8%
E13	-4%	-5%	9%
E15	-1%	0%	7%
E16	-4%	-2%	10%
E17	-9%	-9%	17%
E18	-4%	-6%	14%
Average	**-4%**	**-3%**	**13%**

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Table 6: Statistics of the Normal and Discretionary Accruals of the two subsamples « F » & « C »

Statistics	Sample Type	$\frac{AVCRT_{it}}{TA_{it-1}}$	Normal Accruals : $\left(\frac{AVCRND_{it}}{TA_{it-1}}\right)$			Discretionary accruals $\hat{\varepsilon}_j$ $\left(\frac{AVCRD_{it}}{TA_{it-1}}\right)$
			$\frac{Var_{t-1}^{t}CA_i - Var_{t-1}^{t}Cr_i}{TA_{it-1}}$	$\frac{IMMO_{it}}{TA_{it-1}}$	$\frac{\Delta FMO_{it-1}}{TA_{it-1}}$	
Average	F (9 firmss)	-0,73%	7,73%	50,77%	-0,30%	3,97%
Median		-0,65%	3,00%	47,90%	0,83%	4,02%
Standard deviation		10,22%	27,71%	14,71%	15,13%	7,73%
Average	C (9 firms)	-8,95%	8,76%	47,00%	1,94%	-3,97%
Median		-6,29%	8,17%	42,94%	0,33%	-2,98%
Standard deviation		24,01%	15,41%	17,45%	47,15%	12,55%

The total accruals are obtained by the following estimation model (2):

$$\mathrm{AVCRD_{it}} = \mathrm{AVCRT_{it}} - 0.019451\ \mathrm{TA_{it}} - 0.071039\left(\Delta \mathrm{CA_{it-1}^{t}} - \Delta \mathrm{Cr_{it-1}^{t}}\right) + 0.144015\ \mathrm{IMMO_{it}} + 0.402415\ \Delta \mathrm{FMO_{it}}$$

And the discretionary accruals then correspond to the difference between the observed value of the total adjustments $\left(AVCRT_{it}\right)$ and the calculated value of so-called normal adjustments

$\left(AVCRND_{it}\right)$, avec $\quad AVCRT_{it} = RN_{it} - CF_{it}$

We therefore measure earnings management from accruals explaining the difference between net income and cash flow from operations (equation 1). Total accruals are based on normal accruals and abnormal or discretionary accruals. Previous literature (Dechow, 2013) has shown that three key variables are determinants of normal accruals ie, the performance captured by the turnover through its corrected variation $\left(\frac{Var_{t-1}^{t}CA_i - Var_{t-1}^{t}Cr_i}{TA_{it-1}}\right)$, investments $\left(\frac{IMMO_{it}}{TA_{it-1}}\right)$, and the change in operating cash flow $\left(\frac{\Delta FMO_{it-1}}{TA_{it-1}}\right)$ always in continuity with the equation (1) basic model.

IV. Conclusion

In Accounting Theory Literature, Operating cash flow is considered as a determinant of the level of non discretionary accounting adjustment variables. Indeed, the relevance of this variable is justified by its negative correlation (-0.402415) that is to say between the variation of the operating cash flow of two consecutive periods (t -1 and t) and the level of current accruals. The small variation (-0.30%) of the flows in the sample F, explains that a large part of the accruals level seems predetermined by the operating cash flow of the previous year, it is logical to think that it is a non discretionary portion. We also note (Table 6) that the level of net fixed assets in the F sample represents approximately 51% of the net assets delayed versus 47% in the C sample, which suggests the sample F tends to minimize the calculated costs (low depreciation allowances or taken from large provisions) or to an under-exploitation of the economic assets and consequently a low economic and financial profitability. This work is part of an early preparation of a future research track on the interface accounting/failure of companies and the modeling of prediction of financial failure vs. fraud through the accounting and financial variables characterizing the incentives for manipulation of Accounting data.

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An Overview of Tax Reforms in Bangladesh: Corporate Perspective

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Abstract- Tax reform is an issue of endless political debate in all developed and developing countries. The discussion on tax reform revolves around the issues relating to designing an appropriate tax base, strengthening tax administrations, and ensuring efficiency, equity, and progressive taxation. In Bangladesh, a lot of reform initiatives have taken in the last four decades. This study is an attempt to review those initiatives by highlighting corporate matters as there is hardly any research work on those issues in the context of Bangladesh. Content and document analysis and interview methods are used to carry out this study. The study finds that the outcome of those reforms is mixed and in some cases, noteworthy achievements are evident, as for examples, the establishment of Large Taxpayers Unit (LTU) and Central Intelligence Cell (CIC) and digitalization of the tax process, while remarkable weaknesses are still prevailing in enforcement, audit, and compliance. Revenue implication of tax reforms displays that the trend in the direct tax collection is increasing moderately, and the overall tax- GDP ratio is showing very slow progress. We recommend a new all-inclusive reform effort covering all the upcoming challenges in the field of corporate taxation as no comprehensive reform effort has been undertaken for nearly a decade.

Keywords: tax reform; corporate tax; tax-GDP; tax administration; tax incentives, tax depreciation.

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An Overview of Tax Reforms in Bangladesh: Corporate Perspective

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Abstract- Tax reform is an issue of endless political debate in all developed and developing countries. The discussion on tax reform revolves around the issues relating to designing an appropriate tax base, strengthening tax administrations, and ensuring efficiency, equity, and progressive taxation. In Bangladesh, a lot of reform initiatives have taken in the last four decades. This study is an attempt to review those initiatives by highlighting corporate matters as there is hardly any research work on those issues in the context of Bangladesh. Content and document analysis and interview methods are used to carry out this study. The study finds that the outcome of those reforms is mixed and in some cases, noteworthy achievements are evident, as for examples, the establishment of Large Taxpayers Unit (LTU) and Central Intelligence Cell (CIC) and digitalization of the tax process, while remarkable weaknesses are still prevailing in enforcement, audit, and compliance. Revenue implication of tax reforms displays that the trend in the direct tax collection is increasing moderately, and the overall tax- GDP ratio is showing very slow progress. We recommend a new all-inclusive reform effort covering all the upcoming challenges in the field of corporate taxation as no comprehensive reform effort has been undertaken for nearly a decade.

Keywords: tax reform; corporate tax; tax-GDP; tax administration; tax incentives, tax depreciation.

I. Introduction

The taxation system of any country is designed considering mainly the macroeconomic goals which include redistribution of income, creation of employment, sustainable development and at the same time ensuring social justice. It is influenced by economic theory, economic structure, government fiscal policy, equity, budget gap, and the targets for accelerated economic growth and poverty alleviation. Legal and administrative set up of any tax system is continuously changing due to changes in the socio-economic arena. In the world of tax, change is the only constant (Cestnick, 2007). There are two types of changes that take place in any tax regime from time to time- one is in every fiscal year through Finance Acts (FA), and another one is structural changes or reform in the field of laws, processes, and administration. Tax reforms in Bangladesh have been performed in a fragmented way and at a very slow pace. Some comprehensive approach of tax reforms has been started from the 1990s mainly due to the conditionality of aid agencies. Those reforms were intended to improve the tax-GDP ratio by extending the tax base, and to simplify the administrative procedure and function to help achieve those broad goals.

Bangladesh is yet to generate expected revenue from taxes for financing public expenditure. Though the tax-GDP ratio is improving slowly, it is still remarkably low (9.06 percent in FY 2016-17) as compared to other developing countries. In Bangladesh, direct tax plays an indispensable role in the volume of tax revenue as it was about one-third of the total tax collection in 2016-17. In Bangladesh, the composition of direct tax revenue was around the three-fifths from 'companies', and was about two-fifths from 'other than companies' in FY 2016-17 (Annual Report 2016-17, 2019). This situation suggests, corporate tax is the key provider of direct taxes and thus policymakers need to know how this tax-related issues have been changing over time and what reform initiatives have yet been taken in this field and to what extent those reform initiatives have been useful in terms of socio-economic development, equity, and justice.

This study has reviewed tax reform initiatives in Bangladesh, in brief, highlighting the corporate issues and related administrative reforms. Thus the objectives of the study are to identify the corporate tax reform initiatives that have been taken in Bangladesh till 2017 and then validate those reform efforts through examining mentionable outcomes in terms of corporate tax revenue and lastly to trace some challenges of the direct tax system of Bangladesh.

The remainder of the paper is wrapped up in five sections. The second section presents the materials and methods of the study. The third section deals with the review of the existing literature. The fourth section presents an overview of tax reforms in Bangladesh with a special focus on corporate issues. The fifth section summarizes the reform initiatives already have implemented in this field. The sixth section validates those reform efforts by showing some revenue implications of tax reforms. The seventh section identifies some shortcomings and challenges of tax reforms and then presents some recommendations and finally the conclusion.

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II. Materials and Methods

It is an exploratory research, and as such content and document analysis methods are used to accomplish this study. Sources of data are tax reform reports, finance acts, S.R.O.s, budget speech, tax code, rules and regulations, guidelines and official websites of NBR, websites of different ministries and regulatory agencies of Bangladesh. Some relevant scholarly articles have also reviewed for this study. To substantiate our documentary findings, some informal interviews have also been conducted with NBR officials, Chartered Accountants, and some academicians, who have firsthand knowledge of corporate tax reforms in Bangladesh.

III. Literature Review

In the context of Bangladesh, a few articles have found on tax reforms, which are mostly based on secondary sources of information and discussed mainly the difficulties and weaknesses of the existing income tax system, the urgency, and scope of reforms and suggestions for reforms. But there is hardly any research highlighting corporate matters. In this section, some articles have been reviewed in Bangladesh context as well as in sub-continental context those are presented below:

Ahsan (1995) conducted a study on tax reform in Bangladesh and identified some limitations of the tax system in Bangladesh and made some suggestions to overcome the same. The limitations are very small amount of revenue, high indirect to direct tax ratio, high dependence on import tax, narrow indirect tax base, virtual exemption of agriculture sector from the tax net and less progressive tax system. He suggested that long term revenue growth is unlikely to take place unless and until personal and corporate incomes are adequately taxed. So the designing of the overall tax system is of critical importance. Similarly, Alam and Masud (2007) have identified some achievements, weaknesses, and challenges of income tax on personal and legal entities and made some recommendations for improvement of the income tax system in Bangladesh. Another study in Bangladesh perspective found that six factors are responsible for tax non-compliance, which are tax evasion, lack of awareness, official harassment, and complexity of tax laws, lack of social benefits, and other reasons. Empirical findings through regression analysis confirmed that each of these factors has significant effects on revenue loss in Bangladesh (Rahman & Rahman, 2010). A different study investigated the effectiveness of three coercive and three persuasive instruments among large corporate taxpayers registered with the Large Taxpayers Unit (LTU) of Bangladesh and found that coercion or persuasion are less likely to improve tax compliance when used separately than when used jointly, although coercion seems the more influential between the two (Akhand, 2012). Another study explored the political economy of tax reform in Bangladesh over a few decades to clarify the complicated factors that are responsible for abnormal effective and continuous resistance to noteworthy reforms. The study exposed the necessity of recognizing deep routed formal and informal institutions and micro-level stimulus that shape the arrangement of short-range reforms to understand tax outcomes. The study found that the Bangladesh tax system is extremely casual, mostly manual and marked by towering discretion, dishonesty, and informality. The existing system serves the core interests of influential political, economic, and bureaucratic elites. The existing tax regime endorses low and conventional tax rates for corporate entities and other forms of businesses, offers extensive discretion to the tax administration and also ample scope for them to involve in dishonest practices, and acts as an essential media for political elites to raise money and distributes economic benefit (Hasan & Prichard, 2013). Another paper highlights the problems of sustainable growth faced by entrepreneurs in Bangladesh. There are varied problems that hinder industrial growth in the country, but the major bottleneck is the adverse tax system and the annoyance of high import duty on raw materials. The study suggests for reconsideration or full removal of existing government duties and tax on imported raw materials to avoid an additional burden on industrial productions, and this will enhance the volume of corporate tax revenue (Khan, Khan, & Khan, 2008). The modernization of the National Board of Revenue (NBR) is an urgent need for Bangladesh as such donor agencies have been putting extra pressure on the government. In this context, a study found that the modernization of NBR has been undertaken several times under the leadership of international consultants and financed by donor agencies. However, the results have been discouraging in most of the cases. The study suggests involving insiders to bring about changes in the modernization process of the NBR. Otherwise, the modernization of NBR would be a far cry (Quayum, 2011). A study on the corporate response to direct tax reforms revealed that, with a reduction in the statutory tax rate (STR), there is an increase in the share of taxes incorporate GVA (Gross Value Added) particularly since the financial year 2003-2004 and concomitantly the volume of corporate tax revenue to GDP as a whole. Though the behavior of Indian companies is somewhat different from Foreign Direct Investment (FDI) companies in terms of adopting avoidance practices, both have shown improved tax compliance. Thus it can be concluded that the reduction in STR has helped the government to have a better share in corporate income (Rajakumar, 2014). Another paper in Indian context disclosed Indian tax reform account from the mid-1970s to the present time and found that huge progress has taken place in the last 30

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years judged by the standards of economic efficiency, equity, built-in revenue elasticity, and transparency. The research pointed out some key areas for further reforms after reviewing the results of completed reform initiatives (Acharya, 2005). A study in the Ghana context examined the links between the tax reform and revenue performance and found that the tax reform has had a significant positive influence on the productivity of both the personal tax revenue and the overall tax system. The tax reform has succeeded in terms of generating more tax revenue, augmenting the efficiency of the tax administration, and improving equity in the tax system. It has also removed market distortions and reinforcing economic incentives (Kusi, 1998). Thus there is hardly any research on tax reforms in Bangladesh with enough stress on corporate issues. Finding a clue from this gap, the present study has been planned to investigate the corporate tax reform initiatives that have undertaken in Bangladesh so far.

IV. Tax Reforms in Bangladesh

As stated earlier tax reform is a continuous process. The quarter-century between 1965 and 1990 had witnessed an extraordinary strong wave of tax reforms as many countries throughout the world (including developing economies) reduced their reliance on taxes on foreign trade and goods and services, and introduced value-added taxation (VAT) and rationalized individual and corporate taxes, to some extent in response to the necessities of increasing global economic integration (Acharya, 2005). In response to global changes, Bangladesh took some reform initiatives and the first was the Taxation Enquiry Commission (TEC), which suggested to replace the old and outdated Act and as a result, a new Income Tax Ordinance was adopted in 1984. After that, the World Bank reform initiative called for broadens the tax base for indirect taxes and as a result, VAT was introduced, RRC was formed, and many other projects were undertaken to reform the tax system of the country. These initiatives were mainly to broaden the tax base, enhance progressivity, equity, the ratio of direct tax to indirect tax, decentralization of tax administration, IT integration and automation of the tax system to increase the tax-GDP ratio and sustainable economic development. Some reform initiatives are continuing and some have already been completed. In the following section we will review those reform initiatives in brief:

a) *Taxation Enquiry Commission (TEC), 1976 (Ministry of Finance, 1979)*

The first taxation reform initiative was taken by Taxation Enquiry Commission (TEC) on October 23, 1976, headed by the then Bangladesh Bank governor, M. Nurul Islam. The main objective of the commission was to appraise taxation connected laws and regulations and conducts an opinion survey of taxpayers to suggest a comprehensive tax reform. The key findings and recommendations of the commission are provided below:

Bangladesh economy was agrarian and rustic and consequently, the tax base was very narrow. Even the urban trade was barely related to any sophisticated accounting and auditing system. All large industries were in the public sector. A very few industries and commerce, mostly small, were in the private sector and that followed the accounting and auditing norms to a great extent. The TEC recommended a simple, rational and wide-ranging progressive tax system.

The corporate tax rate was 60 percent (30 percent income tax and 30 percent super tax). The commission recommended for amalgamation of income tax and super tax into a single tax to be called 'corporate tax' and the rate to be 35 percent, 55 percent and 60 percent based on the level of income of the corporate entities.

The TEC observed that a wide array of allowances and exemptions lessened the tax base that necessitates high marginal tax rates to ensure sufficient revenue and as such the TEC recommended for establishing a broad tax base with comparatively lower rate schedule but providing smaller exemptions and allowances that have a strong positive influence on savings and capital formation. The commission also observed that whenever an assessee incurred a loss in any year under any of the heads of income stated in this Act shall be entitled to have set off of loss against her/his income, profits or gains under any other head within the succeeding six years but there was no provision for carrying back of losses.

As regards tax incentives for business, the commission reviewed the existing incentives for investment as granted under the Income Tax Act. There was a total exemption of income from tax, deductions of allowable expenses and allowances made from the total income to arrive at taxable income. The commission thought those incentives as sufficient for the industrial development of that time and recommended for continuation.

Tax administration: The TEC suggested that –a) The tax administration needs to be strengthened with more authority, status, logistics and compensations; b) Actions need to be taken to build confidence and reliance of the taxpayers on tax administration so that tax evasion could be reduced significantly; c) Frequent inspection and audit to be conducted to overcome the missing and misplacement practice of tax files, returns, statements, challans (tax payment vouchers), etc. d) Form a special bench in the high court division of the supreme court for hearing and rapid disposal of the tax reference cases.

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b) *World Bank's report on tax reforms in Bangladesh (The World Bank, 1989)*

The World Bank carried out a study on the taxation system of the country titled ''Bangladesh: An Agenda for Tax Reform'' and submitted the final report three-volume and seven chapters in December 1989. Volume three includes the direct tax along with corporate tax. The major findings and recommendations regarding corporate tax are presented below:

General findings and suggestions: Through examining the macroeconomic situation and tax base, tax collection pattern, the report disclosed certain weaknesses of the taxation structure of the country, which were- (i) very low tax- GDP ratio (7.9 percent only in 1984-85), (ii) the ratio of direct tax to total tax revenue was also very low (21.8 percent), (iii) the ratio of domestic indirect tax revenue to total indirect tax revenue was also very low (35.2 percent only), (iv) the tax system was extremely dependent on import taxes (50 percent of total tax revenue), which were comprised of customs duties, sales taxes on imports, development surcharge, license fees and regulatory duty, (v) more than 97 percent of domestic indirect taxation comes from excise taxes, (vi) tax revenue from personal and company income accounted for 15 percent of total tax revenue or about 1.2 percent of GDP, and (vii) there was absence of an impartial tax system due to the presence of huge tax incentives and exemptions. The World Bank recommended for formulating a medium to long term strategy for changes of a specific policy to defeat the weaknesses of the existing taxation regime.

Basic Rules and Tax Rates: The budget of the FY 1988-89 reduced corporate income tax rates: Non-industrial companies 55 percent, industrial companies 45 percent, and publicly traded companies 40 percent. There was a standardized tax rate (15 percent) for intercompany dividends. If the holding period of an asset was less than two years then the capital gain on the sale proceeds of that asset was taxed as normal revenue income; the rates were reduced as the investment period increases, attaining the lowest rate of 15 percent after 15 years.

Depreciation: Historical cost was the basis for depreciation and the declining balance method was applicable to most assets. The deprecation rates were dissimilar across assets, but in most of the cases the rates were in between 15 to 30 percent.

Carried forward of losses: Business losses may be carried forward but not carried back against taxes already paid. Moreover, foreign business losses incurred by a resident company may be set off against domestic income.

Investment Incentives: Two forms of major investment incentives were available in Bangladesh. The first was a tax holiday and the second was an accelerated depreciation allowance (ADA). First one involving full exemption of business income for a specified period (4 to 12 years based on location). The exemption, however, does not apply to capital gains or inter-company dividends. In the case of ADA, the rates of the first-year depreciation allowances for plant, machinery, and furniture vary from 80 percent to 100 percent depending on location. These incentives were not granted on a selective basis that is why the commission recommend to conduct a study as a matter of priority to ascertain the extent to which industrialization and regional development can be attributed to the extraordinarily generous tax incentives currently available and to set them against the considerable revenue losses and possibilities of abuse to which tax holidays gave rise.

Tax administration: The WB recommended an integrated package of organizational changes in the administrative structure of NBR, its auxiliary organizations, and field-level units both for the direct and indirect taxes. It recommended for appointment of four more members in the NBR, two for indirect taxes and two for direct taxes with a concomitant to rearrange the tasks of the existing members; (b) strengthening the Directorate of Research and Statistics, and (c) reallocate and rationalize work under different sections of the NBR. It also recommended for the establishment of a separate directorate for Inspection, Training, Survey, and Investigation (Complaints) along with the inclusion of taxpayers' education under the directorate of the survey. The directorate of Investigation should be accountable for tax evasion related matters and be staffed by executives from the direct and indirect tax administration to promote coordination between the two divisions of the administration.

c) *Revenue Reform Commission 2002 (Ministry of Finance, 2003)*

The Government formed a Revenue Reform Commission (RRC) on July 2, 2002, considering the emerging changes in the economy due to changes in the macroeconomic indicators and heading toward the market economy. The major findings and recommendations related to income tax in the final report of the RRC are given below:

Overall taxation system: The commission suggested raising the tax-GDP ratio at 12.61 percent by FY 2012 at an annual growth rate of 0.45 percent. The commission also suggested broadening the tax base and improving the quality of revenue administration and expanding the area of mandatory Taxpayer's Identification Number (TIN) requirements.

Tax rate: Corporate income tax rate should be reduced to the level of the higher marginal personal income tax rate of 25 percent for publicly traded companies, 35

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percent for non-listed traded companies, and 40 percent for bank and nonbank financial companies.

Dividend tax: Dividend distribution tax of 10 percent on companies should be abolished as well as dividend income of shareholders should be kept tax-free.

Investment incentives: The commission suggested raising the minimum investment threshold at taka one million to be eligible for any kind of tax allowances. However, incentives may be allowed to small and cottage industries with other schemes. The commission also suggested abolishing the tax holiday facilities and introducing a uniform reduced tax rate for the preferred industrial sectors. Simultaneously, accelerated depreciation allowances should sustain. A viable industrial unit may enjoy either accelerated depreciation allowance or uniform reduced tax rate.

Exemptions and allowances: The commission recommended for moving back the tax exemption from house property income under any trust or other religious or charitable organizations. The commission also recommended for retaining the exemptions regarding: a) Contribution to benevolent, cultural and socioeconomic activities approved by the NBR; b) Tax rebate for the companies declaring 20 percent or more dividend should be sustained, and c) Existing tax exemption on capital gains should also be sustained.

Administrative Reforms: The commission recommended for oversimplification of the administrative dealings to ensure transparency and accountability in the tax administration. There should be a well-built reward and punishment system. A universal self-assessment should be applied for all cases. The corporate books of accounts should be prepared following International Accounting Standards (IAS) as adopted by the Institute of Chartered Accountant of Bangladesh (ICAB).

d) Reforms in Revenue Administration (RIRA)

The overall objective of the project was to build an up to date tax system and an effective tax administration that could facilitate and improve voluntary compliance of tax laws. More specifically the program should seek to increase tax revenue by improving efficiency and responsiveness of tax administration through institutional and procedural reforms, improving the simplicity and integrity of tax services, HR reforms, strengthening collection, audit and enforcement measures, and improving taxpayer services. Under this project, LTU and CIC have been initiated (devex, 2007).

e) Strategic Development Plan (SDP)

The NBR undertook numerous reform projects to attain the set goals of enhancing the Tax- GDP ratio through mobilizing domestic resources to support higher public investment in infrastructure and social sectors for accelerated economic growth and poverty reduction (NBR, 2009). In this direction, a Strategic Development Plan (SDP) was promoted by the GOB in 2005 to achieve superior transparency and accountability from both the tax officials and the taxpayers. Under the SDP following goals have been set:

i) Enhance the targets for revenue collection through modernizing tax administration and simplifying procedures; ii) Develop a well thought out and transparent legal and regulatory system; iii) Identify areas to deal firmly and fairly with noncompliance; iv) Develop an efficient tax administration staffed with a highly-skilled, motivated, and professional workforce; v) Promote a taxpayer service culture and improve involvement of the civil society; vi) Develop an up to date IT-based tax administration that is efficient, effective, and transparent.

f) Modernization and Automation Project (MAP)

The actions within SDP have led the origination of the modernization and automation Project (MAP) of NBR with the support of different donor agencies. The Modernization and Automation Project (MAP) of NBR was originated within SPD with the support of different donor agencies. The MAP commenced in mid-2005 with a desire to be implementing over a three and a half year period. The main objective of the MAP was to strengthen institutional capacity to contribute towards superior policy management and better functioning of tax administration. Under this project, NBR would undergo massive changes in its outlook and vision to collect taxes more efficiently and enhance revenue mobilization considerably.

g) Tax Administration Capacity and Taxpayers Service (TACTS)

The GoB, with support from the Department for International Development (DFID) of the UK, has implemented a five-year project named Tax Administration Capacity and Taxpayer Services (TACTS) to enhance Income tax revenue collection through improving the level of tax compliance and tax base. It was built on the DIFD-funded Reforms in the Revenue Administration (RIRA) project which established two more administrative units- Large Taxpayer Units for Income tax and VAT in Dhaka as well as a Central Intelligence Cell (CIC) to investigate and prosecute tax evasion. TACTS would focus on strengthening taxpayer services to increase taxpayer trust and voluntary compliance (devex, 2009).

h) Strengthening Governance Management Project (SGMP)

The SGMP was started in 2011 with the object of initiating online tax filing and digitalization of tax return, establishing taxpayers' information and service centers, increasing connectivity, and introducing database management. Though the duration of the project was from July 2011 to December 2015, it is

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continuing. The project is financed by the GoB and the Asian Development Bank (NBR, 2015).

i) Comprehensive Modernization Plan (CMP)

In March 2011, the NBR undertook a comprehensive modernization plan encompassing all components of NBR reform efforts under one plan with the hope of achieving the intended goals over the next five years. NBR attempted to review and modernize both tax policy and tax administration and as such nine strategic areas were selected for reforms within five years. Those selected areas were -

i) Tax policy reforms; ii) Integrated revenue management program- business process reform; iii) Integrated revenue management program- automation of the tax processes; iv) Redefining the status and regulatory power of NBR; v) Restructuring NBR according to function and size; vi) Strategic communication and taxpayer outreach, education and assistance; vii) Enforcement improvement program; viii) Human resources and institutional development program; and ix) Infrastructure development program (NBR, 2011). New tax code has been drafted under this project but still in the process of reviewing and finalizing.

j) Tax Reform initiatives in Bangladesh at a glance

Reform initiatives	Focus	Recommendations
Taxation Enquiry Commission, 1976	To review taxation related laws and survey the opinions of different segments of the taxpayers and suggest comprehensive tax reforms.	Broaden the tax base, increase tax- GDP ratio, abolish super tax on companies, strengthen tax authority and formulate an easier legal framework.
World Bank initiatives for tax reforms in Bangladesh, 1986 (The final report titled Bangladesh: An Agenda for Tax Reform)	To identify the weaknesses of the taxation structure and to formulate medium and long term strategies for strengthening the taxation system.	Increase tax-GDP ratio, increase the share of direct tax to total tax, broaden the tax base, reduce high dependence on import taxation and take the integrated package for organizational change.
Revenue Reform Commission, 2002	To improve internal resource mobilization, structure, and management of revenue collection to build a self- reliant economy.	Increase tax-GDP ratio, broaden the tax base, improve the quality of revenue administration, reduce the corporate tax rate, and abolish tax holiday and dividend distribution tax.
Reforms in Revenue Administration 2002 (RIRA)	To build a modern tax system and an effective tax administration that facilitates and improves voluntary compliance with tax laws.	Increase communication with taxpayers, improve the professionalism of tax officials, programs to deal with corruption and evasions, revise legislation and reorganize the NBR.
Strategic Development Plan (SDP)	To ensure transparency and account ability from both tax officials and taxpayers.	Increase revenue collection targets through modernizing tax administration and simplifying procedures. Develop a sound and transparent legal and regulatory system.
Modernization and Automation Project (MAP)	To strengthen institutional capacity to contribute to better policy management and improved functioning of the tax administration.	Improve the effectiveness of the LTU, audit, and enforcement; introduce contemporary tax and VAT policies and procedures and reinforce statistics and research efforts.
Tax Administration's Capacity and Taxpayers Service (TACTS)	To strengthen business processes piloted in the LTU's across the country and focus on intensifying taxpayer services to increase their trust and voluntary compliance.	Increase efficiency, professionalism, and effectiveness of the LTUs intensify internal audit and inspection in LTUs and make the CIC stronger.
Strengthening Governance Management Project (SGMP)	To promote online tax filing and digitalization of tax return as well as establish taxpayers' information and service centers.	Make provision for online return and digitalization of return submitted offline. Improve networking and connectivity, and automation of the office procedure. Database management and online report generation.
Comprehensive Modernization Plan (CMP)	To include all components of NBR reform efforts under one plan and to review and modernize both tax policy and tax administration.	Reform in tax policy, business process and automation of the tax processes. Restructuring the NBR consistent with the functions and size. Improve strategic communication and taxpayer outreach, education, and assistance.

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V. Major Reforms Implemented in Income Tax

After thoroughly reviewing the reports of different reform initiatives, examining the Finance Acts, Budget speech and annual reports of NBR major reforms executed during the last four decade in the area of income tax (especially emphasizing the corporate part) can be classified in the following manner:

a) Reforms done in the policy and procedure

Main reforms that have accomplished in the field of income tax in Bangladesh are introduction of Taxpayer's Identification Number (TIN), Business Identification Number (BIN), Universal Taxpayer's Identification Number (UTIN), simplification of self-assessment procedure, widen the scope of withholding tax, emphasize audit operations, tackle tax evasion by enacting anti-avoidance and transfer pricing rule in the income tax ordinance, take precise steps to modernize taxation system, and inclusion of the provision for advance payment of tax, presumptive taxation, provision for minimum tax, charge of additional tax, consideration of TDS as final settlement and agreement for avoiding double taxation with 33 countries.

b) Reforms done in the field of corporate matters

Tax rate and classification of companies: The tax rate for all categories of companies has been rationalized and gradually reduced over the years. In 1972, the income tax rate was at 30 percent on general income and a super-tax at 30 percent on the dividend income and capital gains were mandatory for all companies. In 1980-81, the provision for the super tax was stopped and the companies were divided into three categories and the separate tax rate was declared for each category- a) industrial undertakings using local materials- 50 percent b) industrial undertakings using imported raw materials- 55 percent and 3) other companies- 60 percent. The tax rates were gradually reduced in the subsequent few years. In 1993-94, the corporate taxpayers' categories were revised as- a) publicly traded b) non-publicly traded and c) others including banks, etc. and the rates were determined at 40, 45 and 50 percent respectively. The rates were again reduced in subsequent years and in 2010-11, which were 27.5, 37.5 and 42.5 percents respectively. Besides, a separate category was declared for the mobile operator from 2007-08. The tax rates for this category were 35 percent for publicly traded companies and 45 percent for non-publicly traded companies from FA2010-11. Another two new categories were declared in 2011 and 2012, which were cigarette manufacturing companies and merchant banks and the tax rates were 42.5 and 37.5 percent respectively. The tax rates were again reduced in 2015 and the rates for all the five categories stated above were (1) for other companies, the rates were 25 percent for publicly traded and 35 percent for non-publicly traded companies, (2) for banks and financial institutions, the rates were 40 and 42.5 percents respectively for publicly traded and non-publicly traded companies, (3) for merchant banks, it was 37.5 percent, (4)for cigarette manufacturing companies, it was 45 percent, and (5) for mobile phone operator companies, the rates were 40 percent for publicly traded and 45 percent for non-publicly traded companies. These classifications and rates are in effect up to 2018-19.

Deductions from business income: Bangladesh has adopted an itemized system of deduction and the tax-deductible items are mentioned in section 29, 30, 30A of the Income Tax Ordinance 1984. The general rule is all expenses relating to the business operations of a corporate entity and incurred during the relevant income year are allowed as deductions. However, bad debts are not an allowable deduction but some specific provisions for accrued expenses in the relevant income year are allowed as deductions and prepaid expenses can be carried forward and deducted in the relevant income year. Similarly, liabilities for expenses that remain unpaid are added to income in the fourth year but allowed as a deduction in the year of payment.

Investment incentives: Just after independence there was a necessity for rapid economic development that is why the then govt. was tolerant about deductions and tax exemptions. They had to introduce different tax incentives like- initial, special, accelerated depreciation and tax holiday package and provided those without setting any selection criteria. In the 90s, the govt. liberalized the trade regime and introduced VAT and shifted the focus of revenue mobilization through foreign trade taxation to domestically based indirect taxation in compliance with the recommendations by the WB and the IMF. The government identified the importance of the corporate sector and has considered a variety of tax incentives for quick industrialization of the country. Gradually different kinds of tax incentives in the form of tax holidays, tax deductions, rebates, accelerated depreciation, investment, and reinvestment allowances are granted to industries, such as tax holidays, tax deductions, rebates, accelerated depreciation, and investment and reinvestment allowances have been provided sector-wise and location wise. There are export processing zones, special economic zones and Hi-tech parks and power generation companies in Bangladesh and for them, there are various incentive schemes. In Bangladesh, tax incentives are given under section 45/46 of ITO 1984 and different SROs issued by the tax authority.

An alternative to the tax holiday facility mentioned for the industrial undertaking u/s 46B is reinstated on machinery and plant for new industrial entrepreneur between July 01, 2014 and June 30, 2019,

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as follows: 50 percent for 1st year, 30 percent for 2nd year and 20 percent for 3rdyear. Accelerated depreciation is not allowed for creating a physical infrastructure facility under section 46C. Tax holiday and accelerated depreciation are mutually exclusive [paragraph 7(2) (d) and paragraph 7A (1) (a) and 7B (2) (d) of Third Schedule].

Normal depreciation: Bangladesh has adopted the declining-balance method of depreciation and under the declining-balance method, the depreciation rate is applied to the written-down value of an asset, and the allowance gradually decreases over the years. Bangladesh also has adopted the itemized system of depreciation where depreciable assets are listed in the depreciation table, and the useful life and rate of depreciation on each asset are given separately. Normal depreciation allowances are varying asset wise from 2 to 20 percent.

Set-off and carry forward of losses: Firms can carry forward losses for a maximum period of 6 years, but cannot be carried back. Where loss is assessed in any head of income, the company is entitled to set off the loss against its income assessed in other heads of that particular year. Companies can also carry forward unabsorbed tax depreciation for an indefinite period. While loss from speculation businesses and loss on capital gains cannot be set off against income from other heads. Loss from foreign sources of Bangladeshi corporate entity cannot be offset against Bangladesh's profits of that entity. However, unabsorbed trading losses and capital losses can only be carried forward for up to six successive years.

c) Reforms done in Tax Administration

The organizational structure has been reformed through the establishment of functional tax units (LTU and CIC) and income tax audit cell, intensification of legal measures to prevent non-compliance, adoption of alternative dispute resolution (ADR) system, reform tax appellate tribunal, and arrangement of special bench in the High Court Division of the Supreme Court as well as establishment of tax information and service center and data forensic lab to find out and control transfer pricing and tax evasion by local and multinational companies (MNCs).

Reforms done in administrative functions: Cutback discretionary powers of tax officials, curtail time limit for administrative activities, discourage the personal appearance of taxpayers in the tax offices, initiate service of notice to inform taxpayers, and initiate a trouble-free refund process are some achievements in this field.

Modernization and digitalization of tax environment: Introduction of e-TIN, e-BIN, e-Filing, and e-Payment facilities in some tax zones and introduction of online tax calculator are some achievements of reform initiatives.

Reforms to ensure taxpayers services: Awareness building through publication of taxpayer's instructions/leaflet, arrangement of some motivational actions, celebration of national tax day, introduction of income tax fair and recognition to the taxpayers by awarding, *'kaar Bahadur'* title to the best taxpayers as well as introduction of 'Citizen Charter' and issuance of tax card as a recognition of tax payment are some milestones in this field.

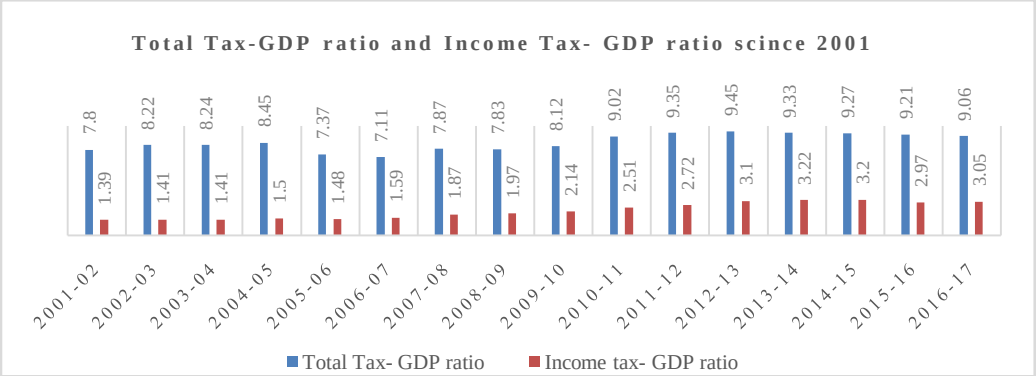
VI. Revenue Implications of Tax Reforms

Tax reforms are proposed as revenue-neutral exercises, the usual effect of a considerable decline in tax rate can reduce total tax revenue if there is no corresponding increase in the tax base (Rao, 2000).In Bangladesh, the share of total tax revenue from direct taxes showed a considerable increase as a share of GDP over the past few years. But, it is uncertain to what extent the increase in total tax revenue is due to the increase of salary in the public sector, how much of this is caused by better compliance arising from lower marginal tax rates and how much as a result of administrative measures. Some charts are presented below to identify the trend of direct taxation in Bangladesh:

a) Trend in Tax-GDP ratio

In each reform initiative there was a suggestion to increase the Tax- GDP ratio. In the Revenue Reform Commission(RRC) report, there was a target increase of tax-GDP ratio at 12.61 percent by FY 2012 with an annual growth rate of 0.45 percent. However, the achievement was lag behind the actual, it is still in a single digit. In the Comprehensive Modernization Plan (CMP), the target Tax-GDP ratio was13 percent by 2016. The following chart shows that there is a steady increase in Tax- GDP ratios over the period but these ratios could not achieve the set targets of different reform initiatives.

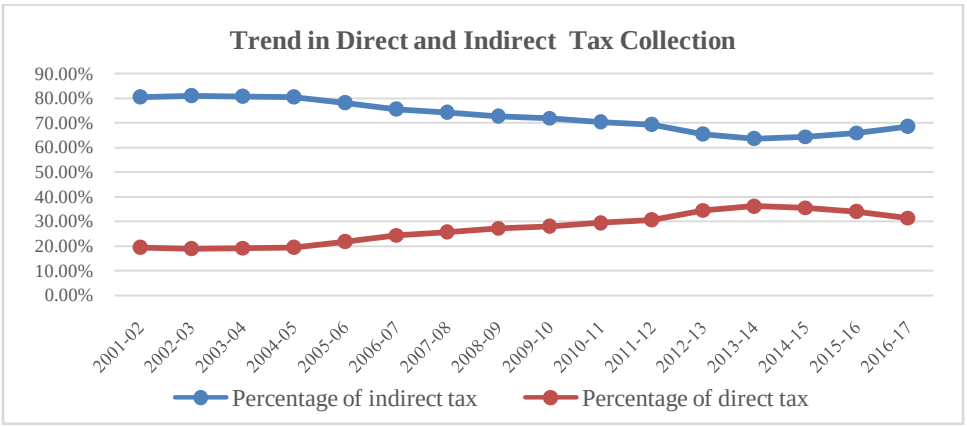
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Source: Data for this graph are collected from NBR's Annual Report 2016-17.

b) Trend in the direct and indirect tax collection

Similar to other developing countries, Bangladesh has initiated a progressive tax policy to boost up the share of direct tax to total tax revenue and the ratio of direct to indirect tax. In Revenue Vision 2021, the target contribution of direct tax should be more than half of the total tax revenue by FY 2020-21.The subsequent line chart reveals the trend of direct to indirect tax collection during 2001-02 to 2016-17. It is evident that the contribution of direct taxes is increasing and the contribution of indirect taxes is decreasing over the years which are to some extent in line with the set target as well as progressivity of the taxation system.

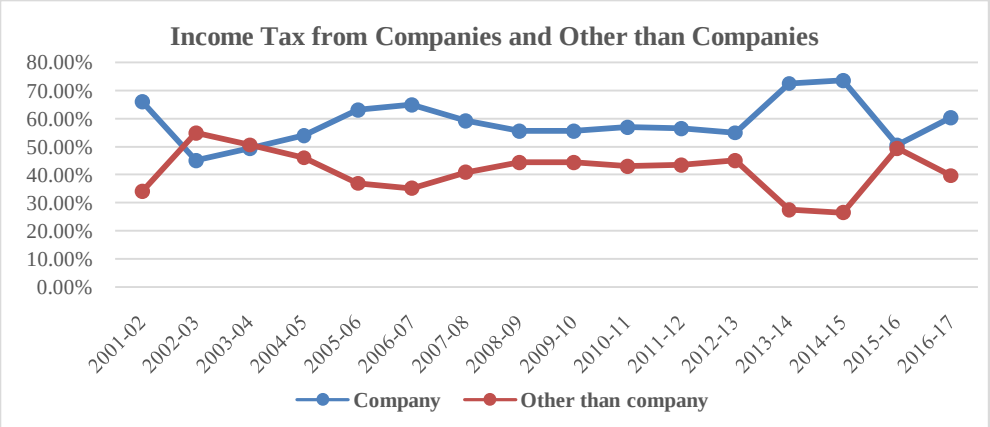


Source: Data for this graph are collected from NBR's Annual Report 2016-17.

c) Trend in tax collection from corporate entities and other than the corporate sector

Corporate tax plays a vital role in the total amount of direct tax collection. About three-fifths of the total direct tax revenue is collected from the corporate sector (sixteen-year average is 58.63 percent, calculated by the researchers). Though it is very hard to explain the causes of an unusual increase in the share of corporate tax in 2014 and 2015, the reasons may be attributable to the following events. In FA 2014, sec 35 of ITO was amended to meet the stipulations of Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS). Introduction of Alternative Dispute Resolution (ADR), the inclusion of cigarette manufacturing companies and merchant banks in the company category and formulation of transfer pricing rules in 2012 may have contributed to the increase of the volume of corporate tax among other measures. However, in 2015, the corporate tax rate was reduced by 2.5 percent for publicly and non-publicly traded companies and for bank and nonbank financial institutions.

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Source: Data for this graph are collected from NBR's Annual Report 2016-17.

VII. Shortcomings, Challenges, and Recommendations

As stated earlier there were a good number of reform initiatives since the independence of Bangladesh, still there remains quite a few alarming features in the tax regime. The tax-GDP ratio is yet to arrive at the anticipated level. Even though the coverage under direct tax has shown significant improvement over the period, much remains to be addressed to build an efficient tax administration and a progressive tax structure. Bangladesh government is using generous tax holidays and tax exemptions to attract investment for rapid industrialization of the country. Most remarkable is that the government is sometimes influenced by the influential political lobby. The common limitations are high indirect to direct tax ratio, high reliance on import tax than income tax, narrow tax base, low tax-GDP ratio, etc. Besides, regulatory enforcement and compliance, audit and collection efforts, and revenue administration are weak that reflect the capacity constraints and resistance from a group of influential vested interests. Frequent court rulings on tax cases have weakened the tax revenue collection efforts.

Designing and implementing an appropriate policy framework are the major challenges to Improving the efficiency of the tax administration. In the case of corporate income tax, it is imperative to broaden the tax base by minimizing tax concessions and preferences. But the reality is that the government has been increasing tax incentives continuously to make the tax system more complex and to produce a wide gap between the nominal and effective corporate tax rates. As the corporate entities have started to use tax incentives excessively, for revenue reasons, the government has started charging the minimum tax under the provision of section 82C of Income Tax Ordinance 1984. Thus one limitation is sought to be remedied through another and this step has complicated the tax system further. In this backdrop, complete rethinking is necessary while reforming the tax system in Bangladesh.

Some recent issues regarding corporate income tax need to be addressed with due diligence so that expected tax revenue can be collected from this sector. A remarkable progress is that transfer pricing and anti-evasion rules are recently included in the law. Those should be implemented firmly with no discrimination. Thin capitalization rules (more debt in the corporate capital structure) should be discouraged so that no corporate entity can claim excess interest expense as a deduction. It is highly essential to design a suitable tax incentive structures for priority sectors in light of the National Industrial Policy-2016 and considering regional disparity. The tax authority should also increase the audit activities to unearth revenue leakage and tax evasion. It would be helpful to evaluate the contribution of different sectors to corporate tax revenue including public sector companies. There are 3,462 public limited companies, 161,894 private limited companies and 860 foreign companies registered with the Registrar of Joint Stock Companies (RJSC) till December 2018 (Office of the Registrar of Joint Stock companies and firm, 2018) but only 75,144 companies are paying tax (Annual Report 2016-17, 2019). So there is a huge gap between registered companies and companies paying tax. Coordination among NBR, RJSC, and ICAB can help improve this situation among other measures.

VIII. Conclusions

Several reform initiatives were undertaken in the last four decades, some of those were comprehensive and some were designed to achieve a specific objective. Of them, TEC, World Bank's initiative, RRC, and CMP were covering the whole gamut and others were for the modernization and simplification of the tax system. After the CMP in 2011, there was no major reform effort in the field of direct taxation. Recently VAT Act has been finalized and put into effect but the direct tax code 2012 is still in the darkness. Though reform

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initiatives have already been up to the mark in some field, but the overall outcome of reforms are not satisfactory in terms of tax-GDP collection and other parameters. In the case of direct taxes, the revenue ratio has shown an upward trend. But, the revenues realized are nowhere near the potential and much remains to be done to improve the horizontal equity of the tax system by extending the tax net. Some business bodies like FBCCI always call for the reduction of corporate tax rate but the rate is reasonable in comparison with other South Asian countries. The inability to bring in the all registered companies into the tax net has continued to exert pressure to increase the standard exemption limit of deductions. Tax incentives should be designed to protect local import substitute industries as well as to attract FDI. Since the last eight years there is no comprehensive reform initiative, so an all-inclusive tax reform commission should be formed to address the present limitations and challenges in the tax regime of Bangladesh.

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Examining the Relationship Between Contribution and Production Capacity

By Ahmed Mohamed Ameen

Abstract- This paper examines the relationship between production capacity and contribution. A total of 81 companies in Michigan City are to be sampled and their views analyzed so as to make a policy making recommendations to the cost accountants and production managers. Both production/ optimal output and contribution are factors of Cost Volume Profit (CVP) analysis. While many perceive fixed cots be the main factor influencing the production capacity, there is a research gap on this fact. This is due to the fact that variable cost varies with production levels. Being that contribution takes into consideration only the fixed cost, it is a critical factor in determining the production capacity and the optimal production levels thereof. This has been proven from the literature conducted in this research paper. 81 emails were sent, but only 73 responded which is 90%.Over 80% of the 73 companies from which views were sampled confirmed this fact, though an overwhelming majority, were yet to make their production decisions based on the level of contribution.

This paper, therefore, recommends that contribution be included in determination of production capacity, the current system be changed, sensitivity analysis be done for all assumptions and a further research be done on this topic, whenever assumptions are made, it is advisable that a sensitivity analysis be performed to determine to ensure that more realistic results are realized and a further research conducted on this topic.

GJMBR-D Classification: JEL Code: M40



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Examining the Relationship between Contribution and Production Capacity

Ahmed Mohamed Ameen

Abstract- This paper examines the relationship between production capacity and contribution. A total of 81 companies in Michigan City are to be sampled and their views analyzed so as to make a policy making recommendations to the cost accountants and production managers. Both production/ optimal output and contribution are factors of Cost Volume Profit (CVP) analysis. While many perceive fixed cots be the main factor influencing the production capacity, there is a research gap on this fact. This is due to the fact that variable cost varies with production levels. Being that contribution takes into consideration only the fixed cost, it is a critical factor in determining the production capacity and the optimal production levels thereof. This has been proven from the literature conducted in this research paper. 81 emails were sent, but only 73 responded which is 90%.Over 80% of the 73 companies from which views were sampled confirmed this fact, though an overwhelming majority, were yet to make their production decisions based on the level of contribution.

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Chapter One

I. Introduction

a) Background

Contribution is one of the critical concepts used by business owners in assessing the ability to produce a certain volume of goods and/or services. This concept focusses on the effects of variable cost on the volume of output targeted. In essence, contribution is a subsection of Cost Volume Analysis (CVP) (Hanna & Kyoung, 2016).This concept focuses on the returns that a company or a business makes from each unit of a product sold and whether that returns are enough to allow the subject business make profit, after taking into account the fixed costs (Choo & Tan, 2011). This concept looks at the profit made on individual products. It is used in calculating how many items that should be sold to cover all the business cost which are variable in nature.

Production capacity, on other hand, is a major concern for many business owners as it is used to determine the ability to meet the market demand and win the trust of customers (Sherif, 2018). It is, however, worth noting that the primary factor from which the above emanates from is the amount of capital which has been set aside by an entrepreneur. This paper, therefore, examines the relationship between contribution and production capacity, as Cost Volume Profit (CVP) elements.

b) Problem Statement

According to Horngren, Dataand Rajan (2012), in expediting their duties, accountants must ensure that they avail sufficient financial information, using the required concepts, to aid the users of financial information in making prudent decisions. Contribution and production capacity is a subset of CVP analysis, which is a very powerful tool in financial and production decisions. The origin of contribution and production capacity can be traced back to Horngren, Datar and Rajan (2012), whose work found out the need for assumptions of more than a single product when making production planning. In making this assumption, the planners are able to predict the various risks that are likely to be associated with production. Planning using this assumption, however, is possible only if production managers as well as cost accountant appreciate the relationship between contribution and production capacity.

Plant managing requires that the mangers have efficient skills in costing and production costs. This will ensure continuous development, especially to production managers and production thereof. The tendency to determine production capacity and costs per product based on the projected selling price and not contribution is common. This is due to the fact that many production managers do not understand the relationship between contribution and production capacity. This mistake has always let to inability of companies to produce optimally. This paper, therefore, examines the relationship between contribution and production capacity.

c) Research Objective

The main goal of this paper is examining how production capacity can be optimized using contribution as an accounting tool. This will aid in planning for production as well as sale of the produced goods and services.

d) Research Questions

Based on the above objective, the following questions will be answered by this research project:

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i) What is the effect of contribution in developing an optimal production capacity?
ii) Is the current production planning favorable enough to give a clear relationship between contribution and production capacity?
iii) Can production per margin standard form the basis for optimizing production capacity?

e) Research Hypothesis

i. *Null Hypothesis*

i) The full costing for developing an optimal production, without considering contribution is wrong.
ii) In order to apply contribution in ensuring that an optimal production capacity is achieved, then the current system must be improved.
iii) Contribution per margin per standard hour is the criterion which can be used in achieving an optimal production capacity.

ii. *Alternative Hypothesis*

i) The full costing for developing an optimal production, without considering contribution is not wrong.
ii) In order to apply contribution in ensuring that an optimal production capacity is achieved, then the current system should not be improved.
iii) Contribution per margin per standard hour is not the criterion which can be used in achieving an optimal production capacity.

f) Justification for the Study

As had been pointed out earlier, there is a research gap on establishing the relationship between capacity optimization and contribution margin. Many production managers have made mistakes in the past for relating production to profit, fixed cost among other factors, but sidelining contribution, an important tool. This paper, therefore, targets policy makers in production management as well as cost accountant. The paper can also benefit business owners who intend to enhance their output levels.

g) Limitation of the Paper

The scope of this paper is limited to production management only. This means that it does not analyze how turnover and lead time can be improved.

Chapter Two

II. Literature Review

a) Introduction

This part reviews past papers which have analyzed the concept of production capacity optimization in relation to contribution. Both empirical and theoretical concepts will be analyzed.

b) Theoretical Review

Contribution can be defined as the difference between revenue and variable cost. From this definition, it is evident that contribution is a subset of cost volume analysis. Contribution helps production managers when they are making decisions on production of single and multiple products.

i. *Contribution as Part of CVP Model*

Cost-Volume Model Analysis is used in examining the relationship between changes in the volume of output and changes in profit. Profit in this case refers to realizable revenue after all costs have been deducted. Unlike fixed cots which do not change with the level of output, variable cots change with change in output level (Horngren, Data, & Rajan, 2012). This means that the higher the output level, the higher the level of variable cost and vice versa. This is the reason as to why attention should be given to contribution, as it takes into consideration only the variable cost. In addition to the above, contribution which is part of CVP plays a key role in strategic planning by assisting management in deciding the goal of an organization, as well as the main strategies which can be employed in achieving the set goals of an organization (Drury, 2008).The objective of alienating the elements of CVP such as contribution from the equation, or model is to help in identification of an optimal cost which will ensure that the company realizes its target profit and operates within the margin of safety.

According to Edo and Denis (2015), in order to determine optimal production level using contribution as factor of CVP, the various costs in production must be identified. Typically, the costs incurred in manufacturing include; automation costs, outsourcing costs, and total quality management. This alienation of costs, will also be handy, especially if the subject firm is following the principle of differentiation as a strategy. For proper prediction, one must ensure that contribution and ideal optimal production levels are identified at an early phases of the cost life cycle (Elsiefy & Gammal, 2017). Through this, the profitability of all products, including new ones in the system and their features can be analyzed to ensure that the equation written is accurate. In essence, identification ensures that the typical production errors are eliminated, leaving room for only the errors which cannot be predicted using contribution and optimal output production model.

Contribution and production capacity have been proven to be one of the most useful model components in exploring business decisions and situations. This is due to the fact that these components obliges managers to appreciate and understand how costs and revenues vary with changes in the output levels, hence making the realizable revenue and profit thereof predictable (Goertzen, 2017). In essence, by focusing on the contribution and production capacity,

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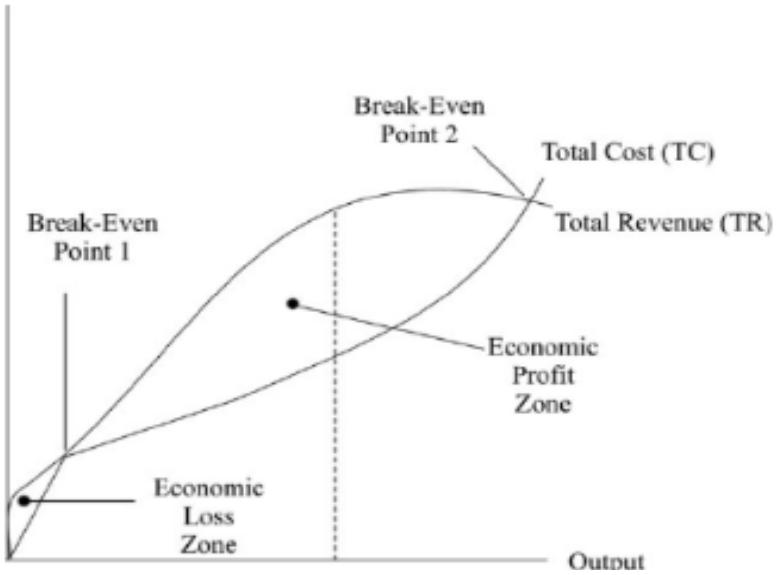
production mangers are able to understand the interrelationship between cost, output and revenue realizable. An assumption which is made in this case is that the firm or the production department is able to make a commitment to hold the various forms of capacity for at least one full period of operations.

This model also helps in identifying inventories which can be carried forward. This t means that the production managers will be able to plan for the current and future production schedules (Greshko & Kharabara, 2017). While variable costs may be very significant due to their varying nature, fixed cost are occasionally insignificant, as they are properly planned and provided for.

c) Empirical Review

i. *The Economist's Model*

Horngren, Datar, and Rajan(2012) believe that in focusing at contribution as a factor of production capacity, the production managers or planner must take into consideration the diminishing marginal utility. Research done in the past has proven that diminishing marginal productivity and contribution tends to have the same curves. Just like the total revenue increases the proportionate output, contribution also affect the proportionate output levels. Based on the predictable or planned output, one is able to plan the production capacity. This is due to the fact that the adverse effects on variable costs outweighs the benefits accrued by the revenue realizable out of the output. The figure below summarizes the economist's model.



Source: Greshko & Kharabara (2017):p.117

Figure 1: Graph of Economic Profit Zone

ii. *The Accountant's Model*

In accountant's model, it is assumed that there is a constant variable cost and selling price per unit which are used in setting the desirable or optimum production capacity. This, therefore, means that there is linear relationship between optimal production level or production capacity and contribution (Hilton, Maha, & Selto, 2014). The result is a single break-even point, which is unlike the economist's model. It is, however, worth noting that the economists view has proven to be more practical to many reduction managers, due to its assumption of a non-linear total cost or production.

d) Conclusion

From the above analysis, it is possible to conclude that the concept of influence of contribution on production capacity has not been analyzed in depth. This is due to the fact that professionals have contradicting ideas and evidences on how these two factors of CVP behave in a production equation.

Chapter Three

III. Research Methodology

a) Introduction

This chapter focuses on the approach that will be used to conduct the research and also a brief description of material to be used. In every research, it is imperative to have a research methodology section which illustrates the steps involved in conducting the study. These steps should include research participants, instruments, procedures, data analysis and limitations.

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The rationale is that another researcher should be able to replicate the study accurately by going through this part. The participants section involves subjects that were used in the analysis. How they are expected to affect the study will also mentioned. This will be clearly stated, including the rationale of picking them.

b) Participants

Participants in this case refer to the various people whose input will be required in conducting this research. The project will seek to sample the views of 81 companies in Michigan City. The view will be sampled by collecting the views of cost accountants and production managers. While collecting the required data, high levels of ethical standards was upheld, such that information collected through email will remain confidential. Some of the specific participants that this project will involve are as follows:

Table 3.1: Summary of Participants in the Study

Participants	Role
Cost Accountants	Data of on the current production equations
Business Owners/ Company Directors	Information on how they use contribution to optimize their expected earnings
Production Managers	Data on the current production trends

c) Materials

The main materials used include special design questionnaires. Questionnaires were sent through email to the owners of the company as well as employees. It is, however, important to note that some of the owners of the enterprises were not competent enough to fill the questionnaires and send back via email. For such people, oral questions through phone calls were used in order to get the desired data. This was done in order to ensure utmost accuracy of the data collected. It is however, worth to note that a greater percentage of the data, was collected through emails.

d) Variables

Horngren, Datar, and Rajan (2012) defines variables as parameters which are affected or not affected by factors within a given equation. There are two main variables namely dependent and independent variables. Dependent variables vary with change in independent variables, while independent remains constant with change in other parameter. Dependent variable in this case is contribution, while production capacity or else optimal production levels is the independent variable. In this case the equation of the problem is as follows:

$Y = a + bX_1 + U$, where;

a= y- intercept

b= co-efficient of X_1

X_1 = the independent variable

U= the error term

e) Study Population and Sample Size

As had been stated earlier, the research sampled views of 81companies within the city of Michigan, while taking into consideration the main objective of the research question. According to Horngren, Datar, and Rajan (2012), population study is the most suitable, since all the elements of the population stands a chance of being a representative of the sample. The target population for this study will be companies which use CVP analysis in the production equation, within United States. Calculation of the sample size has been done as follows:

$$\frac{Z^2 * (p) * (1-p)}{d^2}$$

Z = Z is the SD at 1.96 confidence level

p = the estimated target population measured at (0.5)

d^2= Statistical significance level at 0.1%

If no determined estimate for the target population proportion assumed to have desired characteristics, 50% should be adopted (Horngren, Datar & Rajan (2012). It is estimated that the number of companies using CVP in Michigan is 161, hence the sample to be studied is 81. This can also be calculated using the above formula as follows:

Given the following;

Z-Score = 1.96

P = 0.3

Margin of error = ±5%

Confidence interval = 0.05

Sample size therefore =

$$\frac{1.96^2 * (0.3) * (1-0.3)}{0.1^2}$$

= 81 companies

The sample companies will be 81 drawn from respondents within Michigan, giving a provision of 10% over and above the desired sample in size, in the event of non-response on some of the respondents in the sample size.

f) Data Analysis procedure

Upon completion of data collection, cleansing of the data followed before commencement of the data using various statistical tools. Data collection as well as

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analysis took a period of two months. Data was then analyzed using SPSS software.

Chapter Four

IV. Data Analysis

a) Introduction

This chapter presents findings of the analysis of this study which was done for a period of two moths and in 81 companies. These findings are presented thematically based on the hypothesis of the study. Both quantitative and qualitative results of the analysis from the data collected from this study were done. Quantitative findings were analyzed by the use of parametric and non-parametric statistical inferential methods and data has been presented using three strategies including exploratory analysis, descriptive analysis, and correlation analysis. Qualitative data was analyzed thematically using content analysis by categorization, summarization, and comparison of the study findings. Data is presented in text, charts and histograms as per each hypothesis.

b) Response Rate

The study sampled 73 companies, which is 90% of the 81 companies which were targeted. Sampling focused on companies which employ CVP analysis in their production planning and execution.The questionnaires were administered through email. The survey was carried out in a period of two months which was ample enough for all the respondents to be reached and reply. This explains the 90% response rate experienced, from the sample size identified.

c) Trend on Contribution and Optimal Production Capacity

Since hypothesis of the study involved studying of Cost Volume Profit, focusing on its main factors which are contribution and optimal production levels or else production capacity, it was deemed important for the descriptive on contribution as variable to be analysed. The results were as follows:

Table 4.1: Extent of respondent's application of Contribution in Production Capacity Determination.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Never	5	6.85	6.85	6.85
	Low	13	17.81	17.81	24.66
	Medium	20	27.40	27.40	52.06
	High	28	38.36	38.36	90.42
	Always	7	9.58	9.58	100.0
	Total	73.0	100.0	100.0	

Table 4.1 above displays the extent to which the respondents are using contribution in determination of production capacity in their respective companies. A majority of them reported high involvement (38.36%) with those having never involved with it being the least at 6.85%. The research also sought to analyse the frequency of application of contribution in determination of production capacity. The results was as follows:

Table 4.2: Frequency of Employing Contribution on Determining Production Capacity

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1 - 4 weeks ago	3	4.11	4.11	4.11
	5 - 12 weeks ago	15	20.55	20.55	24.66
	13 - 52 weeks ago	51	69.86	69.86	94.52
	More than a year ago	4	5.48	5.48	100.0
	Total	73	100	100	

This being part of financial accounting, there are a number of standards which must be adhered to. It was an interest of the research paper to analyse the levels of adherence to these standards. The results showed that the level of adherence for International Accounting Standards (IAS) was 51%, followed by adherence to

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GAAP at 23% and lastly IFRS at 26%. In valuing the inventories, the accountants take into consideration the Net Book Value (NBV).This was mainly due to the practices of book keeping employed by these companies. This can be analysed as follows:

Table 4.3: Main standards of reference in CVP Analysis

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	IFRS	19	26	26	26
	IAS	37	51	51	77
	GAAP	17	23	23	100
	Total	73	100.0	100.0	

Chapter Five

V. Discussion

a) Descriptive

As had been stated earlier, the research realized a commendable response rate of 90% from the sample size of 81companies which were identified. Chi-square tests conducted on the data gave values which were not significant. All the respondents employed CVP analysis in production. This is despite the fact that not all respondents used it in their production management. The distribution was actually normal with higher percentage between those employing CVP analysis and those not employing it being zero to 10. A normal distribution ensure that that the whole process of conducting research is simple (Goertzen, 2017). The same normality was observed in terms of seeking for responses on application of variable costs to predict revenue.

A significant number of respondents were aware of contribution as a component to CVP. 80% of the emails agreed that there is a close relationship between production capacity and contribution as a factor of CVP. This further affected the opinions availability on fixed cost as well as valuation of inventories on the market value. In essence, there was biasness towards contribution to the already stated reason.

b) Inferential

i. *T-test Results*

For the period t-test analyses, it was found out that, there was a significant difference in the preferred scores depending on the experience of the respondents. In fact, it was found out that the scores decrease with low experience in the field of production management. On further analysis, the paired t-test was conducted for each gender individually since it was found in the descriptive statistics that each company changed in different ways. This is an indication that although there was an overall significant difference in the contribution scores, this overall difference could be attributed to the significant changes in the scores of experience.

ii. *ANOVA Results*

As for ANOVA results, it was found that the overall preference on contribution as a means of determining the level of production had a significant score. Depending on the type of preferred methods and factor of evaluation used is significant enough to change the scores. Just as it was found in t-test, the level of experience had contributed to appreciation of contribution as a preferable factor for determining the optimal production levels.

Chi-Square Test.

Chi-Square Test

The-chi square test represents a useful method, which is used in comparing experimentally obtained results, with those which would be theoretically expected on the subject. This this measure has been used in measuring the divergence of the observed and expected frequencies. It is very obvious from the study which has been conducted that this measure has helped in establishing the divergence between theory and fact. Theoretically, it is expected that companies base their production on the level if contribution. The result from the research however, has proven otherwise. The divergence is 30% as is gotten from the chi-square test.

Chapter Six

VI. Conclusion and Recommendations

a) Conclusion

Based on the previous analysis, it is possible to conclude that contribution is acritical factor in determining the level of production. This is due to the fact that it focuses on variable cost, which is a cost that changes with the output level. More than 80% of the respondents confirmed that contribution as a factor of CVP analysis is the main factor for determining production capacity. There search therefore accepts the null hypothesis. The respondents noted that production level as well as profitability levels are key factors

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influencing the going concern of a company, hence should be treated with the deserving weights.

b) Recommendations

Based on the above conclusion, this research makes the following recommendations:

i) Contribution should be included as a key consideration in developing full costing for developing optimal production level.
ii) The current system, which takes fixed cost as the main factor of determining production capacity should be reviewed.
iii) Whenever assumptions are made, it is advisable that a sensitivity analysis be performed to determine whether and/ or the assumptions affects the production level decisions.
iv) When coming up with an equation for production, it is advisable to identify the various cost drivers and then incorporate them in to the formulation of the model. This will ensure that a more realistic results are realized.
v) A further research be conducted on this topic.

Abbreviations

Abbreviation	Meaning
CVP	Cost Volume Profit
NBV	Net Book Value
IFRS	International Financial Reporting Standards
GAAP	Generally Accepted Accounting Principles

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Analyzing the Competitors of Stock Market for Stock Investments (A Study on Textile Industry Under Dhaka Stock Exchange, Bangladesh

By Mouly Deowan & Arif Ahsan

Abstract- The stock market refers to the collection of markets and exchanges where buying and selling of shares of publicly held companies takes place. Here in this paper we mainly focus on Dhaka Stock Exchange. Where we choose the Textile Industry listed in Dhaka Stock Exchange for analyzing the competitors. As the Textile Industry of Bangladesh is a successful industry so competitor analysis is important issue to consider. Here we supposed to hold the shares of HR. Textile Ltd and we also take another six textiles to analyze the competitors. By the competitor analysis we can ensure whether to hold the current company shares or we should switch the company.

Keywords: *stock exchange, stock market, stock, earning per share, dividend.*

GJMBR-D Classification: *JEL Code: E22*



Strictly as per the compliance and regulations of:

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Analyzing the Competitors of Stock Market for Stock Investments (A Study on Textile Industry Under Dhaka Stock Exchange, Bangladesh)

Mouly Deowan [α] & Arif Ahsan [σ]

Abstract- **The stock market refers to the collection of markets and exchanges where buying and selling of shares of publicly held companies takes place. Here in this paper we mainly focus on Dhaka Stock Exchange. Where we choose the Textile Industry listed in Dhaka Stock Exchange for analyzing the competitors. As the Textile Industry of Bangladesh is a successful industry so competitor analysis is important issue to consider. Here we supposed to hold the shares of HR. Textile Ltd and we also take another six textiles to analyze the competitors. By the competitor analysis we can ensure whether to hold the current company shares or we should switch the company.**

Keywords: stock exchange, stock market, stock, earning per share, dividend.

I. Introduction

The stock market is a marketplace for the trading of stocks or shares. It helps to trade financial instruments like bonds, mutual funds, as well as shares of companies. Stock exchange is the basic platform that provides the facilities used to trade company stocks and other securities. It is the meeting place of the stock buyers and sellers. Stock typically takes the form of shares of either common stock or preferred stock. A stock may be bought or sold only if it is listed on an exchange. Bangladesh's premier stock exchanges are the Dhaka Stock exchange and Chittagong stock exchange. Here the main concern is Dhaka Stock exchange listed companies. Dhaka Stock Exchange incorporated as East Pakistan Stock Exchange Association Limited on April 28, 1954. As public limited company the name was revised to East Pakistan Stock Exchange Ltd on June 23, 1962. Again on May 14, 1964 the name of East Pakistan Stock Exchange Limited was changed to "Dacca Stock Exchange Ltd.". Although incorporated in 1954, the formal trading started in 1956 at Narayanganj after obtaining the certificate of commencement of business. But in 1958 it was shifted to Dhaka and started functioning at the Narayangonj Chamber Building in Motijheel C/A.

For any types of industry competitor analysis is very important to know the current position of their company for maintaining its position in stock market. The textile industry also required the competitor analysis. As the Textile industry is one of the oldest and most successful industries with its rich history. Moreover, in recent years there has been a substantial development in yarn and fabric production *(Fibre 2 Fashion)*. So proper competitor analysis is a vital issue there. By analyzing the competitor they can ensure their strength and weakness in comparison to other companies. This will help to know the investment requirement of any company. There are many companies listed in Dhaka stock exchange but all the companies are not same competitive. For knowing the competitor some analysis is required. This report will give the textile industry a significant competitive analysis to know their position in stock market.

The textile and clothing sector is the largest manufacturing activity in Bangladesh. The textile and clothing (T&C) industries provide the single source of economic growth in Bangladesh's rapidly developing economy. Exports of textiles and garments are the principal source of foreign exchange earnings *(Afsana)*. As global demand for cheap clothing raises rapidly, Bangladesh's position as the second biggest exporter of garments in the world continues to hold strong, which is mainly due to its large population and low labor costs. In fact, according to the World Bank, the country's GDP is expected to grow to 6.7 percent this year, which will make Bangladesh one of the faster growing economies in the world *(Textile Value Chain)*. From the Bangladesh Textile Mills Association we get the information that there are 1461 member mills in Bangladesh. Among them Yarn manufacturing mills are 425. Fabric manufacturing mills 796. Dyeing-printing- finishing mills 240. There is huge contribution of textile industry in Bangladesh economy. The Investment in the Primary Textile Sector: over 4.5 billion US$, The Value addition in knit & woven RMG are over 70% & 35% respectively, Textile sector contributes more than 12% in GDP, Over 81% of the export earning comes from Textiles & Textile related products, Around 90% yarn demand for knit RMG & 35-40% yarn demand for woven RMG are met by Primary Textile Sector (PTS), Local fabric demand & the yarn demand for handloom are also met by Primary Textile Sector (PTS), Backward & Forward linkage industries provide employment for more than 5 million people

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where 80% are female, PTS industries producing around 1200 MW power through Captive Generator *(Bangladesh Textile Mills Association)*.

II. Objectives of the Research

In this research paper, our main focus is to find out the current situation or current market mechanism of the competitors of textile industries under Dhaka Stock Exchange. Identification of the competitors' position of textile industries in DSE regarding their activities and suggestions to the investors in this regard there are also the prime objectives of this research.

III. Limitations of the Research

In this research paper, a whole-hearted effort was applied to collect, organize, and interpret the related data and information, and to attain the optimum outcome of the research. In spite of these efforts, there exist some limitations in this research paper that acted as a barrier to conduct the research. There is a saying "There is no unmixed blessing on earth". In case of making this research paper this proverb was proved again. We had to work with secondary data and some secondary data are recently not updated. If the data would updated recently then it will help for making the research paper more precisely.

IV. Review of the Literature

a) Financial Institutions and Markets

Most successful firms have ongoing needs for funds. They can obtain funds from external sources such as-financial institutions, financial markets etc. Financial institutions serve as intermediaries by channeling the savings of individuals, businesses, and governments into loans or investments. Many financial institutions directly or indirectly pay savers interest on deposited funds; others provide services for a fee (for example, checking accounts for which customers pay service charges). Some financial institutions accept customers' savings deposits and lend this money to other customers or to firms; others invest customers' savings in earning assets such as real estate or stocks and bonds; and some do both. Financial institutions are required by the government to operate within established regulatory guidelines. Financial markets are forums in which suppliers of funds and demanders of funds can transact business directly. Whereas the loans and investments of institutions are made without the direct knowledge of the suppliers of funds (savers), suppliers in the financial markets know where their funds are being lent or invested. The two key financial markets are the money market and the capital market. Transactions in short-term debt instruments, or marketable securities, take place in the money market. Long-term securities-bonds and stocks-are traded in the capital market. The Market Capitalization is the total market value, at the current stock exchange list price of the total number of equity shares issued by a company.

Financial markets play an extremely important role in corporate finance. Financial create an open and regulated system for companies to get large amounts of capital. This is done through the stock and bond markets. Markets also allow these businesses to offset risk. They do this with commodities, foreign exchange futures contracts, and other derivatives. The primary advantage of the corporate form of organization are that ownership can be transferred more quickly and easily than with other forms and that money can be raised more readily. Both of these advantages are significantly enhanced by the existence of financial markets.

To raise money, firms can use either private placements or public offerings. Most firms, however, raise money through a public offering of securities, which is the nonexclusive sale of either bonds or stocks to the general public. The stock exchange provides a sound and stable securities market where shares can be bought and sold. The stock exchange provides listed companies with a channel seek capital fund from the public and at the same time it provides the investors a place to buy and sell shares of the listed companies. The exchange also monitors the market to ensure that it is working efficiently, fairly and transparently.

The following types of securities are available on the stock market for investment: Ordinary shares of listed companies, Mutual funds, Debenture, Bond.

Share represents a small stake in the total paid up capital of a company. In fact a public limited company is one that is formed to accumulate capital from a large pool of investors. Therefore total capital of such companies is divided into smaller equal denomination unit represented by a share/capital. One may buy large or small lots to match the amount of money that one wants to invest. A company's share price can rise or fall as a result of its own performance or market conditions. Once the shares are bought and transferred to new investor's name, the name will be entered in the company's share register, the new investors will then be entitled to receive all the benefits of share ownership including the rights to receive dividends, to vote at the company's general meetings and to receive the company's reports.

Don't put in your money until you have understood all relevant information regarding the investment. Prepare yourself for the vigorous homework of analyzing company's annual reports, EPS (Earning per Share), accounts and other statements while keeping abreast of what's happening in the industry, country and elsewhere that may affect your investment. Consult your investment adviser/broker to get latest market information about shares you intend to buy or sell. Be skeptical of anything picked up from rumors, particularly if you cannot rationally explain their choice. Bear in mind that even in the best of securities/shares,

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there can be short-term aberrations. It is important to have the power to hold your investments for longer periods. Studies have shown that investments properly timed and based on strong fundamentals have been very profitable for investors in the longer term.

Financial markets function as both primary and secondary markets for debt and equity securities. The term primary market refers to the original sale of securities by governments and corporations. This is the only market in which the corporate or government issuer is directly involved in the transaction and receives direct benefit from the issue. That is, the company actually receives the proceeds from the sale of securities. Once the securities begin to trade between savers and investors, they become part of the secondary market. The primary market is the one in which "new" securities are sold. The secondary markets are those in which these securities are bought and sold after the original sale. Equities are, of course, issued solely by corporations. Debt securities are issued by both governments and corporations. The secondary market can be viewed as a preowned securities market.

Few key terms related to financial institutions & markets:

Securities Exchanges: Securities exchanges provide the marketplace in which firms can raise funds through the sale of new securities and purchasers of securities can easily resell them when necessary. Many people call securities exchanges "stock markets," but this label is misleading because bonds, common stock, preferred stock, and a variety of other investment vehicles are all traded on these exchanges.

Organized Securities Exchanges: Organized securities exchanges are tangible organizations that act as secondary markets where outstanding securities are resold. Organized exchanges account for a major share of stock trading of domestic shares.

The role of security exchanges: Role of Stock Exchanges are varied and highly important in the development of economy of a country*(raising capital for businesses, mobilizing savings for investment, facilitating company growth, profit sharing, corporate governance, creating investment opportunities for small investors, government capital raising for development projects etc.)*. They measure and control the growth of a country. Stock markets are the places, where exactly company does their business. Company's stock trading transactions are executed at the stock exchanges through their broker, unless they have a membership with that exchange, which enable them to trade directly.

Common Stock: The true owners of business firms are the common stockholders. Common stockholders are sometimes referred to as residual owners because they receive what is left-the residual-after all other claims on the firm's income and assets have been satisfied. They are assured of only one thing: that they cannot lose any more than they have invested in the firm. As a result of this generally uncertain position, common stockholders expect to be compensated with adequate dividends and, ultimately, capital gains.

Closely Owned (stock): All common stock of a firm owned by a small group of investors (such as a family).

Publicly owned (stock): Common stock of a firm owned by broad group of unrelated individual or institutional investors.

Authorized Shares: The number of shares of common stock that a firm's corporate charter allows it to issue.

Authorized Capital: Maximum value and amount of total shares that a company is authorized to issue legally is termed as authorized capital or authorized share capital. It is the maximum amount a company can raise as capital in form of both equity shares and preference shares during its lifetime.

Outstanding Shares: The number of shares of common stock held by the public.

Treasury Stock: The number of shares of outstanding stock that have been repurchased by the firm.

Issued Shares: The number of shares of common stock that have been put into circulation; the sum of outstanding shares and treasury stock.

Preferred Stock: Preferred stock gives its holders certain privileges that make them senior to common stockholders. Preferred stockholders are promised a fixed periodic dividend, which is stated either as a percentage.

Par-value preferred stock: Preferred stock with a stated face value that is used with the specified dividend percentage to determine the annual dollar dividend.

No-par preferred stock: Preferred stock with no stated face value but with a stated annual dollar dividend.

Dividend: In accounting, dividends often refer to the cash dividends that a corporation pays to its stockholders or shareholders. Dividends are often paid quarterly, but could be paid at other times. For a dividend to be paid, the corporation's board of directors must formally approve/declare the dividend.(Harold)

Paid in capital/Paid up capital: Paid in capital/Paid up capital is the payments received from *investors* in exchange for an entity's *stock*. This is one of the key components of the total equity of a business.

Earnings per share (EPS): Earnings per share or EPS is an important financial measure, which indicates the profitability of a company. It is calculated by dividing the company's net income with its total number of outstanding shares. It is a tool that market participants use frequently to gauge the profitability of a company before buying its shares.

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Share Category: The share category is divided into shares of the company in different groups according to the company's performance on the market.

According to DSE there are 4 category shares: A, B, N, & Z category shares.

A-Category Companies: Companies which are regular in holding the *Annual General Meetings* and have declared dividend at the rate of *10 percent* or more in the last English calendar year.

B-Category Companies: Companies which are regular in holding the *Annual General Meetings* but have *failed* to declare dividend at least at the rate of *10 percent* in the last English calendar year.

N-Category Companies: Newly listed companies except green-field companies which shall be transferred to other categories in accordance with their *first dividend declaration* and *respective compliance* after listing of their shares.

Z-Category Companies: Companies which have *failed* to hold the *Annual General Meeting* when due or have *failed to declare any dividend* based on annual performance or which are *not in operation continuously for more than six months* or whose *accumulated loss* after adjustment of revenue reserve, if any, exceeds its paid up capital.

If you buy any shares from *Category A, B* or *N,* your shares will mature in *T+2* settlements cycle (refers to *Today + 2 working days*). This means you can sell the shares you bought after 2 working days. So, if you buy Category A, B or N shares on *Sunday*, the trade will be settled on *Tuesday*. Friday, Saturday, bank and exchange holidays are excluded.

If you buy any shares from *Category Z*, your shares will mature in *T+9* settlements cycle (refers to *Today + 9 working days*). This means you can sell the shares you bought after 9 working days.

b) Products of Dhaka Stock Exchange

Currently two types of Equity instruments are tradable at DSE -

Equity:

These are ordinary shares of listed companies. For a certain period from the IPO date certain number of shares is not tradable. 3 years after listing all shares are usually tradable unless there are right offerings. Directors' portion of right shares is not tradable for 1 year. DSE Indices are calculated based on free float shares of selected listed companies. Free float is adjusted for non-tradable shares, institutional holdings, strategic holdings and sponsor-director holdings. Equity shares depending on the category have settlement period of T+2 or T+9. For implementation of record dates for corporate actions shares are sometimes placed on T+0 settlement cycles for certain number of days.

Mutual Funds:

These are units of one of the variants of listed collective investment schemes. These funds are usually closed end mutual funds governed by the Securities and Exchange Commission (Mutual Funds) Rules, 2000 and are backed by one corporate sponsor and usually are named with the sponsor's name. The sponsors are required to hold at least 10% of the holding for at least a period of 1 year and 1% of the holding for the total life of the fund. There are designated Asset managers and Trustees. The Asset Managers manage the funds on day to day basis and investment strategies are governed by the IPO prospectus and are supervised by the Trustees. All assets of a mutual fund is maintained with a custodian. Mutual funds are traded on a T+2 settlement cycles. For implementation of record dates for corporate actions shares are sometimes placed on T+0 settlement cycles for certain number of days. Mutual Funds are not parts of any indices. Asset managers are required to disclose NAV of respective mutual funds on weekly basis.

Debt:

Currently three types of Debt instruments are tradable at DSE.

Corporate Bonds:

There are corporate bonds issued by companies that may or may not be listed with DSE. All current bond issuers are listed with DSE. Corporate Bonds are traded on T+2 settlement period trading fees, unlike equities, are fixed at Taka 50 per transaction.

Treasury Bonds:

All treasury bonds issued by the Bangladesh Bank (Central Bank of Bangladesh) are listed with DSE. The common maturities are 5, 10, 15 and 20 years. Coupon rate varies from 8.5% to 13% depending on when the bonds were issued. Par value of each Treasury bond is Tk. 100,000. There is a alternate market for trading treasury bonds hosted by Bangladesh Bank where the AD Banks can participate in trading. Settlement period for treasury bonds are T+0 and trading fees, unlike equities, are fixed at Taka 50 per transaction.

Debentures:

These are unsecured debt instruments issued by listed companies. They carry both variable and fixed interest rates. All currently listed debentures are matured and are still listed due to some incomplete legal proceedings. Debentures are traded on T+2 settlement period trading fees, unlike equities, are fixed at Taka 50 per transaction.

Future Products:

DSE has already initiated steps to explore and ultimately launch various new tradable products starting with Exchange Traded Funds to be followed in the long

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term by expansion of current product offering to include Convertibles, Bonds, Shariah Compliant Products including Sukuk, ETFs and REITs. Once these products are in mature form the department will be seeking to launch related hedging products. Fresh dialogue with Bangladesh Bank will be initiated to allow active trading of Treasury Bonds on the Exchange. Future Product design, marketing, formation of regulatory framework, stakeholder readiness are all part of work plans for the Division.

V. Analysis and Findings

I have selected my competitors under the criteria of Earnings per share, turnover, Cash dividend, listing year, Last trading price, authorized capital and Market category of shares. The first two companies Saiham textile and Prime textile I have selected as my competitors under the given criteria whereas the other two companies Hwa well textile and Hamid fabrics I have selected as my competitors based on the nature of the investors or shareholders in the share market.

List of possible competitors:

Table 1: List of possible competitors

27/10/18 Time: 2.30pm	HR. Textile. Ltd.	Tosrifa Industries Ltd.	Simtex Industries Ltd.	Saiham Textile Mills Ltd.	Prime Textile Spinning Mills Ltd.	Hwa Well Textiles (BD) Limited	Hamid Fabrics Limited
Opening price	37.10	22.20	37.50	39.70	36.30	38.00	26.50
Last trading price	37.70	22.60	38.40	39.00	34.50	37.90	26.50
Change (%)	2.17	0.44	(1.05)	(1.76)	(3.09)	2.16	(0.38)
Authorized Capital (mn)	1000	1000	1000	1500	1500	1000	2000
Paid up Capital (mn)	253.00	631.69	659.18	905.63	382	560.00	910.57
Cash dividend	2017-10%,2016-10%, 2015-10%	2017-10%,2016-12%,2014-5%	2017-2%,2016-20%	2017-12%,20165%	2017-10%,2016-10%, 2015-10%	2017-15%,2016-15%, 2015-15%,2014-15%	2017-15%,2016-15%, 2015-15%,2014-10%
Market price	43.5	21	28.1	19	23.1	37.7	24.4
Listing year	1997	2015	2015	1988	1995	2014	2014
Market Category	A	A	A	A	A	A	A
Market Capitalization	933.570	1421.292	2504.865	3595.331	1359.920	2077.600	2422.124
Turnover Revenue (9 months) mn	1469.11	874.22	1014.12	1634.16	1259.95	975.19	1842.53
Earnings per Share	1.70	0.51	1.54	1.21	0.73	1.79	1.54

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Selection of Competitors:

Table 2: Selection of Competitors

27/10/18 Time: 2.30pm	HR. Textile. Ltd.	Saiham Textile Mills Ltd.	Prime Textile Spinning Mills Ltd.	Hwa Well Textiles (BD) Limited	Hamid Fabrics Limited
Opening price	37.10	39.70	36.30	38.00	26.50
Last trading price	37.70	39.00	34.50	37.90	26.50
Change (%)	2.17	(1.76)	(3.09)	2.16	(0.38)
Authorized Capital (mn)	1000	1500	1500	1000	2000
Pain up Capital (mn)	253.00	905.63	382	560.00	910.57
Cash dividend	2017-10%,2016-10%, 2015-10%	2017-12%,20165%	2017-10%,2016-10%, 2015-10%	2017-15%,2016-15%, 2015-15%,2014-15%	2017-15%,2016-15%, 2015-15%,2014-10%
Market price	43.5	19	23.1	37.7	24.4
Listing year	1997	1988	1995	2014	2014
Market Category	A	A	A	A	A
Market Capitalization	933.570	3595.331	1359.920	2077.600	2422.124
Turnover Revenue (9months) mn	1469.11	1634.16	1259.95	975.19	1842.53
Earnings per Share	1.70	1.21	0.73	1.79	1.54

Selection of Competitors: I have selected my competitors under the criteria of Earnings per share, turnover, Cash dividend, listing year, Last trading price, authorized capital and Market category of shares. The first two companies Saiham textile and Prime textile I have selected as my competitors under the given criteria whereas the other two companies Hwa well textile and Hamid fabrics I have selected as my competitors based on the nature of the investors or shareholders in the share market.

Why Saiham textile and Prime textile have been selected:

- My company HR textile is giving consistently a cash dividend of 10% from year of 2015 to 2017 whereas Prime textile is giving same amount of cash dividend of 10% from year of 2015 to 2017. Prime textile's dividend trend also looks good and it was 5% in the year of 2016 12% in the year of 2017.
- My company's turnover is 1469.11mn whereas saiham textile and Prime textiles turnover is 1634.16mn and 1259.95 mn respectively which are close to my company.
- My company's listing year was 1997 whereas other two competitors listing year was 1988 and 1995 which are closest to my company.
- My company's market category is A whereas other two competitors saiham textile and prime textile are also A categorical company.
- My company's last trading price 37.70 whereas saiham textile and prime textile have a last trading price of 39 and 34.50 which is much closer to my company.
- My company's authorized capital is 1000 mn whereas saiham textile and prime textile have an authorized capital of 1500 mn and 1500 mn respectively. There is a difference but that is not that much high.
- My company HR textile has earnings per share of 1.70 whereas saiham textile and prime textile have earnings per share of 1.21 and 0.73 respectively. The earnings per share of saiham textiles are closer to my company whereas there is a difference in earnings per share between my company and Prime textile. But still I think prime textile company can give more earnings per share in upcoming years because the company is sustainable.

So, those who don't want to take risk that means less risk taker can invest in saiham textile and prime textile company because these two companies

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are more sustainable considering their listing year in DSE.

Why Hwa well textile and Hamid fabrics have been selected:

These two competitors have been selected based on the nature of the investors in the share market. Hwa well textile and Hamid fabrics have been listed in the year of 2014 in DSE. In terms of listing year these two companies are less sustainable. Generally, the companies which are new in the stock market they start giving a good amount of cash dividend for the first few years to attract more investors in the stock market. After a certain period of time they might give fewer dividends as the future is uncertain .That's why the market value of the share falls. Although Hwa well textile and Hamid fabrics are new in the stock market but they are giving consistently a good amount of cash dividend of 15%. That means the dividend trend looks good. These types of companies are usually good for risk taker investors.

So, those who want to take risk that means risk taker investors can invest in these two companies to get more dividends. That's why I have selected Hwa textiles and Hamid fabrics as my competitors because these two companies might take away the investors from my company.

Competitors based on Less Risk Taker Investors:

27/10/18 Time:2.30pm	HR. Textile. Ltd.	Saiham Textile Mills Ltd.	Prime Textile Spinning Mills Ltd.
Last trading price	37.70	39.00	34.50
Authorized Capital (mn)	1000	1500	1500
Cash dividend	2017-10%,2016-10%, 2015-10%	2017-12%,2016-5%	2017-10%,2016-10%, 2015-10%
Listing year	1997	1988	1995
Market Category	A	A	A
Turnover Revenue (9months) mn	1469.11	1634.16	1259.95
Earnings per Share	1.70	1.21	0.73

If we do not want to take risk more risk on investment then we will invest on Saiham textile and Prime textile's stock. Because their trading price per stock is reasonable at the same time they announce dividend regularly with a moderate dividend rate. Both of the companies are also A category company in the Dhaka stock exchange.

Competitors based on high Risk Taker Investors:

27/10/18 Time: 2.30pm	HR. Textile. Ltd.	Hwa Well Textiles (BD) Limited	Hamid Fabrics Limited
Last trading price	37.70	37.90	26.50
Authorized Capital (mn)	1000	1000	2000
Cash dividend	2017-10%,2016-10%, 2015-10%	2017-15%,2016-15%, 2015-15%,2014-15%	2017-15%,2016-15%, 2015-15%,2014-10%
Listing year	1997	2014	2014
Market Category	A	A	A
Turnover Revenue (9months)mn	1469.11	975.19	1842.53
Earnings per Share	1.70	1.79	1.54

If we expect more dividends then we can invest in Hwa Well Textile and Hamid Fabrics because they offer high dividends comparatively. We consider them high risk investment because sometimes their trading price goes up which cannot be afford for all types of investors.

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27/10/18 Time:2.30 pm	HR. Textile. Ltd.	Saiham Textile Mills Ltd.	Prime Textile Spinning Mills Ltd.	Hwa Well Textiles (BD) Limited	Hamid Fabrics Limited
Opening price	37.10	39.70	36.30	38.00	26.50
Last trading price	37.70	39.00	34.50	37.90	26.50
Change (%)	2.17	(1.76)	(3.09)	2.16	(0.38)
Authorized Capital (mn)	1000	1500	1500	1000	2000
Pain up Capital (mn)	253.00	905.63	382	560.00	910.57
Cash dividend	2017-10%,2016-10%, 2015-10%	2017-12%,20165 %	2017-10%,2016-10%, 2015-10%	2017-15%,2016-15%, 2015-15%,2014-15%	2017-15%,2016-15%, 2015-15%,2014-10%
Market price	43.5	19	23.1	37.7	24.4
Listing year	1997	1988	1995	2014	2014
Market Category	A	A	A	A	A
Market Capitalization	933.570	3595.331	1359.920	2077.600	2422.124
Turnover Revenue (9months) mn	1469.11	1634.16	1259.95	975.19	1842.53
Earnings per Share	1.70	1.21	0.73	1.79	1.54

Breakdown ⇨ Subdivision

Competitors Based on Less Risk Taker Investors

Competitors Based on Risk Taker Investors

27/10/18 Time:2.30 pm	HR. Textile. Ltd.	Saiham Textile Mills Ltd.	Prime Textile Spinning Mills Ltd.
Last trading price	37.70	39.00	34.50
Authorized Capital (mn)	1000	1500	1500
Cash dividend	2017-10%,2016-10%, 2015-10%	2017-12%,2016-5%	2017-10%,2016-10%, 2015-10%
Listing year	1997	1988	1995
Market Category	A	A	A
Turnover Revenue (9months) mn	1469.11	1634.16	1259.95
Earnings per Share	1.70	1.21	0.73

27/10/18 Time:2.30 pm	HR. Textile. Ltd.	Hwa Well Textiles (BD) Limited	Hamid Fabrics Limited
Last trading price	37.70	37.90	26.50
Authorized Capital (mn)	1000	1000	2000
Cash dividend	2017-10%,2016-10%, 2015-10%	2017-15%,2016-15%, 2015-15%,2014-15%	2017-15%,2016-15%, 2015-15%,2014-10%
Listing year	1997	2014	2014
Market Category	A	A	A
Turnover Revenue (9months) mn	1469.11	975.19	1842.53
Earnings per Share	1.70	1.79	1.54

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Tosrifa textile and Simtex textile has not been selected for investment:

The first two competitors have not been selected for following reasons:

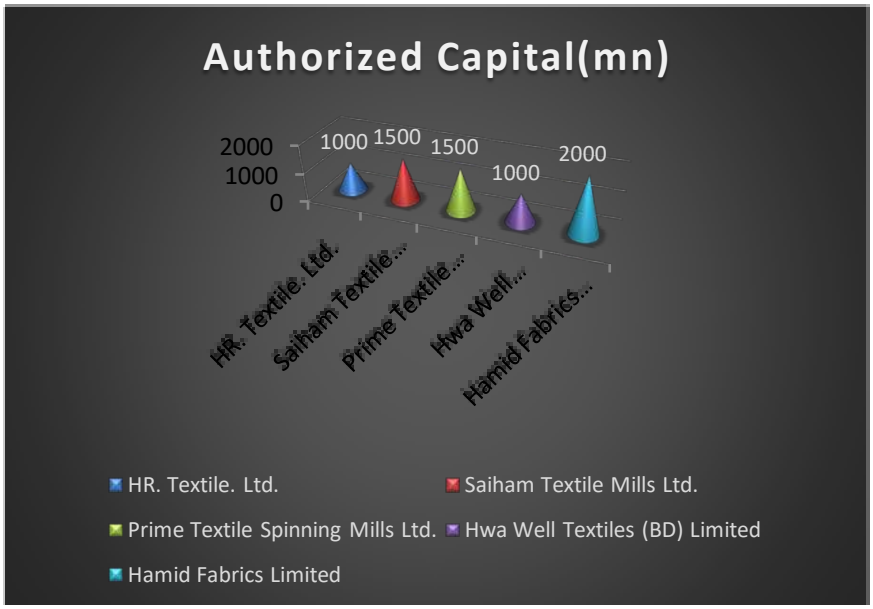
1. My company's listing year in the DSE was 1997 whereas both of those two company's listing year was 2015. That means my company is more sustainable than those two companies. For this the first two competitors have not been selected.
2. My company's revenue is 1469.11 mn whereas those two company's revenue are 874.22 mn and 1014.12 mn respectively which is not close to my company's revenue but the rest of the competitors revenue are more close to my company's revenue.
3. My company's market price per share at the period end is 43.5 whereas other two companies have a market price per share at the period end is 21 and 28.1 respectively which is indicating a big difference.

Graphical Comparison among the competitors based on different investment factors:

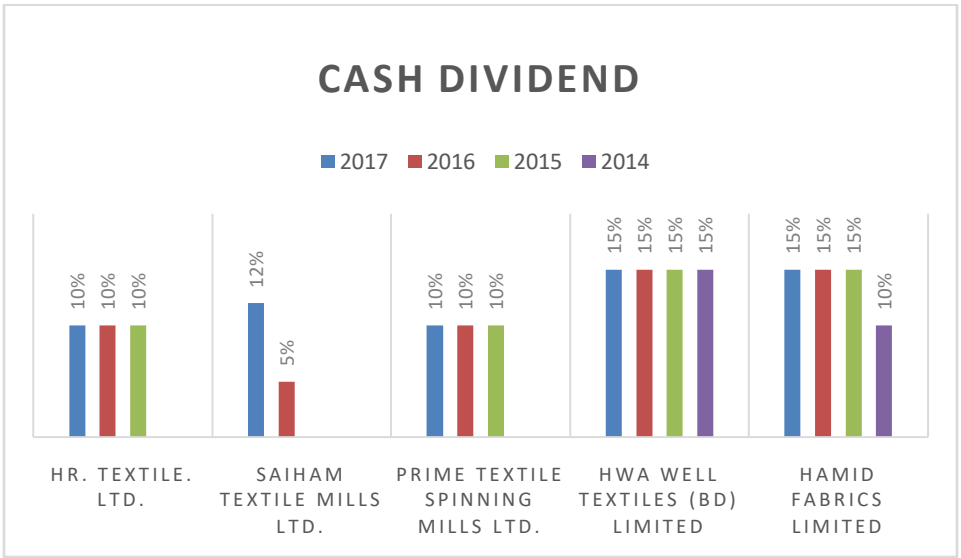


From the above graphical analysis we can see that the last trading price of HR textile is 37.7 whereas Saiham textile, prime textile and Hwa well textile have last trading price of 39, 34.5 and 37.9 respectively which is almost closest to my company HR textile. These four companies' shares are traded at a good market price but Hamid fabrics is being traded at 26.5 which is quite less compared to rest of the four companies. Last trading price is always important for an investor because it provides the investor with latest buy or sell value or market price of shares from where he can take his investment decisions in which company's share he will purchase.

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From the above graphical analysis we can see that my company HR textile and competitor company Hwa well textiles have authorized capital about 1,000 mn. Whereas other three competitors companies saiham textile, prime textile and Hamid fabrics have authorized capital of 1500 mn, 1500 mn and 2000 mn respectively. That means my company HR textile can raise less capital by issuing share in the stock market compared to saiham textile, Prime textile and hamid fabrics. From the graphical analysis it is clear to us that hamid fabrics can raise more capital by issuing shares in the stock market as per their requirement and the amount is 2000 mn which is bigger than any other companies listed in the graph.



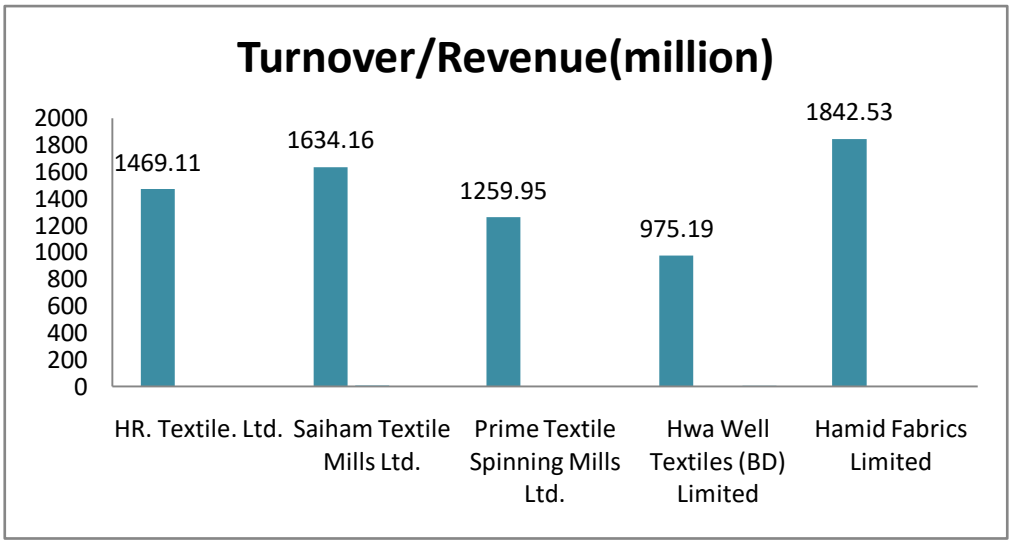
From the above graphical analysis we can see that except Saiham textile, my company HR Textile and its three other competitors Prime textile, Hwa well textile and Hamid fabrics are consistently giving good amount of cash dividend. That means the trend of giving cash dividend for these companies look good. On the other hand, Saiham textiles dividend trend doesn't look good. If we analyze the graph then we will be able to find that Hwa well textiles and Hamid fabrics these companies are giving more cash dividend than my company because they are almost new in the share market. As these two companies are new in the share market they are giving good amount of cash dividend so that more investors can be attracted to raise the companies' capital. But I think my company is more reliable or sustainable in terms of giving cash dividend to its shareholders or investors because my company doesn't have any short- term loan whereas those two companies have short-term loan. So, if these two companies short-term continue to increase in the upcoming years then they may give fewer dividends to their shareholders. That's why these two companies should meet up their short-term liabilities first. Then they can think about giving dividend to their shareholders. As my company HR textile doesn't have any short-term loan and their

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dividend trend is good, therefore, investing in HR textile will definitely be a wise decision.



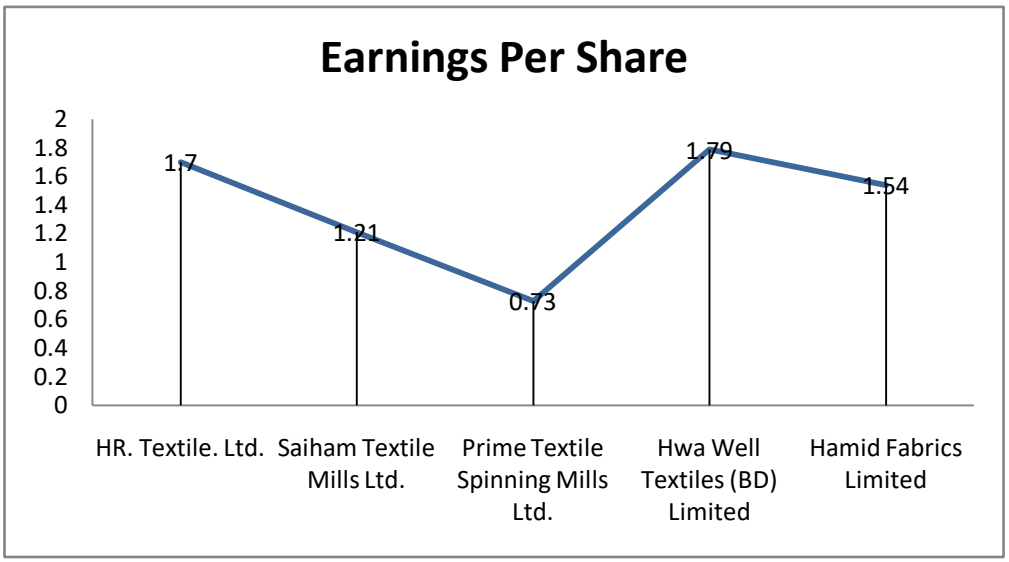
Listing year is always an important issue in terms of measuring the sustainability of a company. The earlier a company is listed in DSE the more sustainability the company has. From the graphical analysis we can see that my company HR Textile and two other competitor companies saiham textile and prime textile were listed in the stock market in the year of 1997, 1988 and 1995 respectively and these companies are more sustainable whereas both Hwa well textiles and Hamid fabrics were listed in the stock market in the year of 2014 and these two competitors are less sustainable. So, investing in HR textile, Saiham textile and Prime textile can be a good decision. On the other hand, investing in Hwa well textile and Hamid fabrics can be vulnerable because they are almost new in the stock market. If the dividend trend is good of these two newly established companies, then those who are risk taker they can invest in these two companies.



From the above graphical analysis we can see that in the year of 2017 the Turnover for HR textile ltd. Was 1469.11 mn whereas the turnover for Saiham textile, Prime textile, Hwa well textiles and Hamid fabrics are 1634.16 mn, 1259.95 mn, 975.19 mn, 1842.53 mn respectively. From the above graph it can be said that Prime textile and Hwa well textile generated less revenue compared to my company whereas saiham textile and Hamid fabrics generated more revenue than my company. In terms of generating revenue I think my company HR textile is better than all of my competitors. In terms of market category all of my competitors including my company can be a categorical company but in terms of market size my company is not larger than my competitors. So, larger companies generally tend to have more fixed assets. Although my company is smaller than my competitors in terms of market size but still it is generating revenue of 1469.11 mn which is much better than the competitors and satisfactory. That means my company is making the maximum utilization of its assets to generate revenue which is known as asset turnover ratio. On the other hand, although the competitors are bigger than my company in terms of market size, they are not being able to generate a big

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amount of revenue compared to my company which means the competitors are not making the maximum utilization of their assets to generate revenue. So, my company is more efficient in generating revenue than my competitors.



From the above graphical analysis we can see that in the year of 2017 the earnings per share for HR textile ltd. Was 1.70 whereas the earnings per share for Saiham textile, Prime textile, Hwa well textiles and Hamid fabrics are 1.21, 0.73, 1.79, 1.54 respectively. From the above graph it can be said that except prime textile, rest of the three competitors' earnings per share is almost closest to my company. In terms of giving earnings per share Hwa well textile is ahead than my company but still I think my company HR textiles is better than Hwa well textiles because my company has been listed in DSC in the year of 1997 whereas Hwa well textile has been listed in DSC in the year of 2014. Therefore, my company HR textile has more sustainability.

VI. Recommendations

As our main concern of this paper is competitor analysis so in this type of paper we should deeply analyze some criteria like Earning per share, Last trading price, authorized capital, Turnover, Cash dividend, listing year, Market category of shares and so on. In this type of study we should analyze the dividend first. The companies which give dividend in a regular manner that is more profitable and that should be select as a sustainable company. For this we should also note the listing year and the category of the company. With that we should analyze the turnover, last trading price, authorized capital also. We have to also perceive which company is risk taken. If we want to make more profit we can choose those types of companies because there is a chance of big profit there. Though there is also risk of loss so in that case we should analyze the sustainability of the company. In this type of cases we should see the listing year. Listing year can give realistic information about the sustainability of the company. If the company performing well in terms of generating more earning per share ratio then we need to focus more on generating more net profit in the upcoming years. So that, the profit margin retain in high position.

VII. Conclusion

The report is based on analyzing profitability ratio of HR. Textile ltd. and finding out and analyzing the competitors of HR.Textile ltd. HR.Textile is a listed company of Dhaka Stock Exchange. It has listed in DSE in 1997. It is an A categorical company. All kinds of essential information of Dhaka Stock Exchange and HR. Textile Ltd. are included in the report. Here, we basically tried to find out suitable competitors for HR. Textile Ltd. Throughout this report we analyzed and remarked the comparison between HR. Textile Ltd. and its competitors. We calculated Net profit margin ratio, Gross profit margin ratio and Earnings per share ratio under profitability ratio of three years. We also showed the graph of each profitability ratio and interpreted the graphs and gave some recommendations based on the effects of each profitability of HR. Textile Ltd.

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Social Capital: Mediator of Citizens' Behaviour and Public Accountability in Local Governments of Uganda

By Ogentho Poul Maxwell

Abstract- *Purpose:* To examine the mediating role of social capital in the relationship between citizens' behaviour and public accountability in the local governments of Uganda.

Design/methodology/approach: The paper used a cross-sectional research survey design to study a period accountability of local governments drawing a sample of 600 respondents from 120 local governments of all the four regions of Uganda. The study secured a response rate of 85.2%. The study employed Analysis of Moment Structures (AMOS), a form of Structural Equation Modelling (SEM), to test for mediating effects based on bootstrap.

Findings: Evidence show that public accountability in local governments is a function of citizens' behaviour and social capital. Social capital emerged a partial mediator in the relationship between citizens' behaviour and public accountability.

Keywords: *citizens' behaviour, social capital, local governments, mediating effects, public accountability, Uganda.*

GJMBR-D Classification: *JEL Code: M41*



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Findings: Evidence show that public accountability in local governments is a function of citizens' behaviour and social capital. Social capital emerged a partial mediator in the relationship between citizens' behaviour and public accountability.

Research limitations/implications: The cross-sectional research design adopted in the study captures only one-time period. Future studies could appropriately use a longitudinal research approach to establish this relationship so as to overcome the limitations associated with single period method.

Practical implications: The study revealed that social capital is important in the relationship between citizens' behaviour and public accountability. This implies that advocates for good public accountability in local governments should encourage citizens to leverage on social capital to generate critical mass in demanding for good public accountability. This will in turn prompt improvements in transparency and accountability for public funds that will translate to improved service delivery to citizens.

Originality/Value: This study draws focus on demand rather than supply in explaining public accountability basing on the behaviours of citizens as the prompter.

Keywords: citizens' behaviour, social capital, local governments, mediating effects, public accountability, Uganda.

I. Introduction

Ugandan citizens feel frustrated that they are not empowered enough to fight lacking public accountability in government (Muhumuza, 2016). The blame is usually on the public officers as if public accountability is not as well a responsibility for citizens. This persistent belief that citizens lack empowerment has crystalized into a strong conviction that translated to their inadequate demand for account ability (Dauti, 2016). This is further exasperated by limited studies to demonstrate that the role of citizens is important in public accountability. Citizens unawareness of their behavioural potential when they embrace social capital to reverse poor public accountability has caused public officials to exploit their laxity to enrich themselves by diverting public resources with impunity (Ntayi et al., 2013, Wynne, 2011). Even with this situation, citizens remain unenthusiastic and do not assertively take up their responsibility to demand accountability (Muhumuza, 2016). This withdrawal has created fertile grounds for the thriving of corruption in Uganda Transparency International Uganda (2018), reflecting as if citizens have a sympathetic attitude towards corruption (Inspector General of Government of Uganda, 2009, Sejjaaka, 2010).

Despite the above, there is no published research in the Ugandan context that approached this challenge centring on the alternative logic that, with social capital facilitating citizens coming together, they can, through behavioural characteristics, influence improvements in public accountability in local governments. The frustration of Ugandan citizens making them feel less empowered is their individual level thinking without visualising the power they would generate if they can manage to come together to jointly pressure for improvements in public accountability. Therefore, deficiency of social capital in the community could be blamed more for the claimed inability.

Citizens are expected to demand accountability and good governance from managers of public resources Coelho and Von Lieres (2010) as lack of it promotes corruption. Klitgaard (1988), observes that corruption equals to monopoly plus discretion minus accountability. This formula indicates that corruption is a result of deficiency in accountability. Therefore, citizens and government must fully participate in public accountability especially now that Uganda's commitment to fight corruption is questioned (Human Rights Watch, 2019).

Amidst all these, Uganda is generally known for having good legal frameworks in areas of accountability (Muhumuza, 2016). However, having impressive legal and institutional framework and trusting them to provide

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solution to lack of public accountability and control of corruption among public officers is a far-fetched belief (Muhumuza, 2016). More action is required beyond good laws and regulations such as involving citizens to change their attitude and behaviour to utilize social capital so as to influence improvements in public accountability.

Kimboy (2014), reports President Kikwete saying that people who complain are the one who should take action. This fits well with the Uganda citizens who have also resorted to complain rather than taking action despite their constitutional obligation to act. It is a reflection of lack of ownership of public resources, non-assertiveness, and weak participation of citizens in addition to decline in social capital within the community. With this kind of behaviour, citizens simply legitimize elite public officers usurping their powers over ownership of public resources (Briscoe, 2009, Locke and Spender, 2011). Failure of Ugandan citizens to fully enforce their constitutional rights over public resources has left them vulnerable to exploitation by agent public officers.

In addition, vesting all powers and resources of the nation to its citizens, the constitution also designates public officers (elected and appointed) as servants of the people, hence accountable to them(Government of Uganda, 1995). This constitutional analogy depicts a contractual arrangement where the Principal (Citizens), holds powers over the resources (public assets) and appoints and empowers public officers (agents), to manage resources on their behalf. Public officers are thus under obligation to account to the Citizens. This is because citizens have delegated their responsibilities expecting government to fulfil their contractual obligations by managing the entrusted resources effectively and efficiently. Public accountability therefore becomes the deliverable that provides the contractual measure between citizens and government officials charged with the responsibility of complying with laws, regulations and rules. However, overtime, given the control advantage on public resources, public officers have dominated citizens and have resorted to using public resources for non-public interests. This manifestation is evident in the Ugandan situation where weak institutional controls exist on public officers (SEATINI Uganda, 2018, United Nations Development Programme, 2019) and citizens not holding the public officers accountable.

Various theories have been advanced to explain public accountability; however, these theories tended to focus mostly on the behaviour of public officers without bringing up that of citizens to whom they account. The focus tended to be on the supply side of accountability inclined to serve the interests of public officers who supply it rather than citizens (Sejjaaka, 2010, Sobis and de Vries, 2010). The demand side, which reflects the behaviour of citizens, has largely remained lacking especially in Uganda.

The behaviour of citizens can be explained by theories like the citizenship theory that stipulates the importance of the role of citizens in influencing public accountability that serves community interest (Denhardt and Denhardt, 2015, Pocock and Beiner, 1995). And social capital theory that demonstrates the strength citizens have when they come together to pursue their common objectives(Coleman, 1988, Putnam, 1993).The study, therefore, uses the behaviour of citizens to explain public accountability and examines social capital capturing what people can do to boost their potentials (Kibanja and Munene, 2011). This effort can enhance public accountability within their society. Also in explaining public accountability, the important role of social capital has not been demonstrated yet Kibanja and Munene (2011)argued that, where social capital is utilized, opportunism and cost of social services are controlled. This leaves individualism, as a major hindrance to the provision of better public services in Uganda, a reflection of lacking social capital among Ugandan.

The above presentation introduces the argument that to enhance public accountability, citizens may need to prompt it through a change in behaviour, attitude, and embracing social capital. This is grounded on the logic that various citizens may have similar interests bordering on improving service delivery for the benefit of the community. Indeed, all citizens could be served by public officers operating under similar laws, regulations, and financing arrangement. However, arising from the varying behaviour and levels of community social capital, the same public officers may deliver varying public accountability results despite the sameness of the situation. This further presents an argument that public accountability may largely depend on the behaviour of citizens to whose benefit accountability should be made. This appears to follow the line of Mill (1862)'s argument that, *"good governance depends on the qualities of the human beings who compose the society over which governance is exercised."* He seems to acknowledge that the quality of behaviour of citizens affects the quality of governance exercised on them by their governments.

This study is thus, among the few in behavioural accounting in the sub-Saharan Africa depicting Uganda as the setting. It provides empirical evidence in support of the assertion that citizens by their behaviour employing social capital may improve transparency and accountability for public resources. With the focus on local governments, the study seeks to advance the concept that a transformed countryside can eventually transform the whole country (Buturo, 2013).

The paper starts by presenting a brief literature review and theoretical overview of relationships between

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the key variables: Citizens behaviour, social capital and public accountability. It then proceeds to state the methods applied the findings of the study, discussions and conclusion.

II. Literature Review

a) Citizens' behaviour and public accountability

This relationship introduces a debate that changes in citizens' behaviour influences public accountability. Kluvers and Tippett (2010), observe that an individual's behaviour is shaped by values expected to be derived by the individual as a result of that behaviour. Accordingly, in this study three behavioural characteristics were recognized: ownership of public resources, participation, and assertiveness. These were used as proxy of citizens' behaviour relevant for public accountability. The concept of citizen's ownership emanates from the theory of public ownership of resources which draws from democratic principles that the state holds property in trust for citizens, with elected representatives representing the interests' of citizens' and that owners' interest reflects in their behaviour (Egan, 2009). This line of thinking is similar to that presented by Kaplan (2001), who argued that pressure mounted by citizens through their behaviour tends to be more authoritative than hierarchical pressure within an organisation. Citizens can exercise control over those holding public office (Bovens, 2006, Cunningham, 1972, Mulgan, 2000). This notion is strongly emphasized in the International standard for supreme audit institutions (International Standard of Supreme Audit Institutions [ISSAI], 2011) which reflect general consensus that citizens can hold government accountable where their ability is critical in enforcing accountability (Baimyrzaeva and Kose, 2014). This study specifically argues that citizen behaviour is essential for exercising control over public officers. This concept brings out ownership as a power that can be used to either support or oppose management depending on how it is concentrated then used (Salancik and Pfeffer, 1980).

It can be observed that ownership behaviour links with public accountability, reflecting that the behaviour of one who feels he or she has a stake in something varies tremendously from one who is unconcerned. Although Pocock and Beiner (1995), argue that ownership of state resources does not exist in legal sense, commander theory, as posited by Goldberg (1965), emphasizes that an owner of resources may also be the controller of those resources although ownership and control are separate notions. In addition, ownership of resources may be but not always accompanied by effective economic control of the resources thus the function of controlling or managing resources can be thought of as distinct from the legal or even social ownership of them(Goldberg, 1965).

The second aspect of citizens' behaviour is participation which appears also links to public accountability. Citizens' participation is where individuals take part in decision making in institutions, programmes, and environments that affect them (Wandersman and Florin, 2000). This study adapted the dimensions of participation from the study of Munene, Schwartz, and Kibanja (2005) regarding participation and development relating to escaping from behavioural poverty in Uganda. This description identifies the key aspect of citizens' participation as involvement in decision making, which is people's power to influence things that make participants learn. Pocock and Beiner (1995) proceeded to emphasize that participation makes citizens concerned with purpose of life to join others in making decisions for the benefit of their community. This enhances their sanctioning power over errant public officers. The importance of citizens' participation in public accountability is further emphasized under Article 5 of the United Nations Convention against Corruption (UNCAC) which requires countries to have laws that promote participation of society in public accountability. This helps in the fight against corruption (Inter-Parliamentary Union, 2009). Munene et al. (2005), established that the participation of individuals is central to development thus ignoring participation dimensions substantially contribute to the failure of development initiatives (Uphoff, 2000).Public Expenditure & Financial Accountability (2016), assessment performance emphasises participation, especially in regards to annual budget process in government as indicator of integrated top-down and bottom-up budgeting process involving all parties in an orderly and timely manner.

Adoption of participation as a dimension of citizens' behaviour in this study is further influenced by Romzek and Dubnick (1987) model. This model conceptualizes relationship between participation and organizational accountability both at organizational broadest level as exhibited in multiple forms of behaviour. Newell and Bellour (2002) term citizens' participation, "*voice*" and World Bank (2000) defines participation as "*a process through which stakeholders influence and share control over development initiatives and the decisions and resources that affect them*". The ultimate aim of participation is to increase accountability, transparency, and efficiency of government structures. Public participation also empowers, builds capacity, and increases the effectiveness of the participants in an undertaking (Munene et al., 2005). When people, especially the poor, participate in decision making, they make decisions that better reflect, and most positively affect, their values and priorities (World Bank, 2007). Public participation has been found to heighten commitment to accountability in a cross range of special district governments generally criticized for their

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apparent poor accountability practices (Romzek & Dubnick, 1987). Munene et al. (2005), advance that the major objective of participation is empowerment, which increases participants control over regulative institutions and resources by initiating actions relevant to their own needs. National Planning Authority- NPA (2010), decried that; *"there is inadequate public participation and involvement in promoting ethical behaviour among Ugandans, as such, there is need to strengthen the demand side of accountability for service delivery"*. This implies promoting public demand for accountability is key element in delivering good governance (NPA, 2010). Research and advocacy experience of civil society organisations over the past fifteen years has demonstrated that transparency by itself is insufficient for improving governance (Seifert et al., 2013). Transparency, along with opportunities for public participation, can maximize positive outcomes (Seifert et al., 2013).

Assertiveness is another behaviour that could links to public accountability. Assertive behaviour enables persons to act in the best interest of others and stand up for themselves without undue anxiety and comfortably express their honest feelings and exercise their own rights without denying the rights of others (Rakos, 1991). This is opposed to aggressive persons who are ruthless and prepared to achieve their goals no matter what happens to others. Schroeder (2004), emphasizes that assertive behaviour is reflected in form of skills for expressing feelings or wants when such expressions risk attracting punishments (Rich and Schroeder, 1976). The assertiveness of the public should stretch to their urge to defend rights against public property even if it poses risks of loss of reinforcement or even punishments (Rich & Schroeder, 1976). This study reinforces the concept that assertiveness is an important behaviour that could make owners demand their rights to ownership. Owners who are not assertive may fail to influence an agent to produce the desired output. Governments often avoid public accountability due to citizens' failure to assert themselves. This study therefore seeks to fill the gap created by absence of research known to link citizens' behaviour to public accountability such as using citizens' behaviour to explain variations in public accountability in the local government set up in Uganda. This relationship is evaluated using hypothesis H_1 which argues that;

Citizens' behaviour and public accountability are positively related.

b) Social capital and public accountability

This relationship presents a debate that a change in social capital level in a community is reflected in the changes in public accountability. Social capital is a concept that describes benefits derived from social relationships for the good of communities (Aldrich, 1999). Putnam (1993), refers to social capital as networks, norms, and trust that facilitate cooperation for mutual benefit. Through people knowing themselves they create network social capital. While through creating cohesion among their communities they generate bonding social capital and through creating social ties that cut across differences such as classes, race, gender, disability, religion they generate bridging social capital. Given that public accountability is for common good, and that social capital brings persons together for the good of communities, the two variables are construed in this study to associate with each other.

Social capital, despite its importance, is the least known of the four main capital types: financial, physical, social, and human. As a result, it is taken for granted and not treated as an essential asset. Variously researchers construed social capital as a misnomer, not applicable, and "chaotic"(Healey, 1999, Healey et al., 2017). However, the stable interest in the concept over the last twenty years has made it clearer. Consequently, it has generated impressive impact on academics, policy and community benefits (Díez, 2013). However, researchers have not applied it to public accountability which creates the gap this paper seeks to articulate. The critical relevance for social capital is that it is a resource for social action (Baker, 1990, Bourdieu, 1986, Burt, 1997, Coleman, 1988). This reasoning makes it appropriate in the demand for transparency and accountability. The emerging challenge, however is that modernisation and urbanisation, which is the order today, tends to break down social bonding among people as it replaces it with competition and individualism Mulwa (2010), thus a threat to social capital building in a community.

The description of social capital as human activities that take place outside monetized markets, within households or in interactions with individuals living in other households according to Díez, (2013) presents it as a basis for trust that could be needed for confirming credibility of public information. This definition is alluded to by Munene et al. (2005), considering social capital as the sharing of a set of cognitions such as beliefs, values, attitudes, expectations, and knowledge by members of a community, which are intentionally sustained through structures like roles, rules, and networks. This could imply that social capital has links to public good such as accountability; a social value needed to sanction non-transparent public officers with the communities coming together. Studies have shown that social capital influences a range of individual behaviour (Seibert, Kraimer, and Laden, 2001) as cited in Munene (2009). In a similar context, this study envisages that social capital could be important to induce positive change in the behaviour of citizens in demand for transparent handling

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of public resources thus strengthens sanctioning of non-transparent public officers.

This study therefore predicts that the absence or insufficiency of social capital reflected in citizens' lack of trust, social cohesion among them and social ties across different divides such as parties, tribes, classes, religion, could account for lack of accountability in Uganda local governments. The argument of Díez (2013) that having social capital promotes shared beliefs and Munene et al., (2005) similarly contending that it makes individuals work together to achieve common objectives brings the argument into context. Putnam (1993)'s claim that social capital comprises networks and norms that enable participants to effectively act together to pursue shared objectives which this study anticipates could be the case even with public accountabilities. Woolum (2000)'s statement that strong interactions and high levels of social trust and cohesion among citizens constitute the stock of social capital as concurred by Díez, (2013) could be needed to sanction public officers for non-transparency. The time freely spent with others or for others strengthens ties and reinforces the bonds that could be needed to build consensus in demanding for transparency (Díez, 2013). According to Munene (2009), a community with social capital uses most of its physical, financial, and human capital resources for the purpose for which they are intended, implying being accountable. This implies that without social capital, the rest of the capital may not achieve optimal utilization. Similarly, from the sharing of sets of cognitions, citizens exercise their individual rights, and gain more strength in coming together in organised setups such as civil interest groups, political set-ups, and pressure groups required for enforcement of transparency and accountability. Consequently, this study posits that absence of social capital can inhibit consensus building for joint community action required to demand public accountability.

It can also be construed from Nyang'oro (2000) that there could be a linkage between society formations and accountability. When he contends that the more members of a society organise themselves into groups (generation of social capital) to advance their particular interest, the less likely that the state can function in an autonomous and unaccountable manner, implies coming together promotes accountability. It can further be drawn that citizens' action through social capital can counter the impunity of those who govern, termed public agents. However, Díez (2013) posits that it is not easy to operationalize and measure the concept of social capital, especially due to its multi-dimensionality. Nevertheless, this study advances that the level of social capital within citizens, can help to predict the level of public accountability as can be construed from the study findings of Kasozi (2003) and Iga (2001) as cited in (Munene et al., 2005). Their study carried in Uganda, showed that community investments are more successful where there is a higher social capital. It largely attributes the collapse of community projects in Uganda communities to individuals diverting what should have been a community benefit to a personal benefit given the low social capital, that is, least concern for one another in such communities. This study therefore construes that this could largely imply that even the accountability aspect of the investment in such communities is weak. Based on the above logical inference, this paper theorizes that public accountability can also be adversely affected in societies that lack social capital.

Gloppen (2003), state that accountability is concerned with the relationship between one with a right or a legitimate claim and the agent or agencies responsible for fulfilling or respecting the right. This presentation does not bring in the importance of the need for the force to be massive thus down playing the importance of social capital needed to mobilize people into a team. The linking of the actions of the community to form a formidable force of common interest through their interactions is what this study envisages could be used to improve public accountability. According to Ebrahim (2005), accountability is as a system of multi-directional and contingent relations rather than as a collection of independent links as such can be pursued when interested persons come together utilizing social capital. This line of argument was also advanced by Denhardt and Denhardt (2015) who argue that accountability is a complex issue involving balancing external, internal, and normative social controls to serve the common interests of those linked to one another. This brings the need for a vehicle that is necessary in bringing people together termed social capital. Its relates well with the notion articulated by the World Bank (2007)stating that accountability is the obligation of public authorities (governments, elected representatives, corporate, and other governing bodies) to provide public explanation to citizens on how they exercise the delegated responsibilities that they hold in trust on behalf of the public. This brings the relevance of social capital as a linkage for community to generate a critical mass of demand. The above debate, therefore, shows the relevance of social capital as a vehicle to bring people together to demand accountability as the public. This further implies that when people fail to come together, accountability will not serve its purpose hence signifying its linkage to social capital. Bovens (2014) found that public interest is useful in explaining the institutionalized practice of giving accounts that focus on public sector managers mandated to utilize public money, exercise public authority, and manage corporate bodies. Behn (2001), observes that accountability operates on the principle that the more a community is organised, the more they demand accountability for the

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entrusted resources. This ensures fair operations of organisations in terms of spending funds for intended purposes, which serve the community that make up the organisation with defined common interest rather than individualistic ones.

Scholars such as Bovens (2007) have studied accountability considering it as the relationship between what citizens expect and what government officials are obliged to do. The caution, however, is that as long as information is generated for evaluation purposes, users and producers will attempt to manipulate it to suit their own purpose (Sejjaaka; 2010), except when it is countered by societies who work together, share information and verify its credibility. The accounting process comprises handling several matters of judgement, and this flexibility provides opportunities for manipulation, deceit, and misrepresentation which require people who can leverage from social network to counter deceit in public accountability (Amat, Blake, & Dowds, 1999; James, Demaree, Mulaik, & Ladd, 1992). Financial accounting figures can be transformed from what they actually are to what takes advantage of the existing rules and/or ignores some or all of them (Amat et al., 1999; Griffiths, 1986; Naser, 1993). This further implies that every set of published accounts is based on books that may have been gently cooked or completely roasted; some figures changed to protect the guilty (Amat et al., 1999). Arising from the opportunities for manipulation of accountability, a united pressure of citizens is the one which can make public officers too account properly. Therefore, the gap this paper presents is that the crucial role social capital plays has not been applied in explaining variations in public accountability especially in local a governments of Uganda despite the implied relationship. This relationship is thus discussed using hypothesis H_2 which states that:

Social capital and Public Accountability are positively related

c) Citizens behaviour and social capital

This relationship introduces a debate that certain citizens' behavioural attribute such as ownership of public resources, participation and assertive is critical as it facilitates citizens to know each other, create cohesion and ties in order to work to pursue shared interest jointly beyond their differences such as class, religion, tribe, parties, race, gender or disability. The vehicle that drives citizens into coming together is generally recognised as social capital (Coleman, 1988; Putnam, 1993).Studies has also established that ownership represents source of power that can be used to either support or oppose management depending on how it is concentrated and attracted a critical mass of citizens (Salancik & Pfeffer, 1980: 655). A society that values property more as private possession than public tend to be individualistic and do not take the effort to come together on public good. When individual citizens participate in matters of the community, this can bring together the different communities towards a common interest thereby promoting bridging among them. An assertive community come close to each other in order to jointly galvanize efforts to defend their rights to pursue the common goal. A society that lacks assertiveness is prone to being pulled asunder by simply scare rhetoric.

There has been considerable emphasis by various studies in explaining the success or failure of community collective action arising from presence or absence of bonding, bridging, and networking aspects of social capital (Dahal and Adhikari, 2008). The central thesis of even Putnam (1993) study is that if a region has a well-functioning economic system and a high level of political integration, these are the result of the region's successful accumulation of social capital. Social capital has generated impressive impact on academics, policy and community benefits (Díez, 2013) and it has critical relevance as a resource for social action (Baker, 1990; Bourdieu, 1986; Burt, 1997; Coleman, 1988). Despite these successes, however, none of the studies has linked the impressive achievements of social capital to the behavioural aspects of citizens that constitute the community.

These earlier studies failed to recognize or tends to downplay the behavioural aspect of those people who constitute the communities. The gap which this study therefore seeks to bridge is to undertake research to provide empirical evidence linking citizens' behaviour to social capital. The argument here is that the existence of social capital in certain communities could be attributed to the enabling citizens' behaviour such as ownership, participation and assertiveness. If these behavioural attributes do not exist in a similar community, the social capital level in that community may be lower than the other which has it. It can therefore be construed that communities which lack these behavioural attributes tend to lack social capital in their community as well.

This line of reasoning was derived basing on the social capital theory which emanates from the logic that collective action for social good attracts the willingness of citizens to subordinate personal interest to those of the larger society (Portes; 1998). This is because of the norms, obligations, and information that develop within a network of citizens that allow them to effectively pursue common goals (Coleman, 1988). Socialization is an important resource (a sort of capital) which focuses on human activities that take place outside monetized markets, but within households or in interaction with individuals living in other households. It may also provide the basis for trust in the society (Díez, 2013). The important assumptions under the social capital theory are: Existence of collective social good, willingness of members to subordinate personal interest

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to those of the larger society, existence of networks, norms, and trust which facilitates action and cooperation for mutual benefit (Portes, 1998); and existence of generalized reciprocity among members. This relationship is articulated using hypothesis H_3 which states that:

Citizens' behaviour and social capital are positively related

d) Social capital mediates relationship between Citizens' behaviour and public accountability

This relationship attracts a debate that the emergence of social capital modifies the relationship between citizens' behaviour and public accountability. When a citizens takes ownership of public resources, participate in public financial management activities and pursue it assertively it is expected that this can cause change in public accountability. However, this is possible when individual citizens come together to create a critical mass of citizens with the same behavioural characteristics demanding the change, thus introducing the critical role of social capital in the relationship. For citizens' power to translate into the force that compels public officers to account, it should be massive and beyond what they can ordinarily dismiss without consequences. This paper posits that this can be achievable when citizens know themselves and manage to put their interest together making it a joint community position on which they network to build consensus. Such common interest could be built on the same belief that the state holds property in trust for citizens with the elected representatives as the custodians of citizens' interest (Egan, 2009b). Citizens interest are taken care off by public officers only when the citizens themselves are united and can come together and articulate their common interest assertively as a group. Kaplan (2001) theorise that pressure mounted by citizens through their behaviour is authoritative than hierarchical pressure within an organisation. This key role is, according to this paper proposition, is played by social capital which provides enabling environment for citizens to link thus generating network social capital, connect across divides generating bridging social capital and creating cohesion creating bonding social capital thereby translating individual interests into community one that facilitates the interaction between citizens' behaviour and public accountability. This interaction is critical in countering agent public officers who get motivated by serving their personal interest rather than those of their Principals except when they are subjected to pressure beyond what they can resist.

Participation is another variable of citizens' behaviour that is argued may influence public accountability when the individual citizens come together and take part in decision making. However, this individual participation only become effective when pursued by massively connected citizen through the leverage of social capital. They can influence matters to their advantage (Pocock and Beiner, 1995) such as enhancing their sanctioning power over public officers who fail to perform. World Bank (2000) study established further that when the poor participate in decision making, by utilizing social capital among them, they make decisions that better reflect their values and priorities as mirrored in transparency and accountability. Romzek and Dubnick (1987)observe that district governments criticized for poor accountability practices had their accountability enhanced through public participation; citizens' mobilization successfully pressurized management to act more accountably (Coelho & Von Lieres, 2010).

Assertiveness of individual citizens is another important variable of citizens' behaviour that can be necessary in demand for public accountability. Effective demand is achieved when citizens have attained consensus and act together in sanctioning public officers who fail to account to expectations. Working together is further achieved when the medium is facilitated by existence of social network for people to know themselves which provides the basis for trust among themselves (Díez ,2013) making then not deny the rights of others (James et al., 1992; Rakos, 1991).

This paper helps to bridge that gap and articulates the essential role of social capital in the interaction between citizens' behaviour and public accountability especially in the context of management of public resources by local governments. The articulation of this relationship has been drawn using hypothesis H_4 which states that;

The relationship between citizens' behaviour and public accountability is mediated by social capital.

III. Methodology

a) Research design

The study took a cross-sectional research survey design given that the focus was on public accountability in local governments in response to citizens' behaviour which is a single time period phenomenon. It used correlation to establish the relationship between the variables. Both qualitative and quantitative analysis was performed in consonance with Gherardi and Turner (1987) as concurred by Kamukama, (2010). The adoption of the dual technique is a multi-method approach that enabled corroboration of findings which enhanced data validity (Trow & McHenry, 1977; Ntayi, 2005).

b) Population and Sample size

Out of the population comprising over 17 million Ugandan adult citizens residing in about 1,500 local governments accounting units, a sample of 600 adult

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citizens arrived at from 120 Local Government Accounting units in accordance with Hair et al. (2006). This researcher argues that a minimum of five observations per dependent variable is adequate for establishing a multiple regression relationship. Public Accountability was based on the views of adult citizens as the unit of analysis (Toshkov, 2017). The citizens were clustered according to Uganda Bureau of Statistics (2014) into Northern, Eastern, Central and Western regions of the country. They were further grouped according to the various local governments categorized: Rural, Urban, District, Municipal, Town, Division, and Sub-County Councils.

c) Measurement of variables and data collection

Citizens' behaviour was measured in terms of ownership (Egan, 2009; Hernandez, 2012), participation and assertiveness (Munene, Schwartz and Kibanga, 2005). Social capital was measured in terms of networking, bridging and bonding (Munene, 2009). Public accountability was the dependent variable measured in terms of: transparency, Accessibility, credibility, obligation, judgement and sanctioning. The items in the instruments were arranged on a five-point Likert's summated scales.

The items were put in questionnaire form and used for collection of data. Common method bias, also known as "method halo" or "methods effects" were avoided by introducing negative worded statements to provide intellectual speed bumps. The collected data were subjected to cleaning through sorting, editing, coding and then recording. The resultant recorded cleaned data was analysed using statistical package for social scientists (SPSS) version 20. Structural Equation Modelling (SEM) was then used according to Boudreau, Geffen, and Straub (2001) which could reveal bias, if any.

d) Validity and reliability

The validity of instruments was attained through pre-testing in five local governments and subjecting it to Cronbach alpha test (Sekaran, 2000). Both content and construct validity and reliability tests were carried out and found appropriate (Sekaran, 2000). Content Validity was established by subjecting the instrument to a rating of twenty experts which returned acceptable content Validity Index (CVI) measure of 0.7 (Amin, 2005; Nunnally, 1978; Sekaran, 2000). For answering the hypothesis, two sets of statistical analysis techniques were employed; Exploratory Factor Analysis (EFA) and Confirmatory Factor Analysis (CFA) using Structural Equation Modelling (SEM). Analysis of Moment Structures (AMOS) was used for testing the hypotheses for purpose of establishing the model fit of the structural equation.

IV. Results/Findings

a) Sample characteristics

The study obtained 511 usable responses equivalent to 85.2% which is adequate (Field, 2005).The profile of the respondents' shows male at 72.2% which differs from Uganda's population pattern: Female and Male population as 52% and 48% respectively (UBOS, 2014). However this is expected based on involvement in the public matters in Uganda which is male dominated. Citizens between the ages of 18 and 25 years were 15.3%; Between 26 and 49 were 71.1%, while above 50 were 13.7%. People with disability comprise 9% of the total number of the respondents. The average regional population is about 25% (North 20.6%, Eastern 26.3%, central 27.5% and Western 25.6%).

b) Citizens' behaviour and public accountability

Consistent with H_1, Citizens' Behaviour is significantly and positively related to public accountability ($\beta=0.48$; $CR>1.96$; $p<0.001$) as seen in figure 2, Appendix 1, based on SEM analysis. This result is interpreted as when citizens adjust their behaviour to embrace ownership of public property and take initiative to participate in public resources management matters in an assertive manner, the pressures they mount can push public officers to provide public accountability.

c) Social capital and public accountability

Agreeable to H_2, social capital is significantly and positively related to public accountability ($\beta=0.162$; $CR>1.96$; $p<0.001$)as in Figure 2, Appendix 1 based on SEM analysis. This can be interpreted to mean when citizens network, bridge and bond they can come together and pressure public officers to provide public accountability.

d) Citizens' behaviour and social capital

Congruous with H_3, Citizens' Behaviour is significantly and positively related to social capital ($\beta=0.29$; $CR>1.96$; $p<0.001$), refer to table 6, Appendix 1. This relationship can be interpreted as the existence of citizens' behavioural characteristics of ownership of public resources, participation and assertiveness can provide ground for developing common interest upon which citizens can socialise, network, bridge and build bonds.

e) Social capital mediates relationship between Citizens' behaviour and public accountability

In harmony with H_4, where the study hypothesized that social capital would mediate the relationship between citizens' behaviour and public accountability, the results as in table 2, appendix 1 show that social capital partially mediates the relationship between citizens' behaviour and public accountability. Mediation tests revealed that citizens' behaviour directly

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explains 0.52of the variance in public accountability without social capital (see table 7, appendix1). However, when social capital is introduced, the direct effect of citizens' behaviour on public accountability reduces to 0.475 (refer to table 8, appendix 1) while the indirect effect of citizens behaviour on public accountability emerges taking up 0.047 of the explanation (see table 8, appendix1). The relationship between variables are significant at $P<0.001$ as in Table 8 and 9 Appendix 1. In this case, the values of standardized total effect and standardized direct effect of Social Capital are different and significant (Hair et al; 2006). This relationship can be interpreted as; when citizens have common behaviour of considering themselves as owners of public resources, participate in public resources management and are assertive about it and network, bond and bridge on this common ground, their joint demand can cause public officers to provide better accountability.

V. Discussion

H_1 reflected that *Citizens' behaviour and public accountability* as positively related. This implies that when citizens believe that they own public property and takes the initiative to participate in the process of public resources management assertively, they can pressure public officers to deliver good public accountability. This then translates to improved service delivery for the benefit of citizens. This supports the argument advanced by Kluvers and Tippett (2010) that an individual's behaviour is shaped by values expected to be derived by the individual as a result of that behaviour. Accordingly, when citizens can see that by taking ownership, public resources will be managed in an accountable manner for their benefit; they will behave accordingly to attract the expected outcome. The lesson learnt here is that stronger citizens' behaviour attracts higher public accountability for public resources. This finding challenges the existing perceptions of citizens of powerlessness and that their effort cannot improve public accountability.

H_2 reflected that *Social capital and Public Accountability* as positively related. This can be construed to imply that when citizens connect to each other they can unite and form a network with common objective. Because of this, it is possible to share information that can expose any lack of transparency by public officers. Social capital here provides the vehicle for pressuring public officers to provide good public accountability. The lesson that can be learnt here is that a community with higher social capital performs better in public accountability for projects in their local government community. This finding supports the finding in the study of Seibert, Kraimer, and Laden, (2001) as cited in Munene (2009) that social capital influences a range of individual behaviour in an African community such as Uganda. It implies that in a community where social capital exists, better opportunity is availed for citizens for use their behaviour to influence provision of better public accountability in management of such local government resources. The lesson here is that citizens can leverage on social capital to improve accountability in local governments.

H_3 reflected *Citizens' behaviour and social capital* as positively related. This relationship reflect that when citizens regard public resources as community owned property, participate in matters such budget consultative meetings in assertive manner; this behavioural type presents common ground that they can to coordinate on to build massive force needed to mount pressure on public officers in the management of public resources. This contrasts with such communities where citizens are individualistic and attach greater importance only to privately owned resources without bother to participate in public resource management processes like village forums (Barraza) to receive accountability reports from public officers. Such communities tend to have deficiency in social capital as such lack common public resource objective which provides as a reason to converge and hold discussion. The lesson here is that citizens need to change their behaviour in order to generate social capital.

H_4 reflected the relationship between citizens' behaviour and public accountability is mediated by social capital. This means that for citizens' to influence public account ability through the way they behave, they need to utilise social capital to combine force through coming together massively to push their agenda jointly. Individual actions only tend not make a significant difference. The reason massive citizens force produces change is because while together, victimization of individuals which public officers do becomes difficult. As it is said, it is difficult to break a stick in a bundle. As advanced by Denhardt and Denhardt, (2015), that when the citizens generate social capital they become well placed to resist individualistic victimization, a tool public officers employ frequently to dismantle social capital.

This finding supports the common known fact that when citizens demand public accountability at individually, although this provides the foundation, it lacks the critical force that pressure public officers to provide better accountability for public resources. This study argues that the factors permitting poor public accountability affecting services is the failure of citizens to come together to create a formidable force to push public officers to account. It is common for Ugandans to come together for social events and contribute time and resources yet are lukewarm when it comes to developmental matters.

This study argues that deficiency in social capital provides explanations why despite Uganda having adequate laws to provide enabling legal backing

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for proper accountability; poor accountability persists. This is because of lacking citizens' force to push to operationalize the laws.

This study provides empirical evidence that citizens require to portray strong behaviour to push public officers to respond by improving accountability. In the reverse way, the finding show that Public Officers respond to weak citizens 'behaviour by returning improper accountability which translates into poor service delivery.

This finding challenges the practice of enforcing accountability based on public officers varying ranks yet based on Agency theory Jensen (1976), are Agents with similar interests. The variation in roles of the public officers based on the principle of segregation of duties does not alter their common interest as agents. This study now demonstrates that enforcement of good accountability should be looked at in terms of difference in the interest of the parties (Agent and Principal) rather than simply segregation of duties.

This finding supports Marston (1923) that management responds to citizens' behaviour depending on whether they perceive it as active or passive. Although it tend to contradict DiMaggio and Powell (1983); Meyer and Rowan (1977)who posit, based on institutional theory, that structures become established as legitimate authoritative guidelines for human action. The strong institutional controls provided in Ugandan set up has not provided the needed check on the agent public officers from achieving their divergent interests. Public officers have successfully circumvented the rules and regulations to pursue their interest of remaining unaccountable for public resources.

The study finding provides empirical affirmation to the spirit of the Constitution of Uganda (1995 as amended) that Citizens have the right and duty to participate and own public resources as citizens because it influences change in public accountability. The study also provides credence to a number of public accountability laws, regulations and institutions which operate on the presumption that citizens can assume responsibility over public resources. Government Accountability Institutions (such as National Audit Organisations) operate on the same presumption that citizens can take up their responsibility and demand accountability for proper management of public resources.

This study provides support to the role of citizens as critical in accountability process. Public officers aware of the power of social capital, have a tendency to interpret the laws so as to make it hard for citizens to harness social capital deliberately. Through networking social capital citizens' access accountability information in the custody of public officers remotely against their interest. In this way, the transparency in accountability tends to improve. A similar citizen's force can be used to sanction public officers who fail to present credible accountability.

Shleifer and Vishny (1994); Boycko, Shleifer, and Vishny (1996) and Chong, Leong, and Woodliff (2007) however caution that Public ownership could be used to pursue political patronage which promote private interests of politicians and bureaucrats unless countered by multitude of citizen using social capital.

VI. Implication of the Study

a) Theoretical implication

The results of this study provide theoretical evidence of the link between the theories of citizens' behaviour and social capital in predicting public accountability. This line of reasoning was not articulated in earlier studies making this finding a contribution, as well, an expansion of application of the theories to explain public Accountability.

b) Managerial implication

The study finding could impact to management of local government in regards to:

- The management of local governments could promote the use of social capital as a cost saving measure. This is because the high cost of citizens' mobilization by local governments through print media, facilitation funds, televisions, etc., could be avoided by engaging citizens through investing in building their community social capital. Using networking social capital information is passed within the network informally through social media, grapevines; rumour mills as one on one, etc. which does not use resources of local governments.
- The management of development partner organisations with interventions to improve accountability in local governments may need to consider scaling up their support to civil society organisations in the area of building social capital among citizens as a tool to fight impunity in public accountability processes. Given commendable results they have already registered, this study finding may enhance them further.
- Management of civil society organisations may need to redevelop sensitization programs to popularize citizens' mind-set shift to recognise social capital as another resource though intangible for improving accountability at local governments. The effort should help eliminate communication barriers among citizen and build their assertiveness and improve their participation in public resource management processes.
- The opinion leaders in the society whom citizens look forward to for guidance should encourage citizens to embrace behavioural change to regain lost hope given the plausible evidence that through their behaviour they can improve public

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accountability and service delivery in local governments. Citizens should be encouraged to learn to withstand intimidation by authorities who want to take away their social capital resource and makes them impulsively submissive like subjects rather than citizens. This is because they know social capital is the resource that can be used to rally different individuals and they channel their efforts towards pressing them to comply with accountability laws and regulation.

c) *Policy implication*

- A policy with objective to harmonise the implementation the various laws on the freedom of association for citizens could be considered. This could help remove contradictions that permit selective application of laws that ends up frustrating citizens' efforts to utilize social capital to enforce good accountability in the use of public resources. The harmonization should create opportunities for people to connect to each other on common grounds of community developmental.
- Review of policy on citizens' engagement in the public accountability to make it more impactful rather than just participation of presence could be needed. The Public officers should embrace mind-set change and consider citizens as partners in development process given that citizens are now informed of their capability to influence public accountability through behaviour. Public officers need to scale up and accept to improve public accountability to avoid eminent pressure mounting on them from citizens who can converge to fight for transparency and accountability. The selective application of the law which suppresses citizens from standing up for their rights may be overtaken by events based on this study finding.

VII. Conclusion

The study concludes that social capital mediates the relationship between citizens' behaviour and Public Accountability in local governments of Uganda. This means that we can rely on citizens' behaviour to predict public accountability when social capital is embraced by way of networking, bridging and bonding.

By citizens taking ownership of public resources, they can play a critical role in scaling up demand for public accountability. Resources which are not owned tend to be cared for less. This study advocates this as first move for citizens to embrace to cause change needed to improve public accountability. The sense of ownership becomes the driving force for citizens to raise critical questions as they demand update each time public property is acquired or disposed.

Using a participatory approach, citizens can create impactful change to public accountability in local governments. In the process of participation, they can demand to be sensitized on new projects coming up in the local government on which to contribute ideas according to local realities in the community outside the perspective of public officers. Budget discussions meetings with public officers provide important avenue for citizens to create impact and influence public accountability dynamics. It is during the debates at budgeting that public involvement process beginsin accountability. Through assertiveness citizens demonstrate their case as they confidently engage public officers on their aspirations as citizens for their local government.

By harnessing social capital through the use of social media network, citizens can share information real-time and make it difficult for public officers to operate in a non-transparent manner as such improving public accountability in local governments.

VIII. Limitations

This study being cross sectional, it could not enable us explains changes in public accountability overtime. As a result, the study handled only one-time information that may not account for variation in accountability over a long time. Secondly, the study was carried out in a single public accountability community setup of local governments. This makes the results less applicable in other accountability set ups.Lastly, since the study was carried out in Uganda, its application beyond the jurisdiction of Uganda needs to be cautiouslydone.

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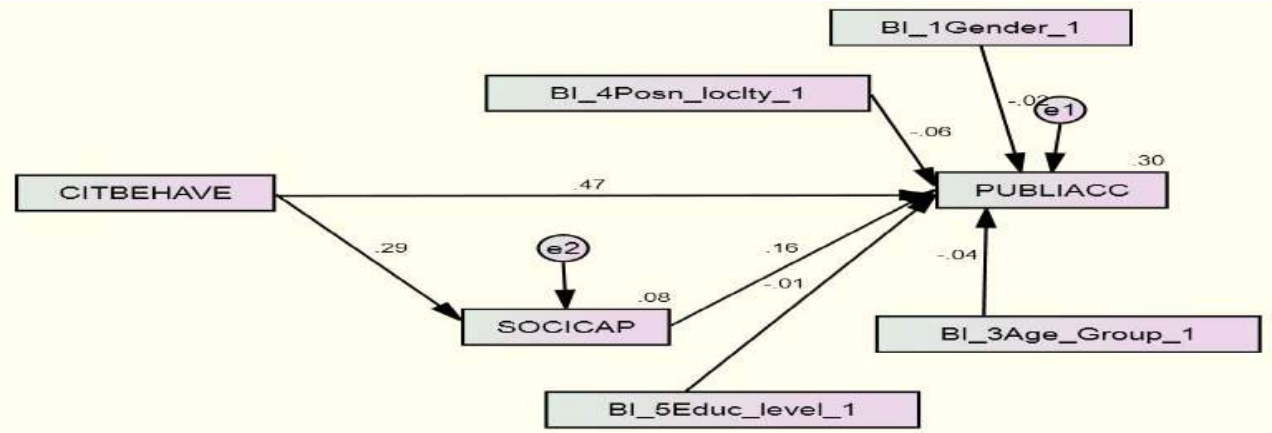
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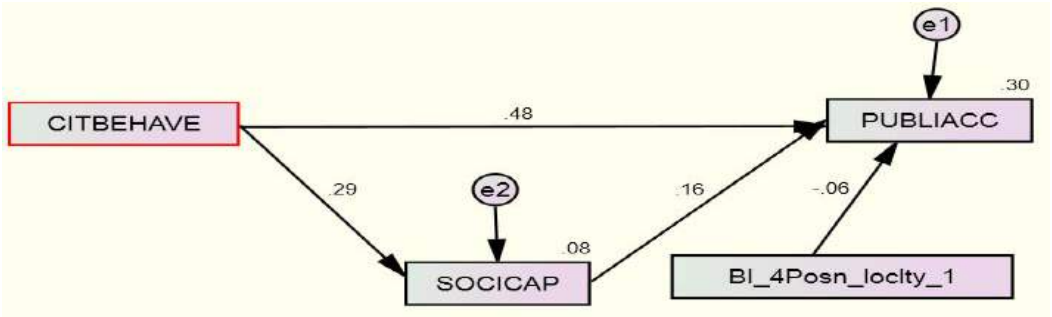
Appendix 1



Source: AMOS output

Figure 1: Initial SEM Results for Citizens Behaviour, Social Capital and Public Accountability

Citbehave is citizens behaviour; Socicap is social capital; Pubiacc is public accountability, BI_4Posn_Locity_1 is position of responsents in the locality, BI_1Gender_1 is gender of participants, BI_3Age_Group_1 is the age group of Participsnts; BI_5Educ_level_1 is the education level of participants.



Source: AMOS output

Figure 2: The second and final model

Final SEM Results for Citizens Behaviour Social Capital and Public Accountability

Citbehave is citizens behaviour; Socicap is social capital; Pubiacc is public accountability while BI_4Posn_Locity_1 is position of responsents in the locality.

Table 1: Model Fit Summary

CMIN

Model	NPAR	CMIN	DF	P	CMIN/DF
Default model	8	.950	2	.622	.475
Saturated model	10	.000	0		
Independence model	4	228.151	6	.000	38.025

Table 2: RMR, GFI

Model	RMR	GFI	AGFI	PGFI
Default model	.015	.999	.995	.200
Saturated model	.000	1.000		
Independence model	.112	.814	.691	.489

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Table 3: Baseline Comparisons

Model	NFI Delta1	RFI rho1	IFI Delta2	TLI rho2	CFI
Default model	.996	.988	1.005	1.014	1.000
Saturated model	1.000		1.000		1.000
Independence model	.000	.000	.000	.000	.000

Table 4: RMSEA

Model	RMSEA	LO 90	HI 90	PCLOSE
Default model	.000	.000	.071	.862
Independence model	.269	.240	.300	.000

Table 5: Regression Weights: (Group number 1 - Default model)

			Estimate	S.E.	C.R.	P	Label
SOCICAP	<---	CITBEHAVE	.220	.032	6.797	***	par_3
PUBLIACC	<---	CITBEHAVE	.493	.040	12.278	***	par_1
PUBLIACC	<---	SOCICAP	.219	.053	4.172	***	par_2
PUBLIACC	<---	BI_4Posn_loclty_1	-.033	.021	-1.627	.104	par_4

Table 6: Standardized Regression Weights: (Group number 1 - Default model)

			Estimate
SOCICAP	<---	CITBEHAVE	.288
PUBLIACC	<---	CITBEHAVE	.475
PUBLIACC	<---	SOCICAP	.162
PUBLIACC	<---	BI_4Posn_loclty_1	-.060

Mediation Using Bootstrap

Table 7: Standardized Total Effects (Group number 1 - Default model)

	CITBEHAVE	SOCICAP
SOCICAP	.288***	.000
PUBLIACC	.522***	.162***

Table 8: Standardized Direct Effects (Group number 1 - Default model)

	CITBEHAVE	SOCICAP
SOCICAP	.288***	.000
PUBLIACC	.475***	.162***

Table 9: Standardized Indirect Effects (Group number 1 - Default model)

	CITBEHAVE	SOCICAP
SOCICAP	.000	.000
PUBLIACC	.047***	.000

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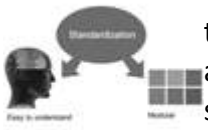
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- The names of first main headings (Heading 1) must be in Roman font, capital letters, and font size of 10.
- The names of second main headings (Heading 2) must not include numbers and must be in italics with a font size of 10.

Structure and Format of Manuscript

The recommended size of an original research paper is under 15,000 words and review papers under 7,000 words. Research articles should be less than 10,000 words. Research papers are usually longer than review papers. Review papers are reports of significant research (typically less than 7,000 words, including tables, figures, and references)

A research paper must include:

a) A title which should be relevant to the theme of the paper.
b) A summary, known as an abstract (less than 150 words), containing the major results and conclusions.
c) Up to 10 keywords that precisely identify the paper's subject, purpose, and focus.
d) An introduction, giving fundamental background objectives.
e) Resources and techniques with sufficient complete experimental details (wherever possible by reference) to permit repetition, sources of information must be given, and numerical methods must be specified by reference.
f) Results which should be presented concisely by well-designed tables and figures.
g) Suitable statistical data should also be given.
h) All data must have been gathered with attention to numerical detail in the planning stage.

Design has been recognized to be essential to experiments for a considerable time, and the editor has decided that any paper that appears not to have adequate numerical treatments of the data will be returned unrefereed.

i) Discussion should cover implications and consequences and not just recapitulate the results; conclusions should also be summarized.
j) There should be brief acknowledgments.
k) There ought to be references in the conventional format. Global Journals recommends APA format.

Authors should carefully consider the preparation of papers to ensure that they communicate effectively. Papers are much more likely to be accepted if they are carefully designed and laid out, contain few or no errors, are summarizing, and follow instructions. They will also be published with much fewer delays than those that require much technical and editorial correction.

The Editorial Board reserves the right to make literary corrections and suggestions to improve brevity.



Format Structure

It is necessary that authors take care in submitting a manuscript that is written in simple language and adheres to published guidelines.

All manuscripts submitted to Global Journals should include:

Title

The title page must carry an informative title that reflects the content, a running title (less than 45 characters together with spaces), names of the authors and co-authors, and the place(s) where the work was carried out.

Author details

The full postal address of any related author(s) must be specified.

Abstract

The abstract is the foundation of the research paper. It should be clear and concise and must contain the objective of the paper and inferences drawn. It is advised to not include big mathematical equations or complicated jargon.

Many researchers searching for information online will use search engines such as Google, Yahoo or others. By optimizing your paper for search engines, you will amplify the chance of someone finding it. In turn, this will make it more likely to be viewed and cited in further works. Global Journals has compiled these guidelines to facilitate you to maximize the web-friendliness of the most public part of your paper.

Keywords

A major lynchpin of research work for the writing of research papers is the keyword search, which one will employ to find both library and internet resources. Up to eleven keywords or very brief phrases have to be given to help data retrieval, mining, and indexing.

One must be persistent and creative in using keywords. An effective keyword search requires a strategy: planning of a list of possible keywords and phrases to try.

Choice of the main keywords is the first tool of writing a research paper. Research paper writing is an art. Keyword search should be as strategic as possible.

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

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

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

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

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

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

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

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

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