

# GLOBAL JOURNAL

OF MANAGEMENT AND BUSINESS RESEARCH: B

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## Economics and Commerce

Role of the Public Sector

Factors Affecting Entrepreneurship

Highlights

Buying Back of Shares

Agribusiness Enterprises in Lagos

Discovering Thoughts, Inventing Future

VOLUME 15

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ECONOMICS AND COMMERCE

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## Promoting Growth and Sustainable Development: The Emerging Role of the Public Sector

By Dr. Orok B. Arrey

*Federal University Wukari, Nigeria*

**Abstract-** The world economy entered the 21<sup>st</sup> century with the optimism of extending the frontiers of technological advancement of the past centuries to accelerate individual national growth and economic development. Disenchantment with erstwhile induced growth and emergence of rapid privatization and market economy appeared to be the only option for attaining the goals hitherto impossible under the hegemony of state-led developmental initiatives. This paper examines the plausibility of privatization argument that the desired level of growth and sustainable development can be achieved in an environment of passive government involvement in the economic processes given the structural rigidity and imbalance of the Nigerian economy.

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# Promoting Growth and Sustainable Development: The Emerging Role of the Public Sector

Dr. Orok B. Arrey

**Abstract-** The world economy entered the 21<sup>st</sup> century with the optimism of extending the frontiers of technological advancement of the past centuries to accelerate individual national growth and economic development. Disenchantment with erstwhile induced growth and emergence of rapid privatization and market economy appeared to be the only option for attaining the goals hitherto impossible under the hegemony of state-led developmental initiatives. This paper examines the plausibility of privatization argument that the desired level of growth and sustainable development can be achieved in an environment of passive government involvement in the economic processes given the structural rigidity and imbalance of the Nigerian economy.

## I. INTRODUCTION

The events in major developed countries of the world during the last quarter of the 20th century created a dichotomy that resulted in a gap between the economies of the developed and less developed countries. While the economy of the developed countries witnessed rapid growth and development, those of the less developed nations experienced an overall decline. As a result of this decline, revenue from domestic economy falls short of annual budget estimate. This situation compelled governments of the affected countries to seek for financial assistance from developed economies and international finance institutions.

Owing to the dwindling nature of revenue of each economy as compared with the requirement most borrowed funds were not repaid on maturity but renegotiated into a future period. The compounding effect of outstanding interest on the overdue capital increased the level of the indebtedness of the debtor, thus began the problem of the debt burden and its negative financing incidence on the domestic economies of the developing nations like Nigeria.

Added to the above is the failure of most public enterprises to yield expected returns and contribute to growth and development of their domestic economies. Being countries with large population of citizens below the poverty level, the welfarism ideology incorporated into their economic policies, which necessitated massive involvement of state in private sector economies failed to yield the expected dividend.

This failure was in part attributed to the corrupt attitudes of public officials and bureaucratic logjams of public service operation. Other includes the monopolistic structure of such enterprises, which shield them from competition, a basic ingredient for efficiency in private sector.

Accordingly, development economists and policy makers began to re-examine the role and need for active state involvement in real sector of the economy vis-à-vis its regulatory role. The credit of major state de-investment in the real sector was initiated by Margaret Thatcher in 1980s and its success amidst wide criticism encouraged other nations to embrace the policy. This act was later termed as privatization and commercialization of public enterprises. The economic policy which tends toward capitalist economic orientation has been adopted wholesomely by the two Breton Wood institutions viz: International Monetary Fund (IMF) and World Bank in the packaging of their financial assistance to the third world economies. This was the genesis of IMF conditionalities for assistance from world body.

Towards the end of the 20th century most developing countries had been caught in the web of debt burden and underdevelopment. Since the situation favours the developed economies in establishing the economic hegemony over politically sovereign third world nations, public sector's active involvement in real sector of the economy 1<sup>st</sup> favour and was tagged the major root-cause of underdevelopment in Africa. By the close of the 20<sup>th</sup> century privatization and commercialization syndrome had been entrenched in our economic policies and development plans. The efficacy of privatized economy became the singsong of globalization the then emerging concept in the new world order. Borrowing from the historical experience of developed countries this paper re-examines the potency of Lie argument of passive involvement of the state in economic development.

### a) *The Need for Public Sector*

It is the general belief of the classical economic theory that:

- The composition of aggregate output would be in fine with the preference of individual consumer such that each is able to satisfy his wants/needs with limit of its physical endowment,

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- When the decision is left to individual members of the society, market forces will operate unhindered without disturbance to allocate and distribute judiciously the available resources among the various sectors of the economy.

This assumption is not true in reality. Inequality in resources endowment put many at advantage where market forces are left unhindered to distribute income among the members of the society.

Secondly there is the tendency on the part of the private entrepreneur to charge the highest possible price on his products in order to earn maximum returns. Thus the largest proportions of the members of the public are excluded from enjoying the benefits which such commodities offer.

In addition, investors go into business ventures in order to maximize their gains, this limits the number of goods and services they can produce. It will only be profitable to produce goods or services whose benefits can be enjoyed upon paying the market price. If it is possible to enjoy the benefit without paying the price many will not pay for it, thus the capital invested may be lost.

Based on the above realities private enterprises will produce and sell only to those who can afford the price. For example many adult workers currently employed in Nigeria are not riding cars because they cannot afford it. Only few live in owner-occupied houses because the cost of constructing one is out of the reach of many. Only a relatively small proportion could afford to send their children to overseas countries or reputable private schools for better quality education because it is above their income level. These goods and services are allocated by market forces and by its operation, it excludes the majority of the members of the Nigerian public. This is the major failure of market forces or price mechanism in allocation and distributing resources in the economy among its members. It cannot offer equity in resource distribution.

In order to bring equity, government must come to perform certain functions, which will ensure some equitable distribution of public resources. The following reasons among others continue to compel and ensure the existence of public sector enterprises in any economy, most especially the developing economy such as Nigeria.

- Failure of Market Forces in Ensuring Equitable Distribution of Public Resources:* If the work of allocation of resources is left to market forces, the greatest portion of members of the community will be deprived of (the economic goods. One wonders how many people will be able to allow personal security personnel in Nigerian should police force be left to private initiatives.
- Inequality in Resources Endowment:* Resources are general unequally distributed. But equitable

distribution is inevitable for development. This requires a superior organization to ensure redistribution for the general welfare of the whole society. Government levy tax on higher income earners and uses the proceeds to provide utility service to the lower income earners. There is no private enterprise (that can provide this service).

- Necessity of Public Goods:* There are some goods and service whose provisions are indispensable for the general welfare of the community. These goods and services possess some characteristics, which not only make it unattractive to private sectors but unprofitable for private investors. Such goods and services have indivisible benefits and externalities in effect i.e. the consumption by one member does not extinguish right of the other neither does the ability to pay a requisite condition for the spill over effects of the benefits. Such goods and services include security, protection against external attack, pipe borne water, public roads, street lights and high ways are needed for smooth operation, growth and general welfare of the society. Public sector (Government) exists to provide these goods and services at the cost at which the least member of the society can afford.
- Competition in Privates Sector:* Public sector ensures that there is low or total absence of competitions where such would be inefficient due to the decreasing cost arising from large-scale production. For example, if Government spent less amount of money in generating one kilowatt of electricity than it would have cost individual organization in the private sector competition would result in high cost of production and consequently the average price at which it would be released to the member of the public. Will be higher than it would under a single producer.
- Law and Order:* In general terms, smooth and efficient operation of the private sector economy hinges on the ability of the government of the state to ensure safety of lives and properties at all time. Where there is chaos and insecurity or political instability, private sector cannot operate at the co-existence peak efficiency level. The establishment of due legal structure for ensuring peace and equitable exchanges among divers interests in the country can only exist at the instance of government of the nation.
- Social Values:* This occurs as a result of recognition attached to some states by members of the public. It is indisputable that wealth attracts high public recognition and respect in Nigeria. This is the main argument for an income redistribution to achieve equity. Such quest would require adjustments in the distribution of income and wealth which results from the market system dominated by the private sector

and from the transition of property rights through inheritance. Only with the existence of the public sector can such readjustment be carried out in an equitable process.

- vii. *Limitation of Market System:* The market system in both highly developed and underdeveloped economics do not usually and necessarily bring high employment, price level stability and socially desired rate of economic growth such policies are established by government agencies and backed by statutory provision of the law before they can and vigorously pursue for the general well being of the nation.

## II. ECONOMIC FUNCTIONS AND GOALS OF PUBLIC SECTOR

Renowned economic scholars agree that the basic economic problem of scarcity is the general feature of every national economy. The resources available to any society are limited to satisfy the need of its inhabitants (residents). All factors of production—Land, Capital and Entrepreneurship encounter constraints, which limit their availability and supply at any point in time. The major economic functions and public sector in any society are to make these factor endowments and resources available free from encumbrances to various sectors of the economy. These functions and goals are pursued through the use of government economic policies which are the main core of its budgetary pronouncement and measures. The core import of such public function are

- a) Allocation function.
- b) Distribution function.

### a) *Allocation Function*

Allocation function of government budgetary policy is compelled by the unique features of human society. Resources are generally scarce relative to the demand and want for which these resources are needed. An infinite or unlimited quantity of economic goods cannot be produced because of this limited supply of each resource. When certain goods are produced with the scarce or limited resources, the opportunities to produce other goods are forgone. This is where the allocation function of public sector is inevitable for the growth and development of the economy. Through this allocation function, government provides the system which determines and regulates the pattern of production through various incentives and statutory provisions. The system answers one of the main economic questions of how economic goods should be produced and in what quantities. It also divides available resources within the economic private and social goods.

### b) *Distribution Function*

This relates to the manner in which the effective demand over economic goods is divided among the

various individual and family spending units of the society. It is effective demand, which determines the distribution of real output among the populace through the existing pattern of income and wealth in the private sector and through the political influence in the public sector. Through its distribution function government adjusts the market induced distribution of income and wealth to ensure conformity with what the society considers as a fair or just state of resource distribution.

#### i. *Stabilization Function*

This function is concerned with the attainment by the national economy of:

- High levels of labour employment and capital utilization at stable prices,
- A good balance of international payment performance and
- A satisfactory rate of growth in per capita output (income) over a period of time.

These are pursued by the use of budget policy as a means of achieving:

- High employment rate,
- A reasonable degree of price level stability,
- An appropriate rate of economic growth with,
- Allowance for effects on trade and on soundness of foreign accounts-balances of payment.

## III. EMERGING ROLE OF PUBLIC SECTOR IN THE ERA OF GLOBALIZATION

In the research findings of Stiglitz (1997): in both United States of America and other rapidly growing economies of East Asia, government has played important roles that accelerate their development which could be adopted by governments of developing countries in their drive towards sustainable economy development.

### a) *Promoting Education*

Universal education creates a more egalitarian society, facilitates political stability, which is preconditioned for successful long-term economic development. It has been observed that since 1785, the government of United States of America recognized the responsibility of promoting public education by setting aside land in newly formed states for that purpose. The active involvement of government is needed to promote universal education in Nigeria in order to transform the economy from subsistence to a highly industrialized one. Scholarships should be made available on merit basis to promising scholars and highly intelligent students in all tiers of education in Nigeria.

### b) *Promoting Technology*

Modern telecommunication including Internet was an initiative of U.S. Government. The remarkable growth in that country's agriculture is largely attributable to (the government's support for research and

dissemination of the result to the farmers. Government should provide support for research and development in the area of our core competence that is agricultures. Support for research effort should transcend the present state of establishing intellectual centers and institutes whose findings never see the light of the day. Government should provide sufficient funds to transform research prototypes to commercially viable products. The government of America spent \$ 1.5billion to fund the project which law explorer on planet Mars in 1997. A scientific feat which put the whole world at attention above Apollo II landing on the moon in 1969.

c) *Support for Financial Sector*

It is an undisputable fact that the financial sector is a catalyst for growth and development in the real sector of the economy. The sector is responsible for mobilizing scarce capital resources in the most efficient way. Government has the unique role of ensuring the safety and soundness of the registered operation in the sector. It is not likely that the operators in the sector would meet the overall finance required for sustainable development, the state is required for creating development institutions and financial market to till the gap created by these market imperfections.

d) *Providing Adequate Infrastructure for Development*

The rapid development pace of advanced economies is not much of available factors endowment but the existence of enabling environment and adequate infrastructure to back up the operation in the real sector of the economy. The reverse is the case in developing economies like Nigeria. We have abundant resources but lack adequate infrastructure. Our communication system is non-functional or at best epileptic in performance. An investor would think of ensuring self-delivery in communication system and generator to supply electricity before embarking on project for which he has raised funds. Government would need to look into infrastructural problems in Nigeria in order to promote growth and development in the economy.

e) *Preventing Environmental Degradation*

African nations have natural endowments of fertile agricultural land as well as rich aquatic resources. It would however take generations to undo the environmental damage that has been wrought on our land under the disguise of resources exploitation. There are numerous communities in the Niger Delta where both the land and aquatic resources have been extinguished for lifetime as a result of oil spillage». and carefree attitude of some oil producing companies. The government is required to establish effective environment policies that would protect these endangered communities.

f) *Providing Incentive for Growth And Development*

Nigeria is rich in fertile land and resources which can make the country great. The problem has

been lack of policy initiative to encourage local investments in agriculture and industry as observed by Giwa (2000) problems besetting manufacturers in Nigeria include:

- i. Poor and deteriorating infrastructural services.
- ii. Weak domestic demand arising from poor purchasing power.
- iii. High cost of operation worsened by escalating bank-lending rates.
- iv. Lack of level playing ground to enable locally made goods compete with imported finished goods.
- v. Massive influx and dumping of imported finished goods and substandard products.
- vi. Multiple levies and policy inconsistencies. Only the appropriate policies pursued by the state can ameliorate negative effects of these factors.

g) *Maintaining Security of Life and Property Including Social Welfare for the Entire Populace*

The high level of corruption among top government officials exerts negative effects on the security of lives and property in the country. The law enforcement agencies continue to harass innocent citizens on the high way. Our pension scheme leaves past civil servants dying of hunger or on the queue while waiting for their rights from officers they nurture into stardom. Our health care system too operates at abysmally low level. Until these issues are decisively addressed by the government no private initiative can ensure their provision for the poor masses of this nation. It is incontrovertible that their absence would continue to affect the productivity of our labour force and consequently our development initiatives.

#### IV. CONCLUSION AND RECOMMENDATIONS

The new international economic order under the emerging concept of globalization offers unique challenges in competing for available investible funds at global level such that only the country with investment friendly environment can attract foreign capital inflows. It should however be noted that uncontrollable deregulation and liberalization would injure any economy. Since no economy in the present world can boast of complete inactive public sector involvement in its economic processes, Nigeria should approach deregulation and privatization with caution. The government being a large organization, which unlike large private organizations is not subject to the pressure of market competition, should learn to adapt to changes as the economy reacts and adapts to changes at global economy scene.

Practical evidence avails to prove that both public and private sectors operate far from textbook ideal and also display uncertainty at larger scale. It also proves that though democracy may not at times be

responsive to wishes of voters, the same is also true of Managers of large corporations who often set aside the wishes of shareholders to which they are responsive to pursue objectives which promote their private benefits. Government should therefore rise up to the emerging role of fostering tin growth and sustainable development of the nation's economy since a passive involvement may adversely affect the existing level of growth if wholly left in the hands of the private sector.

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# While Poverty is a Global Problem Resulting from Global Issues, its Definition and Solution can only be Found Locally

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**Abstract-** There is a debate on whether there should be a global definition of poverty that applies to all countries. Many people ask questions why we not have a more universal approach to address poverty. Is it too pragmatic to think that a universal approach is needed to address global poverty? However, the author thinks external agencies universal definition of poverty and poverty prescriptions for social and economic development are not effective to local living socio-economic development and to develop ecological economics rather contextually designed good governance programs suite for local development and to address the issue of poverty. For example, Grameen Bank micro-finance, Grameen America USA, Desjadin Credit Union Canada, Mondragon Spain, Natural Agriculture Thailand, Participatory Budget Brazil, BRAC non-formal education and BIKASH Bangladesh, and SWEA of Indian women cooperatives are well known local initiatives to address the issue of local poverty and unemployment. Therefore, the article emphasis that while poverty is a global problem resulting from global issues, its solution can only be found locally and therefore the nature of poverty must be defined locally.

**Keywords:** *capitalism, globalization, multinational corporations (MNCs), poverty, structural adjustment policy.*

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## I. INTRODUCTION

Poverty is a threat to human survival and development. Thomas Allen (2002) says, "It is a part of global crisis" (p-16). It is not an isolated social catastrophe rather, it is socially constructed (Rouf, 2015). It is a process of social exclusion of the poor, and is a product of uneven development across and within the state. Capitalism and globalization of the free market economy make poverty global and the third world more impoverished. Polani says (1957), "This big transformation is self-destruction" (p-4). According to Professor John O'Neil (2007) of York University, capitalism is the production of wealth and poverty. It is advantageous to wealthy nations, but developing countries have less wealth and significant social problems that are not encouraging to resource creation. As a result, the world has become an increasingly

unequal place-the gap between the haves and have-nots has widened. For example, over fifty countries are now poorer than they were ten years ago. Life expectancy has fallen in over thirty countries (Bibby & Shaw, 2005). Martin Wolf (2004) says, "It is the net result of massive growth in inequality" (p.139). There is no turning point from this process unless there is an alternative development strategy for the world. Hence, this paper argues that while poverty is a global problem resulting from global issues, its solution can only be found locally and therefore the nature of poverty must be defined locally.

The paper attempts to demonstrate that the way we define poverty has a direct relationship with how we propose to eliminate it. For the author, poverty is depriving poor people of access to local public resources to achieve anything beyond fulfilling their basic needs in both developing countries and developed countries. This leads to suffering from malnutrition, ill health, lower life expectancy, infant mortality, unemployment and injustice to poor people in society. One of the major problems among the poorer communities is increased violence because of poverty. Therefore, poverty is one of the most important issues to be examined in development studies.

Poverty eradication is targeted as the number one Millennium Development Goal (MDG) by United Nations (UN) in the 21<sup>st</sup> Century. However, one of the first questions is: who is included in the definition of poverty and who is excluded? If we define one person as living in poverty and in need of assistance based on an absolute definition (poor people suffer from basic necessities of life like food, shelter, clothing, education and health care) then are we excluding their neighbors because they have no extra change of clothing? The objective of paper is to discern roots of causes of poverty and find alternative local tools that can assist local people to get out of sufferings of poverty misery.

Most international social agencies spend considerable effort creating rules and deciding who qualifies for support and who does not. This is a complex process, and no matter how sophisticated the rules, the rules cannot account for each unique situation (Hick, 2004). Families have different types of numbers of family members, some face chronic illness, some are limited in their ability to work, some live in remote

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depressed areas of the country, some have little or no education, some have the spirit to escape poverty, and other are just worn out. Therefore features of poverty problem are different. Therefore, poverty solution needs to be addressed by identifying the particular elements of poverty for particular segment of the local people as well as finding out what local resources available for them and what process can engage them that can enhanced them their participations in the community to be social actors and economic actors and accelerate their socio-economic benefits to fulfill their basic needs.

Poverty usually measured in terms of income and therefore, fiscal economists decide how could provide assistance and select who gets assistance from the state based on specific data (e.g., income, money in the bank, assets). However, maximum marginalized people do not have such statistics in the developing countries. Therefore maximum poor people are excluded from the state acute poverty accounting, but usually state fiscal policy and poverty measures are based on relative poverty. This relative poverty is measured against standards that make sense within each country. However, this sometimes presents a challenge when evaluating the situation of remotest marginalized poor, tribes, immigrants and refugees (Hick, 2004, p. 123).

Therefore, in this paper, the author is first going to discuss what it means to examine poverty from a universal and local perspective. Secondly, he discusses poverty measures suggested by different institutions and scholars, and the effects of globalization on poverty. Lastly, the paper looks at the poverty definition and discusses how poverty could be addressed in the local context.

Poverty has a long history and is present everywhere in the world. Poverty is often directly related to exploitation of one group of people by a more aggressive or wealthier group of people. For instance, for 200 years, India's wealth has been transferred to Britain through British colonization. Moreover, the plantation economy and slavery systems have been introduced in Central and Latin America by the Europeans (Korten, 1995a). However, the plantation economy has been creating inequalities and poverty there.

In early Britain, *English Poor Laws* were promoted as a way to address widespread poverty in England and to stop the commoners from begging. The laws classified the poor as being either worthy or unworthy of relief. The worthy ones are children, along with the aged, sick or disabled (Hick, 2004, pp. 34-35). The poor laws did not develop sustainable income generating programs and services for the poor rather relief services keep poor in the vicious circle of poverty among marginalized poor in London.

There is a debate on whether there should be a global definition of poverty that applies to all countries.

Why do we not have a more universal approach to address poverty? Is it too pragmatic to think that a universal approach is needed to address global poverty? Although the depth of poverty (poverty gap measurement of how much additional income would be required to raise an individual or household out of poverty) varies from region to region, country to country, poverty exists all over the world.

Poverty is the direct result of global forces and actions by the various global actors (Sen, 1981). The rich and poor can be found between countries and within a country because the world is connected through globalization. Globalization is closely associated with poverty because it creates great inequality between rich and poor, as well as international conflicts and environmental degradation (Ibid, 1981). Companies now operate globally, so it is becoming more difficult to limit their activities as they move from country looking for cheap resources and exploiting cheap labor. So poverty is not just only a local problem; it has global connections. How can a 'one-world view' ever justify the gross social differences that exist in our integrated global system? Therefore many experts believe poverty solutions should be global.

In a capitalist society, poverty relates to those who live 'outside' the consumer society. They are blamed for not fitting in, but really they are victims of unemployment, falling wages, downsizing, and a growing sense of insecurity. Poverty victims are suffering from powerlessness due to a lack of formal and informal representations from them. Therefore they are freedom from elite' dominations and deprivations. So it is a societal problem, not a matter of individual failures. It is an outcome of the value system of global international capitalism. It is made worse through baldly reputed poverty brokers: IMF, World Bank, World Trade Organization (WTO) and multinational corporations (MNCs). Although these organizations talk a lot about poverty, they are not reducing absolute poverty. Rather, they are the institutions which help induce misery and famine all over the world (Dickson, 1997)). They prescribe poverty solutions as external actors of the impoverished society. Therefore Jeffrey Sacks (2005) finds that the rich world dominates third world countries by employing Ph.D. economists in international institutions like the International Monetary Fund (IMF) and the World Bank. However, it is a wrong strategy of the World Bank and IMF because rich countries' economic development policies, strategies and paths are different from those of developing countries. Hence it is appropriate to let the developing countries themselves identify their own resource strengths, resource gaps, and resource needs, and possible solutions for their own socioeconomic development. The international organizations (IMF, World Bank and World Trade Organization) exist to regulate the global economy under the sponsorship and direction of the

U.S. (Thomas & Allen. 2002: p-204). Their effort often result in damage to the local economy, and to other local social and environmental institutions. Their mandate and ideology may be to support countries' economies, but through lack of understanding of the local culture and short-term as opposed to long-term projects, they usually hinder marginalized people's development rather than help.

Recently, the pressures of debt payments, debt crisis, and structural adjustment policies have made less developed countries (LDCs) vulnerable to these institutions. As a result, poor people tend to experience more poverty, unemployment, malnutrition, and health problems, and they are at a higher risk for substance abuse and violence. This is because developed countries impose their own policies on LDCs in the name of democracy, aid, investments, technical support and development. Moreover, capitalism and globalization processes focus entirely on economic growth at the cost of human dignity. Although neo-liberalism and capitalism are two global forces which some argue work towards solving poverty, capitalism widens the wealth gap and leaves a large group marginalized in severe poverty with no effective means of improving their situation. Because the capitalist system dominates and controls the local market and continually threatens the local economy.

Trade liberalization, export oriented markets, globalization and the structural adjustment policy (SAP) of IMF all have some negative effects on poverty. Although all of them are working under liberal democracy, they create inequality and unemployment in societies. Since the 1980s, the market forces have gained headway (Thomas 2000a, p-40). SAP through IMF intervention has led to rapid increases in prices which contributed to a recession in the Latin American countries in the 1980s. Although the SAP of IMF attempts to solve poverty and improve economies, in practice, it is opposite.

Every country has its own 'Economic Master Plan' and 'Five Year Plan', but they are following Western orthodox economics. These plans are political and serve as eye wash to the public. In addition to this, geopolitics, globalization, misrule of the rich countries (particularly US and Britain) leads the poor countries to poverty and to be dependent on them. Hence Kazi Rouf (2014) believes poor countries should challenge the prescriptions of Western donors and develop their country's economics considering local context and situation.

From the above discussion, we see that poverty is a global systemic issue that is a by-product of the global capitalist system. Therefore, poverty should be considered as a result of internationally exploited because it is a global problem caused by global systems. Hence how can local governments hope to

deal with poverty which results from global forces well beyond their control?

In practice, global capitalism is an example of a failed universalistic attempt at solving poverty. In almost every case, capitalist institutions fail to take into account the local contextual conditions, preferring to impose a set of conditions which are seen as suitable to every situation. This has largely failed, and has only resulted in increases in poverty, particularly in countries already subjected to SAPs. Therefore, an anti-SAP movement is needed against globalization's hegemonic policies.

If we define poverty without defining it at a local level and conceptualize it as a global problem, we are then denying that poverty is in fact a local issue. Because here the question is global solutions not simply a continuation of the oppressor pushing their ideas on the oppressed? Therefore, for the sake of practicality, "poverty must be defined in relation to its local conditions which can promote *people centered development* and contribute to human wellbeing" (Korten 1995b, pp.178-9). The face of poverty is extremely different in each country. In Canada, for example, poverty counts those whose annual income is below \$19,256 annually (National Council of Welfare 2002), while in Bangladesh it means living off less than \$1 a day. So each country defines its own low-income cut-off (LICO) in relation to its individual situation. Some people think welfare and free health care will address poverty. However, Professor Muhammed Yunus (2013), founder of the Grameen Bank, does not believe in handouts. Rather, he prefers self-reliant strategies for poor people where they can utilize their own skills to meet their needs.

Political heritage, various religious and cultural beliefs have an effect on how a country addresses poverty issues. Therefore, local definitions are more meaningful since they take into account the local conditions. Because universal definitions fail to capture local conditions and local reference points. In Bangladesh, the hardcore poor are defined as those who are landless and 'wealth less'. For example the Grameen Bank defines the poor as those who have household total assets amounting to less than \$250. The urban poor are those who live in slums and are fully dependent on temporary manual daily labor. In Canada, the poor are those who spend 56.2% or more of their household income (either paid income or government assistance) on basic necessities and therefore, they are 'in need' (National Council of Welfare, 1999a; Chappell, 2001: p.182). Here in Canada, the social safety net is fairly well developed for dealing with poverty. However, in Bangladesh the poor live by on their own resources and must survive on their own effort. There is no state supported safety net there. Thus, both the poverty definition and its solutions are different in these two countries. Hence Professor Peter Penz (1998) criticizes 'income poverty' and suggests poverty should be seen

from people's capacity to purchase/afford their basic needs.

Multinational corporations (MNCs) are expanding their socio-economic power over the state through trade agreements, but there are no international bodies which can make and enforce laws. Thus, it is up to the local governments to create and enforce laws which limit global companies and limit the actions of the local economy to ensure a reduction in poverty. Although NGO initiatives are incapable of dealing with the root of the problem and are only band-aid solutions, they work locally for poverty because the solutions can only be found and implemented locally.

United Nations Development Program (UNDP) explains poverty in more relative terms, but it also has different criteria for explaining poverty depending on whether we're talking about developing countries or more industrialized nations. UNDP uses the Human Development Index (HDI) and Human Poverty Index (HPI) for poverty management (Thomas, 2000, p. 16). This is a composite measure which includes different indicators from local perspectives. A lack of health care, education, and social involvement, along with inadequate environmental quality, can also be referred to as poverty. Thus, it is multi-dimensional. Although human development (HDI) developed by UN is widely used now, there is no separate UN agency solely dedicated to poverty eradication.

Now development has both positive and negative effects on society. It could either decrease or increase human wellbeing because dominant business elites are greedy for profit, and they exercise control over people through the market economy. Development ethics really don't exist (Gasper, 2004, p.1). They decide what areas of wealth increase and in what ways.

The designs of wealth creation and distribution affect the whole world. Power decides what resources go to which third world country with what conditions. It is even determined in UN voting, IMF voting and G-8 meetings. These voting decisions affect the third world because the first world has forced their ideas onto the third world countries. However, those ideas do not fit appropriately into the third world poverty reduction strategies. For example, first world ideas of GNP calculation ignore female/domestic labor. Their work is not included in the GNP calculation, rather devaluing their effort. Therefore, a universal poverty definition and universal solution policy cannot cover all the different pockets of poverty in different societies even within a different society.

Moreover, multinational corporations (MNCs), the source of a lot of 'working poverty' do not generally focus on local conditions. Their owners and operators are located in far away rich countries. Moreover, MNCs are care only about profits and their business. Local poverty and the environment is not one of their concerns. To address the issue of poverty, there are

different opinions/ approaches developed by different institutions and experts discuss below.

## II. APPROACHES TO POVERTY ANALYSIS

A number of ideas have been proposed for measuring the rate of poverty. Here are three approaches to poverty analysis: (1) the Poverty Line Approach focuses on economic measures for meeting basic needs, but it says less about the depth of poverty (poverty gap); (2) The Capabilities Approach explores endowments and entitlements of functioning achievements; and (3) Participatory Poverty Assessment (PPA) explores the cause and effect of poverty in a specific context. The PPA looks at the experience of poverty from the poor people's perspective. It is a bottom-up evaluation where the poor give input, and it encourages active participation in finding comprehensive policies to address poverty. Participatory budget of town house meeting in Argentina and Brazil are an example of PPA approach to prepare and to develop budgets and projects for the public specially for the disadvantaged people in Argentina and Brazil. Toronto Community Housing (TCH) has introduced the participatory budget analysis meetings for the tenants of the TCH in Toronto. The TCH participatory budget analysis meeting provides opportunity to tenants of TCH to be involved in budget analysis that enhanced marginalized TCH tenants benefits in Canada.

Now the paper is going to discuss how poverty is viewed by economists as the lack of money, income or capital resources to provide for oneself and one's family. The poverty line, the GNP and LICO are a few of the major elements used to measure poverty from an economic perspective. The poverty line identifies poverty as the limitation in earnings and purchasing power. LICO is used in Canada to measure absolute poverty (acute poverty) and relative poverty.

The *poverty line approach* separates the poor from the rich (cut-off point) and focuses on (a) the national per capita income at the micro level, and (b) the per capita household income. It defines daily income to be the minimum level necessary for survival of household members. About one-quarter of the world's population lives on less than \$1 per day and over half lives on \$1 per day and are suffering from absolute poverty (Daley-Harris, 2002). The highest poverty region in the world is South Asia (44%). 841 million people worldwide are malnourished and 885 million adults worldwide are illiterate (World Bank Report 2000). Within these huge numbers of poor, women are the most affected (67%) and children are the worst victims (Hick, 2004, p. 147). Poverty also exists in developed countries (11%) for people that have less than \$14.40 per day of income. In Canada, 3.3 million people (14.4%) live below the poverty line (Chappell, 2001).

Although GNP per capita and GDP are used as tools to measure poverty at the macro level, they are not appropriate to measure poverty because they are based on the average GNP income of a state. The advantages of the poverty line approach are that it provides empirical data which enables the planners to map the extent of poverty. However, macro level economics and statistics cannot measure local conditions especially when it comes to health and quality of life.

Free trade and global investments do not decrease the gap between rich countries and the poor. In 1960, the gap between developed countries (DCs) and under developed countries (UDCs) average income was only 20 times, while in 1990 the ratio had increased to 55 times (Hick, 2000. p-147). Therefore, Professor Jeffrey Sacks (2005) and Professor Peter Penz (1997) say that neo-liberal democratic capitalism is increasing income poverty. As a result global inequality among individuals has increased the poverty gap.

Conversely, the poor world is suffering not only from income shortages, but other concerns such as unequal access to assets, opportunities and universal education. Economic growth does not always benefit poor people and reduce poverty (Jackson, 2011). Hence Nailla Kabeer (1994) says, "Human needs go far beyond the ability to afford daily nutritional needs, but can be extended to living a healthy and active life and participating in community activities" (p-139).

The capabilities approach, participatory poverty assessment, and the 'hierarchy of needs' approach all go beyond human economic needs and promote social aspects of human life. For example, the capabilities approach developed by Amarta Sen (1984) explores endowments and entitlements (means) of functioning achievements (ends) for the poor. This approach talks about means and ends (social inclusion) and it appears to respond to economic growth which fails to benefit (trickle down to) the poor. Economic growth fails to meet all people's essential needs: water, sanitation, shelter, clothing, public health, and transportation. The advantages of this human capabilities approach are the focus on monitoring basic achievements across country borders, gender relations, and gender inequalities. Although the capability approach is inclusive of social aspects, intangible social conditions are not quantifiable.

The capability approach tailored to the Human Development Index (HDI) of UNDP includes income, life expectancy and educational attainment as human development measurement. The benefits of HDI are the measurement of basic achievements across the country and the focus on gender inequality.

UNDP also monitors the gender inequality index (GDI) which uses three indices of HDI, but GDI focuses on gender inequality. GDI helps to identify gender inequality and low status of women, and promotes change. This gender-based approach helps to identify

the human rights approach to social welfare. It further defines social entitlements as a right of citizenship.

Another multidimensional poverty assessment is the Participatory Poverty Assessment (PPA) that explores the cause and effects of poverty in a specific context. It looks at the experience of poverty from the poor people's perspective. It is a bottom up approach to measure poverty. The advantages of PPA are: it looks not only at the basic needs but also the security, accumulation, social standing, and self respect. It also includes unskilled labor and social networks. Hence the capability approach, HDI, and participatory poverty assessment are more important in addressing poverty at the local level; much more so, than the poverty line approach.

Feminization of poverty is a terrible ordeal both in LDCs and DCs. For example, in Bangladesh more than 70% of rural women live below the poverty line. In Canada, 37% of single mothers live below the income poverty line. The women's nurturing activities and household responsibilities devalue them and leave them vulnerable to exploitation. The growing poverty rates give them no choice, voice, value, power, or status in society. Rather, they are exploited by upper class people and employers. For example, industrialized jobs are currently filled by females and thus, increasingly more exploitative" (Kabeer, 2003: p. 69)

Patriarchal societies favor and give power via customary laws to men. This has a negative effect on women. All these factors are responsible for rural female poverty. However, the Dollar & Gatti study (1999) finds gender inequalities had a significantly negative impact on economic growth. Gender equality has positive effects on per capita income in society (Kabeer, 2003: p. 40). Hence gender equality would be one of the approaches to address the issue of the feminization of poverty.

There are many other poverty relief strategies developed by different scholars and institutions including: Poverty Reduction Strategy Papers (PRSP), Gender Responsive Budgets (GRB), and Sectoral Strategy for Poverty Policy (SSPP) and Gender Management System (GMS). All of these programs are useful in macroeconomic policy. For example, PRSP deals with a country's macro-economic structural and social policies to promote economic growth and reduce poverty. Although PRSP explores opportunity for poverty reduction, it has rapidly become an integral component of aid-cooperation agencies. It is heavily influenced by the World Bank/IMF. Furthermore, it is heavily reliant on external technical advice. It expands global rules of trade and global market expansion that is regulated by bi-lateral and multilateral trading agreements (Kabeer 2003, p. 211).

The "Hierarchy of Needs" developed by the Fraser Institute uses an absolute approach. This hierarchy of basic needs pyramid theory suggests that

“for poor people, the notion of self-esteem itself might be more closely tied to the ability to feed their children than to middle class, which would hamper their survival strategies” (Kabeer, 1994, p. 140). Although this is not a direct measurement tool for poverty, this ideology provides just another social theoretical framework from which sociologists examine the issue of poverty.

From the above definitions and approaches to poverty, it is clear that the economic and social theoretical viewpoints directly affect how policies are developed in recognition of these pressing issues. Therefore, poverty analysis and solutions should be considered both at the universal and local levels to define and to solve the poverty different components.

Now the paper is going to discuss the Grameen Bank (GB) micro-financing program, as an example, that deals with poverty that is based on a combination of economic and social dimensions at the local level. Grameen Bank pioneered ‘microfinance’, giving funds to women once considered unbankable, and allowing them to engage in agriculture, commerce and food processing businesses. Through Grameen Bank, BRAC, ASA and many other micro-financings institutions (MFIs), many of the women engaging in microcredit etc. earned more income, developed networks leadership skills and citizenship skills among them, moreover; they have less children and want less children; fewer children will also help get out of the cycle of poverty. Hence the Grameen Bank group based micro-credit approach is an example of a local solution to address poverty in Bangladesh.

Although Bangladesh is not out of the grip of extreme poverty, young women are working in garment factories in inhumane working conditions and are low-paid, these young women are trying to earn income and contribute to their families and to the Bangladesh economy. Although the author finds the garment workers are suffering in exploitive sweatshop job environments where these women are working, at the same time they (garment workers) talked about their greatest opportunity for their empowerment in Bangladesh. For example, they could imagine being able to save surpluses from their pay, manage their own income, have their own rooms, and choose when and whom to date and marry, choose when to have children, and use their savings to go back to school. According to Jaffrey Sacks (2005) this is an example and the first step on the ladder out of poverty for Bangladesh.

Neither economic nor social viewpoints alone are enough to address poverty. Rather a combination of the two is needed. Most meaningful solutions to poverty work are at the local level. Even international aid, which is delivered globally, must eventually be administered locally. Grameen Bank is a very good example of an integrative approach to work with local poor people. GB extends its collateral free banking service, which caters primarily to rural women in Bangladesh, and mobilizes

the poor. It is a ‘self-sustaining process’ and makes its members work both individually and collectively to move up the social and economic tiers. Grameen Bank provides \$16.7 billion in credit to 8.6 million rural landless in Bangladesh (Grameen Dialogue-93, 2014). GB narrows down its poverty measurement to the borrower level. It uses ten indicators to measure poverty for its members (Appendix-1). Here the GB poverty measurement is combination of social and economic holistic development drives the Bangladeshi rural poor towards self-employment, independence. They are encouraged to make decisions on behalf of families, plan and save for the future, and alleviate the burden of poverty from their lives and their children’s. Grameen Bank Statistics 2006) state that 58% of its borrowers have successfully graduated from poverty through the use of Grameen loans.

Microfinance is not designed to support large companies at the national or international levels. Rather, its success is entirely local, through improving local conditions for residents, teaching them to manage money, and plan for their lives beyond a day-to-day subsistence. GB is an example which demonstrates that the concept of microfinance is rooted in local conditions. The loans are small and given to individuals who are rooted in local villages. They then use the loans to create small businesses which serve the local population. Likewise local NGOs are also doing the social development jobs for the marginalized poor in Bangladesh.

Microfinance is part of the framework of interventionism as it is defined as the “need for intentional development alongside capitalism in order to *ameliorate the disordered faults of progress*” (Thomas, 2002, p.28). Interventionism looks to combine state and market forces. Microfinance is an intentional attempt at development using the capitalist methodology. Through borrowing small amounts of money, GB borrowers become entrepreneurs and owner-operators of small enterprises that conduct business independently in their communities. In this way, they increase their family income and savings, educate their children and plan for their future. GB helps to mentor businesses within their local market by providing a supportive community and teaching basic business management skills.

A key part of GB is the strategy of bringing women together on a weekly basis not only to pay their loans, but also to share experiences, support one another’s business, and to hear from the grameen bank staff about how to keep their family healthy and prepare for natural disasters.

Microfinance and other social development schemes of NGOs are targeted at those people who are normally excluded from mainstream banking services, training programs, and business development advice. Their goal for each person they help is self-sufficiency and self-confidence. Only when an individual gains

these important qualities can they pull themselves out of the depths of poverty for good.

Microfinance institutions aimed at the poor require some kind of a means-test to identify the extremely poor (Gibbons, 1994, pp. 116-117). Means-tests are also used in Canada to evaluate the assets and income of welfare recipients. It is found that credit unions in Canada are local solutions to mobilize the poor and facilitate networking among them. They are local solutions that promote local small businesses and examples of work to meet their banking needs.

Although the World Development Report (1990) says "Reducing poverty is the fundamental objective of economic development" (p-24), safe and sustainable environmental policy, programs and projects are also vital for poverty eradication and human development. Several NGOs and many international organizations are attempting to address poverty, but they are working piecemeal and often cancel out each other's efforts. An inclusive poverty definition and an integrated program for income development, education, health, and legal services for poor women at the village level are urgently needed. For poor women, their poverty is not just an issue of nutrition and basic needs, but of justice, voice, choice and fundamental human rights.

A globally-unified poverty definition and a uniform global poverty reduction strategy may not be appropriate for all poverty pockets in the world because the depth of poverty and causes of poverty differ from society to society. Therefore, we need to identify the poverty headcount of both absolute and relative poverty (Slyter, 2003, p. 297). At the same time the public policy should be reviewed and updated, and poverty-related trends and conditions must be monitored. This can play a crucial role in giving people the ability to develop their potential as well as to convert available resources into an economically and socially advantageous small business.

### III. CONCLUSION

From the above discussions/arguments, the author draws conclusion poverty is depriving poor people of access to resources to achieve anything beyond fulfilling their basic needs and they are suffering from misery, injustice inequality, ill health, malnutrition, lack of quality life, powerless and exploitation in the society. Hence it is one of the most important issues to be examined in development studies because the world has become an increasingly unequal place, as the gap between the haves and the have-nots has widened. Poverty, injustice and inequality are worst in capitalism. Because capitalism and globalization of the free market economy makes poverty global and the third world is more impoverished. It is advantageous to wealthy nations, but developing countries have less wealth and they have significant social problems that are not encouraging to resource creation. Over fifty countries

are now poorer than they were ten years ago (Bibby & Shaw (2005). It is because the world is increasingly becoming globalised. However, people living in poverty are citizens who have rights to the benefits of development. Currently many thinkers are questioning is there no turning back from the social impoverishing process. Many development thinkers are suggesting for traditional cooperatives managed by marginalized people could be an alternatives for their development and poverty eradication because cooperatives are based on social and ethical values and on the principles of democracy and self-help; poor people can work for themselves through cooperatives and work for their social life improvement. However many developmental practitioners consider traditional cooperatives are like an old furniture model of development because this alternative developmental model unable to function properly in many countries including Bangladesh past even in the present time. Therefore, Barbara Slyter (2003) suggests for an approach to address poverty, which should be considered that closely analyzes its causes and implications to address issue of poverty (p. 286). To reduce poverty and to promote the Brundtland Commission's *human need-centered nine conditions could be considered for development and eradicating poverty: justice, sustainability, inclusiveness, gender equity, good literacy, human security and reduce poverty* (in Thomas, 1996, p-99). Moreover, the state should deregulate free-trade within their country to protect its local products and businesses from imported competition. Moreover, UDCs need to work on a sustainable development agenda that "meets the needs of the present without compromising the ability of future generations to meet local people's own need" (Allen & Thomas, 2000, p. 158). Therefore, it is important to identify poverty issues locally; find resources/alternative paths that are suitable to marginalized people in their local context as well that are adaptable to marginalized people to uplift them from their sufferings of poverty, injustice and misery.

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## APPENDIX-1

### *Grameen Bank Borrowers' Poverty Measurement Tools*

1. Each individual of the household is able to take three meals a day
2. Children go to school
3. Live in their own houses
4. Winter clothes are available
5. Ability to afford health services and buy necessary medicine
6. Use safe drinking water
7. Have no loans or mortgages
8. Use mosquito nets



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# Influence de l'Aide Publique au Développement Sur la Réduction de la Pauvreté dans les Pays En Développement: Une Analyse Économétrique de cas du Cameroun de 1980 À 2013

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**Abstract-** This article focuses on the possibility of reducing poverty from an external source of finance as ODA, the example given is that of Cameroon. The purpose of this paper is to check the behavior of poverty in the presence of official development assistance. The data used come mainly from the World Bank, in "the book of world development indicators" on the CD-ROM (WDI 2014). Working for the period 1980-2013, the analysis was made with an error correction model. The endogenous variable is the average per capita income. Estimates made from the method of Johansen (1988), it appears that official development assistance has no effect on the level of poverty in Cameroun. The transformation of official development assistance in real gift would help to avoid the increasing indebtedness and thus reduce poverty.

**Keywords:** *official development assistance, poverty, developing countries.*

**GJMBR - B Classification :** *JEL Code: P40*



INFLUENCE DE LAIDE PUBLIQUE AU DEVELOPPEMENT SUR LA REDUCTION DE LA PAUVRETE DANS LES PAYS EN DEVELOPPEMENT UNE ANALYSE ECONOMETRIQUE DE CAS DU CAMEROUN DE 1980 A 2013

*Strictly as per the compliance and regulations of:*



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# Influence de l'Aide Publique au Développement Sur la Réduction de la Pauvreté dans les Pays En Développement: Une Analyse Économétrique de cas du Cameroun de 1980 À 2013

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**Resume-** Cet article est centré sur la possibilité de réduire la pauvreté à partir d'un financement de source extérieure comme l'aide publique au développement, l'exemple pris est celui du Cameroun. L'objectif du présent papier est de vérifier le comportement de la pauvreté en présence de l'aide publique au développement. Les données utilisées proviennent principalement de la Banque Mondiale, dans «le livre des indicateurs mondiaux de développement» contenu dans le CD-ROM (WDI-2014). Travaillant pour la période 1980-2013, l'analyse a été faite avec un modèle à correction d'erreur. La variable endogène est le revenu moyen par habitant. Des estimations faites à partir de la méthode de Johansen (1988), il ressort que l'aide publique au développement n'a aucun effet sur le niveau de pauvreté au Cameroun. La transformation de l'aide publique au développement en véritable don permettrait d'éviter l'accentuation de l'endettement et réduirait ainsi la pauvreté.

**Mots clés:** aide publique au développement, pauvreté, pays en développement.

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## I. INTRODUCTION

La deuxième Guerre Mondiale a été suivie par la Guerre Froide entre les blocs de l'Est communiste et de l'Ouest capitaliste qui va durer de 1950 aux années 1980. L'aide au développement a été aussitôt promue comme un moyen d'attraction ou de pression dans la bataille que se livraient les deux grandes puissances pour établir leur hégémonie géopolitique. Deux visions du monde et projets sociétaux étaient alors roposés. Les pays sous-développés devaient opter pour l'un ou l'autre camp avec toutes les implications politiques, économiques et socio-culturelles qui en découlaient. (Amewao, 2008)

Avec la fin de la Guerre Froide, l'aide au développement a perdu les soutiens et les justifications qu'elle y trouvait. La fidélisation et la clientélisation des pays du Tiers Monde ne sont plus perçues comme des enjeux essentiels par les décideurs politiques pour l'octroi de l'aide; ce qui a entraîné une diminution du volume d'aide octroyée aux pays en développement dans les années 1990 (Komon 2005).

Cet affaiblissement a rendu plus audibles les critiques de toutes sortes sur l'aide publique au développement:

- Critique libérale, qui accuse l'aide de distordre les marchés et de désresponsabiliser les gouvernements et les sociétés civiles, voire d'emprisonner les États bénéficiaires dans la dépendance à l'égard des subsides internationaux;
- Critique marxiste, pour laquelle l'aide s'est faite le vecteur de la globalisation et de la libéralisation économique des pays en développement au détriment de ces derniers;
- critique managériale, qui relève l'inefficacité de l'aide publique au développement en comparant les volumes engloutis au cours des décennies avec les résultats obtenus; particulièrement en Afrique subsaharienne;

C'est ainsi que depuis l'an 2000, la communauté internationale s'est fixée pour objectif if

d'éradiquer la très grande pauvreté à l'horizon 2015. Mais selon les tendances actuelles et de manière générale, il est probable que les Objectifs du Millénaire<sup>1</sup> pour le Développement ne soient pas atteints en 2015 au Cameroun comme dans la plupart des pays en développement. En effet, dans le contexte actuel de la récession économique mondiale, la question de l'engagement international pour l'aide au développement se pose avec encore plus d'acuité. Les pays pauvres subissent de plein fouet les conséquences de la crise financière alors qu'en 2008, une crise agricole de grande ampleur provoquait déjà des émeutes dites de la faim dans certains pays. Ces manifestations ont montré que la lutte contre la faim reste encore un problème majeur dans la plupart des pays en développement et en particulier ceux de l'Afrique subsaharienne.

Les pays d'Afrique subsaharienne sont dans une situation unique et cumulent une série de handicaps qui doivent faire l'objet de toutes les attentions. Le nombre de personnes pauvres y a considérablement augmenté<sup>2</sup>; à cause entre autres facteurs, de l'importante croissance démographique, la corruption et les maladies telles que le paludisme et le SIDA qui gommement le progrès au fur et à mesure qu'il se réalise. Il faut noter toutefois que ce niveau de progrès ainsi que le besoin en aide publique au développement dépendent de la spécificité de chaque pays. On se demande si cette source de financement extérieur qu'est l'aide publique au développement peut contribuer à réduire la pauvreté au Cameroun.

## II. REVUE DE LA LITTÉRATURE

Le débat sur l'efficacité de l'aide s'est toujours focalisé sur son impact sur la croissance. Mais toutefois depuis le début des années 1990, l'aide s'est progressivement recentrée sur l'objectif de réduction de la pauvreté, évolution concrétisée par l'engagement de 189 pays aux Nations Unies à réduire la pauvreté dans le monde de moitié d'ici à 2015.

Le débat de l'efficacité de l'aide s'est donc déplacé d'une problématique de croissance vers celle de la réduction de la pauvreté entraînant deux préoccupations: La détermination de l'influence de la croissance sur la réduction de la pauvreté et de l'effet direct de l'aide sur la réduction de la pauvreté.

<sup>1</sup> Au sommet du Millénaire de Septembre 2000 à New York aux Etats-Unis, 191 pays, dont le Cameroun représenté par son Chef d'Etat, ont adopté la « Déclaration du Millénaire ». Celle-ci se concentre sur les préoccupations majeures de la planète, notamment la paix, la sécurité et le développement, y compris la réduction de la pauvreté monétaire, l'amélioration de la santé, de l'éducation et la promotion des droits et des libertés, l'environnement et la bonne gestion des affaires publiques. Un ensemble de 8 Objectifs de Développement du Millénaire.

<sup>2</sup> Selon le rapport de la Banque Mondiale (2006 b), le nombre de personne pauvre en Afrique Sub-saharienne vivant avec moins d'un dollar a pratiquement doublé par rapport à l'année 1981.

a) *Relation entre croissance et réduction de la pauvreté*  
La fin des années 1990 a été marquée par la contribution positive de la croissance à la réduction de la pauvreté. Ainsi, un certain nombre d'études ont tenté de déterminer dans quelle proportion les bénéfices de la croissance profitent aux populations les plus pauvres. Cette question a fait l'objet d'une très vaste littérature.

Suivant la démarche de Foster et Székely (2001), ces auteurs différencient les études en fonction du concept de pauvreté retenu. Ainsi, une première approche consiste à considérer un concept de pauvreté relative et à estimer l'élasticité du revenu par habitant du premier quintile de la distribution par rapport au revenu moyen. Par ailleurs les études de Birdsall et Londono (1997), Roemer et Gugerty (1997), Gallup, Radelet et Warner (1999) et Dollar et Kraay (2000) ont mis en évidence une élasticité égale à 1 entre la croissance du revenu moyen et le revenu des plus pauvres.

Une seconde approche consiste à examiner l'élasticité de la pauvreté définie en termes absolus par rapport à la croissance du revenu. Ravallion (2000), Ravallion et Chen (1997) et Bruno, Ravallion et Squire (1998) trouvent une élasticité de la proportion de la population vivant sous le seuil de pauvreté proche de 2, suggérant qu'une augmentation du revenu moyen de 10 % se traduit par une diminution du nombre de personnes vivant sous le seuil de pauvreté de 20 %. Cependant, De Janvry et Sadoulet (2000) estiment des élasticités plus faibles (proches de 1) dans le cas de l'Amérique latine.

Par ailleurs, certaines conditions structurelles ou initiales sont susceptibles d'affecter la contribution de la croissance à la réduction de la pauvreté. Ainsi par exemple, l'importance des inégalités initiales a été soulignée par Bourguignon (2000), De Janvry et Sadoulet (2000) et Heltberg (2001). De même, la part de l'agriculture dans le PIB, les caractéristiques démographiques (taux de croissance de la population, distribution de la population entre les secteurs ruraux et urbains) peuvent affecter la contribution de la croissance à la lutte contre la pauvreté.

Enfin, la qualité et les caractéristiques de la croissance du revenu peuvent également jouer. Ravallion et Datt (1996) ont par exemple mis en évidence qu'en Inde, la croissance du secteur secondaire (l'industrialisation) réduit moins la pauvreté que celle des secteurs primaires et tertiaires. Cependant, si l'influence positive de la relation entre la croissance et la réduction de la pauvreté est largement acceptée, sa relation avec les inégalités fait toujours l'objet d'un important débat. Psacharopoulos et al (1995) ont mis en évidence dans le cas de l'Amérique latine, que les inégalités, comme la pauvreté, réagissent contra-cycliquement avec la croissance. Mais d'autres études sont moins optimistes. Par exemple, l'analyse de Ravallion et Chen (1997), sur 42 pays, ne leur permet pas de mettre en évidence une influence de la

croissance du revenu sur le niveau des inégalités. De même, pour 12 pays d'Amérique latine, De Janvry et Sadoulet (2000) concluent que la croissance du revenu a certes permis de réduire la pauvreté, mais pas les inégalités.

b) *L'effet de l'aide sur la réduction de la pauvreté*

Pour comprendre l'effet de l'aide sur la réduction de la pauvreté, certains auteurs ont invoqué son impact sur la croissance économique: si l'aide contribue à la croissance et que la croissance contribue à la réduction de la pauvreté, alors l'aide permet de lutter contre la pauvreté. Cependant, ce raisonnement repose sur l'hypothèse que l'aide n'a pas d'effet direct sur la pauvreté et que son effet passe essentiellement par la croissance.

Cette approche est remise en cause par les résultats d'un certain nombre d'études, qui soulignent un effet direct de l'aide sur des indicateurs de développement humain, ou encore un effet indirect qui passe par d'autres canaux que celui de la croissance. C'est ainsi que Burnside et Dollar (1998) analysent l'effet de l'aide sur la baisse de la mortalité infantile, un indicateur de bien-être des populations très fortement corrélé au niveau de pauvreté. Leur étude économétrique suggère que dans un bon environnement de politiques économiques, l'aide permet de réduire la mortalité infantile. Plus récemment, Gomanee et al (2003) mettent en évidence une influence positive de l'aide sur l'indicateur de développement humain et sur la réduction de la mortalité infantile, l'effet qui passe par le financement de dépenses publiques favorables aux plus pauvres. Il faut toutefois rappeler que des résultats sensiblement différents ont été mis en évidence par Mosley et al. (1987) et Boone (1996), dont les analyses économétriques suggèrent l'absence d'effet de l'aide sur la mortalité infantile. Enfin, Kosack (2003) souligne que l'aide n'a un effet sur l'indicateur de développement humain que dans les régimes démocratiques.

On note cependant les limites de cette revue de littérature. La plupart des travaux sur l'efficacité de l'aide publique au développement se sont limités à la relation aide-croissance et n'ont que déduire l'impact de l'aide sur la pauvreté ; de même, la majorité des travaux utilisent les données en panel. C'est-à-dire les données sur plusieurs pays. Ce qui ne fait pas ressortir les spécificités d'un pays donné de façon plus claire.

### III. MÉTHODOLOGIE

Les données utilisées dans cette étude sont de source secondaire et proviennent de la publication annuelle de la Banque Mondiale dans le «World Development Indicators Book» et le «Africa Development Indicators Book» contenu dans un CD-ROM provenant de la Banque Mondiale (WBI-2014). Les données couvrent une période allant de 1980 à 2013.

Ces données sont complétées par celles des documents de la CAA et de INS du Cameroun. Nous avons aussi procédé à des calculs pour obtenir les données pour certaines variables.

a) *Présentation Du Modèle*

Comme variable dépendante, nous utilisons le *revenu moyen par habitant* est retenu pour nous renseigner sur le niveau de la pauvreté.

Les variables indépendantes utilisées dans ce modèle sont les suivantes:

- *aide publique au développement*: c'est notre variable indépendante principale. Il devrait affecter positivement le taux de croissance économique et le niveau moyen du revenu par habitant. Elle est représentée par le rapport du volume total de l'aide reçue en pourcentage du PIB.
- *Produit Intérieur Brut*: il mesure la production nationale. La production nationale influence le revenu du pays et par conséquent le revenu moyen par habitant. En effet dans le cas d'une bonne répartition des revenus au sein d'un pays, l'accroissement de la production nationale s'accompagne par une amélioration du revenu moyen.
- *Dettes extérieures*: on estime qu'il peut influencer la croissance économique du pays. Si la dette est utilisée dans les investissements productifs, elle influencera positivement sur la croissance économique et par conséquent sur le revenu moyen. Cependant sa hausse peut traduire une future hausse des impôts et donc une diminution du revenu moyen par habitant. Il sera retenu en pourcentage du PIB.
- *La crise économique*: c'est un des faits économiques qui aurait marqué significativement l'économie camerounaise. Par conséquent, il est important d'évaluer son influence sur la pauvreté au Cameroun. C'est une variable dummy prenant la valeur 0 pour les années de ralentissement de la croissance et 1 pour les années de croissance.
- *La dévaluation*: elle traduit la modification du taux de change nominal du Franc CFA. On voudrait savoir si elle a influencé ou influence significativement la croissance économique dans notre pays. Nous l'avons aussi exprimée comme une variable dummy prenant la valeur 0 de 1980 à 1993 et 1 à partir de 1994, année de la dévaluation.
- *Investissement privé*: influence sur la croissance économique du pays car il est supposé booster la production nationale.
- *Investissement publique*: ce sont les dépenses gouvernementales de l'Etat. Elle devrait avoir une influence positive sur la production nationale et par conséquent sur le revenu moyen par habitant.

- *l'inflation*: il renseigne sur la stabilité macro-économique. Il devrait avoir une influence négative sur la croissance économique et le niveau de revenu. C'est pourquoi un des objectifs macroéconomiques de l'Etat est la lutte contre la hausse du niveau d'inflation. Il est utilisé dans nos équations pour la prise en compte de la politique économique du pays et par simplification de l'indice proposé par Burnside et Dollar (2000).
- *lecapital humain*: cette variable est approximée dans la littérature par le taux de scolarisation au secondaire ou au primaire. Le capital humain favorise les gains de productivité. Nous ne retiendrons que celui du secondaire.
- *Les termes de l'échange*: c'est une variable qui a été relevée comme influençant les taux d'épargne et d'investissement dans beaucoup de pays africains. Ils sont retenus ici en pourcentage du PIB.

Tableau 1 : Tableau d'abréviations des variables

Variabes	Abréviations	Mesures
Aide publique au développement	APD	APD/PIB
Endettement Extérieur	EXTDET	Dettes /PIB
Taux de Croissance du Produit Intérieur Brut par habitant	Y	(PIBO <sub>t</sub> - PIBO <sub>t-1</sub> ) / PIBO <sub>t-1</sub>
Inflation	INF	Taux d'inflation annuel
Capital humain	KHU	Taux brut de scolarisation du Secondaire
Investissement public	IPU	Investissements public/PIB
Les Termes de l'échange	TOT	Pris en pourcentage du PIB
Dévaluation	DEV	Dévaluation du Franc CFA à partir 1994
Crise	CRISE	Crise économique à partir de 1986
Investissement privé	IPR	Investissement privé/PIB
Revenu moyen par habitant	REVCC	Revenu brut/population
Produit intérieur brut par habitant	PIBO	PIB Brut/Population
<b>Epargne nationale</b>	<b>EPA</b>	<b>Epargne /Population</b>

b) *Spécification Du Modèle*

Le modèle mesurant l'impact de l'aide sur la réduction de la pauvreté à la forme fonctionnelle donnée par:

$$RECC = f(AID, INF, PIBO, IPU, IPR, TOT, KHU, EXDET, CRIS, DEVA) \tag{1}$$

En supposant une relation linéaire entre la variable dépendante et les variables indépendantes dans le modèle, nous pouvons écrire ce modèle sous la forme suivante:

$$RECC = b_0 + b_1AID + b_2INF + b_3PIBO + b_4IPU + b_5IPR + b_6TOT + b_7KHU + b_8EXDET + b_9CRIS + b_{10}DEVA + \epsilon_t \tag{2}$$

Tableau 2 : Récapitulatif des signes attendus

variable dépendante	REVC
variables explicatives	
AID	+
EXTDET	+
IPR	+
PIBO	+
INF	-
KHU	+
TOT	+
IPU	+
DEV	+/-
CRIS	-
EPA	+

IV. PRÉSENTATION DES RÉSULTATS

a) *Test de stationnarité*

La stationnarité renvoie au caractère infiniment persistant des séries à la suite d'aléa. Cette propriété est souhaitée dans le cadre des estimations sur les données temporelles car elle évite les risques de régressions fallacieuses (spurious regressions). Il existe une grande variété de tests de stationnarité des variables. Ces tests comportent tous des biais, ce qui conduit à penser que la détermination de l'ordre d'intégration des variables ne saurait être probante à partir d'un seul test de racines unitaires. C'est pourquoi et compte tenu de l'importance pour la spécification du modèle du caractère stationnaire et de la présence éventuelle d'une tendance déterministe dans les séries, nous pouvons recourir à différents tests de stationnarité: le test usuel de racine unitaire de Dickey-Fuller (ADF), le test de Phillips-Perron (PP), le test de Kwiatkowski, Phillips, Schmidt et Shin (KPSS). Ce dernier test repose

sur la décomposition de la série étudiée en une partie déterministe, une marche aléatoire et un bruit blanc. Il s'agit donc d'un test de nullité de la variance du résidu de la marche aléatoire. Ainsi, pour que la série soit considérée comme stationnaire dans le test de KPSS, il

faut que la statistique de KPSS soit inférieure à la valeur critique. Dans notre étude, nous utilisons les deux premiers tests : Dickey-Fuller (ADF) et Phillips-Perron (PP).

*Tableau 3 : test de racine unitaire des séries*

TEST DE STATIONNARITE (Au seuil de 5%)								
Variables	Stationnarité	Dickey-Fuller Augmenté (ADF)			Phillips-Perron			Stationnarité
	Oui / Non	Ordre d'Intégration	Valeur des Statistiques	Valeur Critique	Valeur des Statistiques	Valeur Critique	Oui / Non	Ordre D'Intégration
Y	Oui	I(1)	-9,5633	-2,9862	-8,8632	-2,9862	Oui	I(1)
AID	Oui	I(1)	-7,3683	-2,9862	-9,0893	-2,9862	Oui	I(1)
CRIS	Oui	I(1)	-5,0000	-2,9862	-5,0000	-2,9862	Oui	I(1)
EXDET	Oui	I(1)	-4,1365	-2,9862	-4,1365	-2,9862	Oui	I(1)
DEVA	Oui	I(1)	-5,0000	-2,9862	-5,0000	-2,9862	Oui	I(1)
EPA	Oui	I(1)	-5,6928	-2,9862	-5,6928	-2,9862	Oui	I(1)
INFL	Oui	I(0)	-3,9158	-2,9810	-3,9158	-2,9810	Oui	I(0)
IPR	Oui	I(1)	-6,3905	-2,9862	-6,3002	-2,9862	Oui	I(1)
IPU	Oui	I(2)	-4,6416	-2,9919	-4,9892	-2,9919	Oui	I(2)
KHU	Oui	I(2)	-6,2510	-2,9981	-14,2588	-2,9919	Oui	I(2)
PIBO	Oui	I(1)	-9,6275	-2,9862	-8,9670	-2,9862	Oui	I(1)
REVCC	Oui	I(1)	-3,6616	-2,9862	-3,6932	-2,9862	Oui	I(1)
TOT	Oui	I(0)	-3,8549	-2,9810	-3,8414	-2,9810	Oui	I(0)

Les résultats du test de racine unitaire de Dickey-Fuller Augmenté (ADF) et celui de Phillips-Perron montrent que le terme de l'échange (TOT) et le taux d'inflation (INF) sont stationnaires en niveau; Les variables, Y, AID, EPA, EXDET, CRIS, DEVA, IPR, PIBO, REVCC sont stationnaires en différence première alors que KHU et IPU sont stationnaires en différence seconde au seuil de 5%. Puisque toutes les variables ne sont pas intégrées de même ordre, elles ne peuvent donc pas être cointégrées au sens de Granger selon la théorie économétrique. On est donc tenté de choisir un modèle vectoriel autorégressif (VAR). Mais ce modèle présente le désavantage d'avoir une multitude de variable. Pour pallier à ces différents problèmes nous avons éliminé les variables intégrées à niveau et ceux intégrées en seconde différence. Car nos variables principales que sont l'aide, le revenu moyen par tête et le taux de croissance sont toutes intégrées en différence première. Nous travaillerons avec les variables intégrées en différence première.

*b) Analyse de Cointégration*

La cointégration est une propriété qui permet donc de réduire le nombre de trend stochastique dans un vecteur aléatoire. Par rapport au cas univarié, la représentation autorégressive de la série devient nettement plus complexe, même si une écriture matricielle laisse entrevoir une certaine similitude.

L'inférence et les tests dans les modèles autorégressifs avec cointégration deviennent eux aussi plus complexes. La méthode de cointégration retenue ici est celle dite de Johansen (1988). Le test de Johansen est basé sur la généralisation multivariée du test de cointégration. Il consiste à calculer le rang de la matrice p sur:

$$\Delta X_t = A_0 + \pi X_{t-1} + \varepsilon_t$$

Avec

$X_t$  = Vecteur des variables

$A_0$  = Matrice (n x 1) des termes d'interception;

$$\pi = - \left( I - \sum_{i=1}^p A_i \right)$$

Ceci est une matrice (n x n) de paramètres;

Le rang de la matrice p indique le nombre de vecteurs co-intégrants indépendants.

En effet, ce test permet de déterminer le nombre de relation de co-intégration. Pour cela, Johansen (1988) propose un test fondé sur les valeurs propres d'une matrice issue d'un calcul à deux étapes qu'il développe.

En prenant  $n =$  nombre d'observations,  $\lambda_i = i^{\text{ème}}$  valeur propre de la matrice  $M$ ,  $k =$  nombre de variables,  $r =$  rang de la matrice.

Cette statistique suit une loi de probabilité tabulée à l'aide de la simulation de Johansen et Juselius (1990). Ce test de Johansen fonctionne par exclusion d'hypothèses alternatives:

- rang de la matrice  $\Pi$  égal 0 ( $r=0$ ). Soit  $H_0: r=0$  contre  $H_1: r>0$ : si  $H_0$  est refusé, on passe au test suivant (Si  $\lambda_{trace} >$  à la valeur critique lue dans la table. On rejette  $H_0$ )
- rang de la matrice  $\Pi$  égal 1 ( $r=1$ ). Soit  $H_0: r=1$  contre  $H_1: r>1$ : si  $H_0$  est refusé, on passe au test suivant.

- rang de la matrice  $\Pi$  égal 2 ( $r=2$ ). Soit  $H_0: r=2$  contre  $H_1: r>2$ : si  $H_0$  est refusé, on passe au test suivant, etc.

Si après avoir refusé les différentes hypothèses  $H_0$  à la fin de la procédure on teste  $H_0: r=k-1$  contre  $H_1: r=k$  et que l'on soit amené à refuser  $H_0$ , alors, le rang de la matrice est  $r=k$  et il n'existe pas de relation de co-intégration, les variables sont toutes intégrées d'ordre 0  $I(0)$ .

En testant ces différents modèles, le critère d'information d'Akaike se trouve optimisé pour le modèle 1,  $r = 6$  et  $k = 7$ . Ce modèle est estimé afin de déterminer la relation de long terme. Les résultats se présentent comme suit (cf. tableau).

Tableau 4 : Test de cointégration: Rank Test (Trace) pour les variables du Modèle

Included observations: 32afteradjustments				
Trend assumption: Linear deterministic trend				
Series: REVCC AID CRIS DEVA EPA EXDET IPR OPEN				
Lags interval (in first differences): 1 to 1				
Unrestricted Cointegration Rank Test (Trace)				
<b>Hypothesized</b>		<b>Trace</b>	<b>0.05</b>	
<b>No. Of CE(s)</b>	<b>Eigenvalue</b>	<b>Statistic</b>	<b>Critical Value</b>	<b>Prob.**</b>
None *	0.999940	498.6615	159.5297	0.0000
Atmost 1 *	0.963237	255.4579	125.6154	0.0000
Atmost 2 *	0.915808	172.8766	95.75366	0.0000
Atmost 3 *	0.769009	111.0102	69.81889	0.0000
Atmost 4 *	0.734145	74.37589	47.85613	0.0000
Atmost 5 *	0.653115	41.25578	29.79707	0.0016
Atmost 6	0.369363	14.78671	15.49471	0.0637
Atmost 7	0.122294	3.261095	3.841466	0.0709
Trace test indicates 6 cointegratingeqn(s) at the 0.05 level				
* denotes rejection of the hypothesis at the 0.05 level				
**MacKinnon-Haug-Michelis (1999) p-values				

Ce résultat nous montre que nous avons au moins 6 équations de cointégration entre les variables. la « p-value » est inférieure à la valeur de  $\alpha=5\%$ .

Le même résultat est obtenu en comparant la valeur de la statistique trace ou celle du «max Eigenvalue » par rapport à la valeur critique. Il y a cointégration quand la valeur critique est plus petite par rapport à la valeur de la statistique considérée. L'essentiel était d'avoir au moins une relation de cointégration.

c) *Modèle à correction d'erreur*

Le modèle à correction d'erreurs est une forme particulière des modèles autorégressifs à retard échelonnés (ARDL). Il peut être interprété à cet égard comme un modèle d'ajustement. A l'instar du modèle d'ajustement, le coefficient du terme d'erreur n'est pertinent que lorsqu'il est significatif et compris entre -1 et 0.

- *Estimation d'équation de long terme du revenu par habitant*

Tableau 5 : Estimation d'équation de long terme du revenu par habitant

REVCC	AID	CRIS	DEVA	EPA	EXDET	IPR
	0.015954	-0.005668	0.190957	0.017772	- 0.005668	0.004503
	(9.6E-05)	(0.00057)	(0.00050)	(6.1E-05)	(9.5 <sup>E</sup> -06)	(5.3E-05)

Les signes attendus des différentes variables sont respectés. Ces résultats s'interprètent de la façon suivante : l'analyse de la trace et de la valeur propre maximale laisse apparaître une relation de cointégration dans l'intervalle de confiance de 5% du test de vraisemblance

La relation normalisée est:

$$\text{REVCC} = 0,0159\text{AID} - 0,0057\text{CRIS} + 0,1909\text{DEVA} + 0,0178\text{EPA} - 0,005668\text{EXDET} + 0,0045\text{IPR}$$

L'augmentation de l'aide publique de 1%

entraîne à long terme une augmentation du revenu moyen par habitant de 0.0159%. La crise a eu un impact négatif sur le revenu moyen par habitant au Cameroun. La crise a donc augmenté la pauvreté au Cameroun alors que la dévaluation a eu à long terme un impact positif sur le revenu moyen par habitant dans ce pays.

- Estimation de modèle à correction d'erreurs du revenu moyen par habitant

*Tableau 6* : Estimation du modèle à correction d'erreurs du revenu moyen par habitant

Error Correction:	D(REVCC)
TCE	-0.153203 (0.05216) [-2.93724]
D(REVCC(-1))	0.521816 (0.20186) [ 2.58499]
D(AID(-1))	-0.009750 (0.00729) [-1.33767]
D(CRIS(-1))	0.012260 (0.03924) [ 0.31241]
D(DEVA(-1))	0.033526 (0.04954) [ 0.67681]
D(EPA(-1))	-0.006201 (0.00359) [-1.72706]
D(EXDET(-1))	-0.000488 (0.00096) [-0.50586]
D(IPR(-1))	-0.002710 (0.00356) [-0.76162]
C	-0.003658 (0.00746) [-0.49007]
R-squared	0.559024
Adj. R-squared	0.338535
F-statistic	2.535390

Comme précédemment chaque variable indépendante renferme trois nombres. Le premier correspond au coefficient de la variable qui y est associée, le second qui est entre parenthèses, l'écart type, le troisième entre les crochets exprime la valeur t de Student. Le coefficient du terme à correction d'erreur (TCE) est négatif (-0.15) et significatif à 5%. Ce terme de rappel montre que plus de 15% des écarts entre la valeur actuelle et celle d'équilibre (long terme) du revenu moyen par habitant sont corrigés chaque année.

Soulignons que les paramètres sont significatifs si la valeur de T-student lue est  $t_{0,05(20)} = 1.32$  en valeur absolue est inférieur à la valeur de t calculé pour chaque paramètre. Il ressort que l'aide publique à une influence non significative sur le revenu moyen par habitant à court terme.

La dévaluation a eu à court un impact positif et non significatif sur le revenu moyen par habitant. En effet il faut du temps pour que les canaux de transmissions puissent s'ajuster et fait ressentir son effet sur le revenu moyen par habitant.

Le coefficient de détermination corrigé est de 0,338%. ceci est dû au fait que nous avons négligé certaines variables à cause de leur ordre d'intégration. Seul 0,34% de la variation du revenu moyen par habitant est justifiée par la variation des variables indépendantes.

La statistique de Fisher lue est  $F_{0,05}(6;19) = 2.43$ . celle valeur étant inférieure à la statistique calculée alors le modèle est globalement significatif à 5%.

En effet, le Cameroun a une réputation en matière de la corruption; il se peut que l'aide publique soit détournée de sa mission principale. Par ailleurs au lieu de financer les investissements productifs; elle est souvent utilisée dans les secteurs peu productifs; négligé par le secteur privé à cause de sa non rentabilité. Disons qu'il existe un seul de rentabilité de l'aide publique au développement, la non-significativité de l'aide à court et à long terme sur le revenu moyen par habitant doit être causée en grande partie par la faiblesse de son volume.

L'aide publique a eu une influence négative mais non significative sur le revenu moyen par habitant à court terme au Cameroun. Ceci est dû en grande partie par la faiblesse du volume d'aide reçu par le Cameroun. En effet, le montant de l'aide publique est généralement moins de 1% du PIB, et 5 à 10% du budget de l'état et un peu moins de 40% des investissements publics au Cameroun (Ntankeu et al; 2008).

## V. CONCLUSION

Le Cameroun comme la plupart des pays en développement reçoit des financements de source extérieure dont l'aide publique au développement; mais n'a pas pu s'extraire du cercle vicieux de la pauvreté.

D'où la question de savoir si l'aide publique au développement est-elle efficace au Cameroun? Pour répondre à cette préoccupation, nous avons fixé comme objectif de mesurer l'efficacité de l'aide publique au développement au Cameroun quant à la réduction de la pauvreté. Nous avons donc formulé une équation avec pour variable dépendante le revenu moyen par habitant. Cette équation a pour principale variable explicative l'aide publique au développement. Ensuite, nous avons fait le test de la racine unitaire qui nous a permis de sélectionner les variables stationnaires en différence première. Ceci parce que nos variables principales étaient toutes stationnaires en différence première. Puis nous avons effectué le test de cointégration par la méthode de Johansen. Ce test n'étant applicable que lorsque toutes les variables ont le même ordre d'intégration. Ce qui justifie la sélection des variables. Nous avons alors déterminé les relations de cointégration de long terme et estimer les modèles à correction d'erreur pour la dynamique de court terme.

Nous avons conclu au seuil de 5% que l'aide n'a aucun impact significatif sur la réduction de la pauvreté au Cameroun. La transformation de l'aide publique au développement en véritable don permettrait d'éviter l'accentuation de l'endettement et réduirait ainsi la pauvreté. On pourrait tout aussi donner une priorité au financement des projets générateurs d'une grande valeur ajoutée dans le pays bénéficiaire ou encore les secteurs les plus rentables comme l'agriculture au Cameroun.

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# Factors Affecting Entrepreneurship Development in Agribusiness Enterprises in Lagos State, Nigeria

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**Abstract-** This paper primarily sought to determine the factors affecting the entrepreneurship development in small and micro agribusiness firms. Primary data from 120 owners/managers of small and micro agribusiness enterprises purposively selected for the study were analysed using descriptive statistics and multiple regression models. Results showed that majority of the owners/ managers of agribusiness were male (73.3%), married (71.6%), belong to cooperative society (85%), have business size of between 1 and 2 million naira worth (68.33%) with mean family size and monthly income of 5.0 and ₦84,833.00 respectively. Results also showed that majority (56.7%) had secondary education and were motivated to start agribusiness (56.2%) because they could not find job. Parameter estimates from multiple regression showed that age, gender, marital status and estimated business size have positive relationship with level of involvement in agribusiness enterprise while Family size and Primary occupation have negative relationship. Secondary occupation, membership of Cooperative and educational attainment were not significantly related with level of involvement in agribusiness enterprise development. The paper recommended among others effective and adequate entrepreneurship policies such as price stabilization policy and programmes for addressing factors that hinder the growth and development of agribusiness entrepreneurship as a way of actualising the current transformation agenda and "beyond oil" mantra of the present government of Lagos State on poverty eradication.

**Keywords:** entrepreneurship, development, entrepreneurship drive, agribusiness enterprise, barriers, lagos state.

**GJMBR - B Classification :** JEL Code: L26



*Strictly as per the compliance and regulations of:*



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## I. INTRODUCTION

In Nigeria today, the mantra “beyond oil” has become a ‘buzz word’ owing to dwindling revenue from oil and its attendant adverse effect on the economy and citizens’ welfare. Governments have acknowledged the impact of Agribusiness Small and Micro agro-Enterprises (SMEs) on job creation, improvement of people’s standards of living and hence an overall impact on the economy and thus encouraging entrepreneurship in the sector as a way of diversifying the economic reliance on oil for development. The term entrepreneurship is used to describe dynamic process of creating incremental wealth (Shailesh et al., 2013). This wealth is created by individuals who take the major risks in terms of equity, time and carrier commitment of providing value to some product or services. The

product or service itself may or may not be new or unique but value must somehow be infused by the entrepreneur by securing and allocating the necessary skill and resources. In other words entrepreneurship is the application of energy for initiating and building an enterprise (Mishra et al., 2010). Development of agricultural entrepreneurship has been an important policy to increase the value of agricultural production and open up the sector for businesses which is clear departure from what obtained in the past when oil prices were at their peak. Therefore, a policy change of this nature requires the development of entrepreneurial and organizational competency in farmers. Developing entrepreneurial skills of farmers can take two approaches. The first is to amend the social, economic, political, and cultural frameworks that hinders, and foster those that stimulate their development. The second is encouragement of farmers, via their personalities and capabilities, to kindle the development of entrepreneurship. If agro-enterprise competitiveness is to be improved by nurturing entrepreneurial behaviour, both approaches have to be considered.

Agribusiness or agro-enterprise is a sector in which most of the rural SMEs operate in and includes all participants in a commodity vertical structure, from suppliers, farmers, assemblers, processors and distributors to ultimate domestic and international consumers. The agribusiness SMEs are of importance to the Nigerian economy because they enhance economic growth, help accelerate development and are a business solution to rural poverty. In view of the dwindling government revenue from crude oil it is a delight to know that government has realised that the two concepts, entrepreneurship and agribusiness are not mutually exclusive and have extended supports for their promotion.

In Lagos State, though government, private and non-governmental development programmes are put in place to promote entrepreneurship, most agribusinesses are still encountering challenges that stagnates entrepreneurial activities. The challenge in the study area lies in assessing the level of entrepreneurial drives, and key factors that would constitute a framework which can be used as a basis for building a platform in which entrepreneurial initiatives can thrive. In Lagos State, agribusiness owners/managers’ socio-

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economic characteristic, extent of entrepreneurship drive in agribusiness enterprise, extent of intent to be involved in agricultural production and factors that influence entrepreneurship in agribusiness enterprise are not well documented. Constraints to entrepreneurship development drive in agribusiness enterprise are also not known.

In literature, Bommess and Kolb (2004) examined Economic Factors Affecting Entrepreneurship at two levels of structural and personal positions. In their study, structural position implies barriers and opportunities, and personal position depicts potentials and limitations. Structural positions include goods and services, access to credit and loans, competitive market and tax rates. Personal positions cover skilled and trained staffs, human capital and income level. Jancikova (2004), in the study of economic factors affecting agricultural entrepreneurial enterprises implicated two broad factors namely measurable and immeasurable factors. According to the study, measurable factors include geographic location, quality of land, size of organization, organizational structure and financial incentives for employees. Immeasurable factors comprise quality of management, leadership style, staffs' attitudes and non-financial incentives for employees. In a study conducted in Iran with the aim of investigating factors affecting empowerment of villagers, persistence factor, organizational factor, finance, education, personal autonomy, previous experience, creativity, sense of accomplishment, and internal control were factors with likelihood to increase entrepreneurship. Most of these studies used data collected in other climes outside Nigeria. Other empirical evidences emerging from few studies on entrepreneurship development in agriculture (Seyed et al., 2011 and Shailesh et al., 2013 Nwibo and Okorie, 2013) among farmers yielded mixed results that are inconclusive and contradictory. Thus, the question on entrepreneurship development in agriculture is still worthy of further research. Also, empirical evidence remains largely scanty, isolated and devoid of in-depth analysis of the entrepreneurship development in agribusiness enterprises in Lagos State. This creates a great lacuna in knowledge and this is the gap this study seeks to fill. Specifically, the study examined the socio-

economic characteristics of agribusiness owners/managers in the area; identified the extent of entrepreneurship drive in agribusiness in the area; ascertained the extent of intent to be involved in agribusiness enterprise in the area and isolate factors affecting entrepreneurship development in agribusiness in the area.

## II. METHODOLOGY

The study was conducted in Lagos State in south-western Nigeria. Lagos State being a former federal capital of Nigeria is the Economic hub of the Nation as host to many large industries and commercial activities in all sectors, from banking to agriculture. It is delineated into 25 Local Government Areas (LGAs) and 32 Local Council Development areas (LCDAs). The sample frame for this paper was made up of a list of names and contact details of small and micro agribusinesses obtained from the Department of Agricultural Extension of the State Ministry of Agriculture and Cooperatives. The sample units of analysis were the small and micro agribusiness firm owners/managers. Because they are strewn across major markets such as Agege, Sangross in Lagos Island and Sabo in Ikorodu, the representativeness of the sample were of great significance so that the results can be inferential throughout the population. Thus, 40 agribusinesses were purposively selected in each of the Markets.

The study employed a semi structured interviews which allows the use of questionnaires. The questionnaire elicited information on socio-economic characteristics of the farmers, perception of entrepreneur on factors which affect agribusiness namely social, psychological, economic, managerial, marketing, training and cultural factors in a likert-type structure. Altogether, 120 questionnaires were administered, collated and used for the analyses. Descriptive statistics such as frequency, percentages, mean and standard deviation were used to summarise the data while multiple regression analysis was used to determine socio-economic factors affecting agribusiness entrepreneurship development. The regression model is expressed as follows:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \beta_6X_6 + \beta_7X_7 + \beta_8X_8 + \beta_9X_9 + e_i \quad (1)$$

Where, Y = Level of involvement in agribusiness (proxied by number of years involved in agribusiness enterprises),

$\beta_0$ =Intercept

$X_1$  = Age (Years),

$X_2$  = Gender (1 if male; 0 if female),

$X_3$  = Marital status (married 1; Not married 0),

$X_4$  = Estimated business size (₦),

$X_5$  = Family size (No. in family),

$X_6$  = Primary occupation (1 if agribusiness, 0 otherwise)

$X_7$  = Secondary occupation (1 if other trade, 0 agribusiness), and

$X_8$  = Educational qualification (Proxied by numbers of years informal school).

$X_9$ = Membership of Cooperative

### III. RESULTS AND DISCUSSIONS

#### a) Socio-economic Characteristics of Respondents

The socio-economic characteristics of small and micro agribusiness owners/managers are presented in Table 1. The Table shows that majority (about 94%) of the respondents were 50 years and below while only 5% were above 50 years. The mean age was 42.1. The Table further showed that about 27% only attained a primary level educational qualification while more than half of the respondents, that is 56.7%, attained a secondary education qualification. About 7% of managers/owners have a tertiary qualification. The findings signified that the farmers have adequate educational background that is relevant for adoption of innovations and skills in entrepreneurship development. It is expected that the higher level of education will contribute significantly to decision making of a owners/managers of agribusiness for entrepreneurship development. Male agribusiness owners/managers were more (73.3%) than female (26.7), buttressing the usual male dominance in the world of business. Their marital status showed that more than three-quarters (71.67%) were married; about 23.00% were single while 5.00% were widowed. Previous experience of an owner/manager is undoubtedly invaluable to the present business. An owner/manager with managerial and entrepreneurship experience is likely to have the necessary skills for the demands of the present business venture. 51.16% of the aggregate sample has

between 11 and 19 years while 23.3% possessed more than 20 years in business experience. Owner/managers with less than 10 years of experience and entrepreneurship experience are only 25.00%. The mean business experience was 14.20.

The distribution of agribusiness entrepreneur according to their household size shows that majority (53.33%) of the owners/managers had household size of 6-10 persons while about 46.67% had household size of 1-5 persons. The mean household size was 5 persons. This implies that farmers in the study area have a large household size. Large household size ensures availability of family labour to address labour challenges.

The Table also revealed that majority (85.00%) of the agribusiness owners/managers are member of cooperative while about 15.00% of the farmers do not belong to cooperative society. This is expected to facilitate knowledge sharing and ease of fund access and thus enhanced development of entrepreneurship. The table further revealed that the average annual farm income of majority (53.33%) of the farmers lies between N501,000 -1,500,000, about 26.67% had an average income between N251,001-500,000, approximately 15.00% had an average of N100,000-250,000 while about 3.33% and 1.67% have an average income of less than N100,000 and greater than ₦1,500,000 respectively. The mean monthly farm income was ₦84,833.00. The result implied that respondents are fairly high income earners in spite of large family size they supported.

Table 1 : Socio-economic Characteristics of respondents

Age (years)	Frequency	Percentage (%)	Mean/Average
Less than 40	38	31.67	
41-50	76	63.33	
51-60	6	5.00	
Total	120	100.00	42.11
<b>Gender</b>			
Male	86	73.33	
Female	34	26.66	
Total	120	100.0	
<b>Educational Level (Years)</b>			
Non formal education	12	10.00	
Primary	32	26.67	
Secondary	68	56.67	
Tertiary	8	6.67	
Total	120	100.0	10.27
<b>Marital Status</b>			
Married	86	71.67	
Single	28	23.33	
Widowed	6	5.00	
Total	120	100.0	
<b>Business Experience (Years)</b>			
Less than 10	30	25.00	
11-19	62	51.67	
20 and above	28	23.33	
Total	120	100.0	14.20
<b>Household Size (Number of Persons)</b>			
1-5	64	53.33	

6-10	56		46.67	
Total	120		100.0	5.0
<b>Membership of Cooperative</b>				
Member	102		85.00	
Non-member	18		15.00	
Total	120		100.0	
<b>Average Income (Naira)</b>				
Less than 100,000		2		23.33
100,000-250,000	18		15.00	
251,000-500,000	32		26.67	
501,000-1,500,000		64		53.33
> 1,500,000	2		1.67	
Total	120		100.0	84,833.33
<b>Business size (₦m)</b>				
Less than 1.0	28		23.33	
1.0-2.0	82		68.33	
> 2.5	10		8.33	
Total	120		100.	1.12
<b>Primary occupation</b>				
Civil servant	18		18.0	
Tailor	9		9.0	
Farmer	20		10.0	
Business person	73		63.0	
Total	120		100	
<b>Secondary occupation</b>				
Mechanic	28		28.0	
Welding	20		20.0	
Farming	28		28.0	
Civil servant	24		24.0	
Total	120		100	

Business size distribution of the owners and managers of agribusiness is also shown in Table 1. It indicates that larger proportion (68.33%) of the owners/managers had a business size of between 1.0 and 2.0 million naira worth; about 23.33% had a business size of less than 1.0 million naira worth, while approximately 8.33% had business size of greater than 2.5 million naira worth. The mean business size was 1.61 million naira worth. It can also be observed from Table 1 that 63% of these respondents are business person, 18% are civil servants, 20% are farmers and 9% are tailors. The result revealed that, most of the respondents (63%) were business person and deemed agribusiness as their primary occupation. Table 1 also depicts the distribution of the secondary occupation of the respondents. Result from the table, revealed that, 28% of the respondents are mechanics, 28% are farmers, 24% are civil servants and 20% are welders. This implies that, most of the respondents are into farming (28%) and mechanic (28%) respectively. They are into secondary occupation to supplement their income from agribusiness enterprise.

#### b) Forms and Motivation of Business

From Table 2, most agribusiness entrepreneur runs their businesses as sole traders which constitute 85%. There remaining 15% run businesses as a partnership. Table 3 shows that most agribusiness

entrepreneur (56.25%), were motivated to start their own agribusinesses because they could not find work, followed by those motivated by quest for independence associated with running own business (21.25%). Only about 13% and 9% reported financial reasons and self-employment respectively as drive or motivation for entrepreneurship in agribusiness.

Table 2 : Forms of business

Forms of business	Frequency	Percentage
Sole trader	102	85
Partnership	18	15
Close corporation	0	0
Total	120	100

Table 3 : Motivation of business

Reason	Frequency	Percentage
Financial reasons	16.5	13.75
Could not find work	67.2	56.25
Independence	25.5	21.25
Self-employment	10.5	8.75
Total	120	100

#### c) Factors affecting Development of Entrepreneurship in Agribusiness Enterprises

The researchers explored several factors such as economic, social, managerial, marketing,

psychological and finance in order to establish remedy or solution to already known barriers to entrepreneurship development in agribusiness. Many study had already documented perceived barriers to agribusiness entrepreneurship development in Nigeria and how they affect level of motivation (Esiobu, Onubuogu and Ibe,

2015, Okoli, Anyaegbunam, Etuk, Opara, and Udedibie, 2005etc). A 32 item in Likert-type was designed to elicit information on perceived solution or escape route out of perceived barriers to development of agricultural entrepreneurship development in Lagos State. Findings are shown in table 4.

*Table 4 :* Distribution of Solution to Barriers to Agribusiness Entrepreneurship Development in Lagos State

S/No	Indicator	Variable	Mean	Standard Deviation
1	Economic Factor	(a)Stabilization of agricultural products prices	4.61	0.75
		(b)satisfaction from income	4.32	0.81
		(c) access to information and Economic and marketing Statistics	4.01	0.82
		(d) Adequate investment in agribusiness	4.18	0.92
		(e) appropriate infrastructure and support to export agricultural products	3.73	0.82
2	Social Factor	(a) Tendency to group work	4.18	0.92
		(b) Providing insurance for entrepreneurs	3.73	0.82
		(c) good rapport with partners/colleagues	3.51	0.86
		(e) Adequate Bankruptcy Laws	3.64	0.98
3	Managerial Factor	(a) Fair sharing of benefits among employees	4.71	0.71
		(b) Appreciate and encouragement of employees	4.28	0.90
		(c) Ability to provide leadership by agribusiness manager	3.81	0.86
		(d) Failure and fault tolerance in the field of innovation	3.41	0.86
		(e) Using Staffs' ideas and suggestions in decision-making	3.5	1.08
4	Marketing Factor	(a)Effective advertising to attract new customers	4.62	0.57
		(b)direct sales of products without intermediaries	4.62	0.65
		(c)Familiarity with national and regional markets	4.68	0.78
		(d)Familiarity with local markets	3.5	1.32
5	Training	(a)Using Modern methods of training	4.32	0.78
		(b) Empowerment through training programs to improve agribusiness entrepreneurship	4.43	0.91
		(c) Access to computers and Internet	4.35	0.95
		(d) short-term skill development classes	4.36	0.98
		(e) Building and strengthening Consultancy	4.31	0.96
6	Psychological Factor	(a) Enthusiasm to achieve great things	4.35	0.97
		(b) High self-Confidence and self-reliance	4.31	0.97
		(c) High tendency to self-employment	3.41	0.86
		(d) High incentive to finding new sources	3.60	1.09
		(e) Apply personal creativity	3.50	1.08
7	Cultural Factor	(a) Combining formal knowledge with indigenous knowledge	4.23	0.69
		(b) Supportive family with a positive view to agribusiness entrepreneurship	4.43	0.72
		(c) Supportive friends and relatives	3.79	0.77
		(d) Possessing team work spirit	3.76	0.98

As table 4 shows, the most important item perceived as solution among several items of economic

factor is stabilization of prices of agricultural products (mean=4.61). Price stabilization has been an important

policy strategy in agriculture and must be sustained especially in the face of price volatility of agricultural products in recent times. Among social factor items, tendency to group work ranked highest (mean=4.18). This is in tandem with their membership in cooperative society as membership of cooperative society promotes the tendency to group work. Fair sharing of benefit among employees (mean=4.71) rank highest among managerial items as the most important for development of agribusiness entrepreneurship in Lagos State. Perceived inequality in enjoyment of benefits among employees of agribusiness can affect their job performance and ultimately agro-enterprise development. With respect to marketing factor, familiarity with national and regional market rank highest (Mean=4.68) while Empowerment through training programs to improve agribusiness entrepreneurship (mean=4.43) is the most important training item according to the owner/manager of agribusiness enterprises.

Enthusiasm to achieve great things (Mean=4.35) and having supportive family with positive view about owning or entrepreneurship in agribusiness (Mean=4.43) are important items considered by agribusiness entrepreneurs for entrepreneurship development under psychological and cultural factors respectively. In table 5, the mean values of items for each of the 7 factors were pooled to ascertain which of

them was deemed as priority for agribusiness entrepreneurship development in Lagos State. The implication of the finding is that increase in the above items would automatically increase owners/managers entrepreneurial drive in agribusiness in the study area.

**Table 5 :** Pooled Values of Mean and Standard Deviation of Factors affecting Development of Entrepreneurship in Agribusiness

Rank	Factors	Mean	SD
1	Economic factor	4.56	0.69
2	Social factor	4.23	0.65
3	Cultural factor	4.01	0.70
4	Managerial factor	3.79	0.72
5	Marketing factor	3.56	0.74
6	Training factor	3.73	0.80
7	Psychological factor	3.63	0.80

Economic factor (Mean=4.56) ranked best among other factors, followed by social factor (4.23) and cultural factor (4.01) in that order. Efforts at developing agribusiness enterprise in Lagos State should put economic factor before all other factors.

#### d) Regression Analysis of Socio-economic factors affecting Development of Agribusiness

The factors affecting the development of entrepreneurship in agribusiness enterprises were estimated using equation (1). The results of the estimated regression analysis are presented in Table 6.

**Table 6 :** Estimates of factors affecting Development of Agribusiness Entrepreneurship

Variables	Coefficient	Standard Error	T-value
Age	72104.89	29675.94	2.43**
Gender	35643.18	4589.122	7.77***
Marital status	4356.67	2438.11	1.79*
Estimated business size	5.885283	2.618464	2.25**
Family size	-0.016	0.27904	-17.44*
Primary occupation	-3.333	-1.35	-2.47**
Secondary occupation	-0.029	0.68991	-0.042
Educational qualification	0.001	0.00018	0.18
Membership Coop	-0.23051	0.20136	-1.14
Constant	0.079	0.15879	2.01**
R <sup>2</sup>	0.783		
Adjusted R2	0.765		
F-Statistics	78.6		

\*\*\*= 1% significant, \*\*5% significant, \*10% significant

The coefficient of determination (R<sup>2</sup>) as adjusted gives the value of 0.78 (Table 6) implying that 78% of the variation in level of involvement in agribusiness entrepreneurship is explained by the independent variable. As shown in Table 6, the performance of individual variables included in the regression indicate that Secondary occupation, Educational qualification and Membership of Cooperative do not significantly influence the development of entrepreneurial activities in agribusiness enterprises in the study area. Majority of the owners/managers of agribusiness in the study area completed secondary level of education while very few

had university education. The level of education perhaps has no bearing on agribusiness development as years of experience or on the job education could suitably substitutes for classroom education. Membership of cooperative which is expected to facilitate sharing of experiences and access to cheap credit is surprisingly not significantly associated with level of involvement in agribusiness. No explanation could suffice. The coefficient of secondary occupation -0.029 lean towards agribusiness enterprise and confirming that majority of the owners/managers do not have viable secondary occupation, and perhaps with increase in educational

qualification most owners of agribusiness may consider other options of livelihood, thus, the result is not surprising.

The parameter estimates of the remaining six of the nine variables turned out to be the main factors influencing the involvement of owners/managers in the development of agribusiness entrepreneurship. They are Age, Gender, Marital status, estimated business size, Family size and Primary occupation. Age, gender, marital status and estimated business size have positive relationship with level of involvement in agribusiness enterprise while Family size and Primary occupation have negative relationship. These results implied that an increase in age, gender, marital status and estimated business size would lead to an increase in level of involvement in agribusiness entrepreneurship. Positive significance of age suggest that the older the owners/managers of agribusiness the more they are involved in entrepreneurial activities in agribusiness. This however, does not conform with the previous studies which show a negative relationship (Rafael, et al, 1999, Olomola, 2000). The coefficient of gender ( $\beta=35643.18$ ) is  $> 0$ , indicating that male entrepreneur are more involved in development of agribusiness enterprises than female. Positive significance of marital status shows that marriage helps involvement in the development of agribusiness. This is so because, majority of owners/ managers interviewed were married. As expected, estimated business size is positive and significant depicting that the bigger the business size, the more involved in agribusiness development an entrepreneur would be. Actually the bigger the business size the better the capacity to yield incentives for re-investment, diversification and willingness on the part of entrepreneurs to initiate development efforts within the sector of his business operation. Negative correlation of Family size and Primary occupation indicates that increase in these variables would lead to decrease in level of involvement in the development of agribusiness entrepreneurial activities in the study area. Although, large household size has been attributed to availability of family labour for farm work, but, here it seems, it portends resource depletion. Resources that should have been available for entrepreneurship development would be diverted to large family upkeep.

#### IV. CONCLUSION AND RECOMMENDATIONS

This paper primarily sought to determine the factors affecting the entrepreneurship development in small and micro agribusiness firms. Primary data from 120 owners/managers of Small and Micro Agribusiness Enterprises purposively selected for the study were analysed using descriptive statistics and multiple regression models. Results showed that majority of the owners/ managers of agribusiness were male (73.3%),

married (71.6%), belong to cooperative society (85%), have business size of between 1 and 2 million naira worth (68.33%) with mean family size and monthly income of 5.0 and ₦84,833.00 respectively. Results also showed that majority (56.7%) had secondary education and were motivated to start agribusiness (56.2%) because they could not find job. The findings of this study further showed that using appropriate official knowledge along with local knowledge, extreme enthusiasm to do or achieve great works, using modern educational methods, knowledge of national and regional markets, fair sharing of benefit among workers, tendency to group work, price stabilization of agriculture products and having supportive family with positive view to owning agribusiness enterprises, are the most important factors items affecting the development of entrepreneurship in agribusiness in the study area. Similarly, economic factor followed by social and cultural factors ranked highest among other factors considered important for the development of agribusiness entrepreneurship. Parameter estimates from multiple regression showed that age, gender, marital status and estimated business size have positive correlation with level of involvement in agribusiness enterprise while Family size and Primary occupation have negative correlations. Secondary occupation, membership of Cooperative and educational attainment were not significantly related with level of involvement in agribusiness enterprise development.

In light of the contributions and importance of the agribusiness small and micro enterprises in the economic development, it becomes imperative to identify the key factors that are affecting the development of agro-enterprises in Lagos State. Though, certain attempts have been made in the past to alienate some of these factors in Nigeria albeit in other states. Against this backdrop, the following recommendations are made towards the development of agribusiness entrepreneurship in Lagos State:

- Effective and adequate entrepreneurship policies such as price stabilization policy and programmes on agribusiness should be developed while addressing factors that hinder its growth and development as a way of actualising the current transformation agenda and “beyond oil” mantra of the present government of on poverty eradication and development.
- Fostering entrepreneurship education at all levels to ensure capacity building for diverse enterprises in agriculture is also advocated.
- Agribusiness owner should be motivated by making access to Loan facility easy to ensure increase in the size of their business as bigger business size will increase involvement in agribusiness development.

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## Is Buying Back of Shares a Dangerous Financial Strategy?

By Md. Musharof Hossain & Afzal Ahmad

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**Abstract-** The motives for the share repurchase is the increase in the value per share, and enhance the price-earnings (P/E) multiples, replenishment of the pool of share available for employee incentive options, prevention of hostile takeovers, and an effective way to return surplus cash to shareholders. Share repurchase programs can convince the capital structure of the company in a more direct way. Buy back stock reduces the market capitalization of a particular company, which makes the company able to strengthen capital gearing ratio as per its preference. The study found that if a company uses buying back of shares as a financial strategy, it will lead to increase in its capital gearing when financing is made for stock repurchase in the form of debt.

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*Strictly as per the compliance and regulations of:*



# Is Buying Back of Shares a Dangerous Financial Strategy?

Md. Musharof Hossain <sup>α</sup> & Afzal Ahmad <sup>σ</sup>

**Abstract-** The motives for the share repurchase is the increase in the value per share, and enhance the price-earnings (P/E) multiples, replenishment of the pool of share available for employee incentive options, prevention of hostile takeovers, and an effective way to return surplus cash to shareholders. Share repurchase programs can convince the capital structure of the company in a more direct way. Buy back stock reduces the market capitalization of a particular company, which makes the company able to strengthen capital gearing ratio as per its preference. The study found that if a company uses buying back of shares as a financial strategy, it will lead to increase in its capital gearing when financing is made for stock repurchase in the form of debt.

## I. INTRODUCTION

Buying back of shares means to repurchase of shares by the issuing company at more than the current market price. The shares hold through stock repurchase is treated as a treasury stock. Many research papers investigated phenomenon of the buying back of shares and gave its theoretical explanation. Share repurchase activity became a global phenomenon in the late twentieth century. Previously restricted largely to the US, repurchase programs have been widely adopted in Europe and other countries such as Japan (Dhani and Roberts, 2009).

### a) Literature Review

The discussions of the researchers were centered on two points, such as enhanced flexibility and decrease in tax liability of shareholders. It was pointed out that buying back of shares can eliminate an individual or group of shareholders considered undesirable, avoid earnings dilution caused by either acquisition or exercise of options, act as a profitable investment, and enhance earnings per share (EPS) without altering earnings (Richard and Enorgaard, 1974). It may be taken place in the form of tender offer in which case a company could place shareholders with a formal tender offer, whereby they have the alternative to produce a part or all shares within a specific period, at the predetermined price, usually at premium that is more the current market price. Buying back of shares can also be made in the form of open market buyback where the issuing company has to declare a maximum

and minimum buyback price, while the actual price is determined by the market. The intention to buy back shares is certainly good and aims at improving the market valuations by facilitating more efficient allocation of resources and imparting stability to prices. The reasons for buying back of shares are enhancement of the underlying share value, increase in price-earnings (P/E) multiples, replenishment of the pool of share available for employee incentive options, prevention of hostile takeovers, and an effective way to return surplus cash to shareholders (Mishra, n.d.). Decision regarding buying back of shares instead of enhancement of dividend is positively correlated to executive options and volume of shares repurchased is positively related to the number of options exercisable (Kahle, 2002). Capital gearing is a combination of debt capital and equity capital in a company's capital structure which leads to change in shareholders return due to the variation of sales revenue and earnings before interest and taxes (EBIT). Financial strategy is a future course of actions that a firm or a business unit adopt for making it profit oriented and it incorporates maintaining of financial flexibility in order to sustain growth and keeping an optimum capital structure.

A company may declare buying back of shares for distributing the cash flow which may possibly otherwise have been made investment in a project with negative NPV or comparatively less profit making investment opportunity. As a result, repurchase of shares by the issuing company lessens the level of cash flow which is available in the managers' hand as well as minimize the agency conflict over the utilization of excess cash flow (Hyderabad, 2009). Buying back of shares can be used to oppose the impacts of higher personal taxes, since more tax rate is applicable on dividend whereas capital gains enjoy favorable tax treatment. It may influence the investors for preferring capital gains on buying back of shares rather than dividends (Hyderabad, 2009). Undervaluation reasons is a stronger signal than other repurchase motivation, and oppose to the forecasting of the standard signaling theories, management statements bear some value for the market (Akyol and Foo, 2013).

## II. BUYING BACK OF SHARES AS A FINANCIAL STRATEGY

The planned purposes of buying back of shares program usually incorporate some combination of a

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diversity of interrelated rationales. Some are reasonable advantageous from the shareholders point of view, whereas others are more beneficial when considered from a corporate director's perspective. If share buyback is selected instead of enhanced cash dividend payments, shareholders' payment of tax will be decreased. Buying back of shares program may also increase in EPS. As long as total earnings are uninfluenced by the share repurchase, a lessened number of shares outstanding leads in relatively higher EPS and a tendency on the road to the increase in share market price. Another benefit for shareholders is that a share buyback may be a indication that directors are conveying shareholders that shares are undervalued. Share prices may then increase for the residual shareholders as stock is repurchased. At the same time, those who have their stock repurchased will have a profitable investment opportunity through capital expenditure. It is also mentionable that treasury stock available to the issuing company by stock repurchased can be used in an employee stock option, retirement plan, or other option. Share buying back programs also put forward benefits for the firms. One of these is that account serving expenses can be lessened by eradicated small accounts. The companies which likely to buying back their own shares should possess some criterion. The firms sometimes create significant amount of free cash, have a lower debt as a fraction of total capital, and tend to be owned by individuals and not by institutions. Moreover, the corporations' P/E multiples are generally below the current market average, show large amounts of cash per share on their balance sheet, and have made large divestitures over the previous few years (Reyher and Smith, 1987).

According the views of some analysts, buying back of shares represents that a firm is relatively mature and, as a result, has a an inadequate number of profitable investment projects for internal investment. Other group of analysts, suggest that constantly buying back of shares with excess funds represents that the firm's managers are not very winning in identifying and pursuing attractive investments. Another disadvantage of buying back of shares can also be connected to risk involved in dealing with either the SEC or the IRS. The SEC may query any transaction if a suspicion is made by the SEC that a firm is manipulating share prices. On the another side, IRS might audit any company suspected of improperly accumulating earnings if the IRS doubts that the firm is buying back in order to avoid taxes on funds usually used for making payment of dividends. In some situations, buying back of shares may work against company creditors, as while share buyback may enhance financial risk to the present creditors as well as bondholders without compensation for the augmented risk. As per the company directors and shareholders, a number of factors influence the outcomes of buying back of shares by the issuing

company. For instance, excess cash is available without the requirement for further financing, and a determination has been made that it is a strategic time for repurchase in terms of market situations and stock price, and then the outcomes of buying back of shares may be advantageous. Another factor may be helpful in effective buying back of shares programs are the alternative to pay premiums over market prices to make attraction with buybacks, and buybacks performed independently of other programs. The buying back of shares program may not be adequate enough to attain effective outcomes, and a general market assembly or other situation may cause shares prices to increase before the program is ended. Moreover, there is a possibility that the premiums presented may not be adequate for motivating shareholders to sell their shares.

A firm can use buying back of shares as an effective tool to achieve an optimum capital structure which leads to either the minimum cost of capital for a given level of risk or maximum level of return for given level of risk. It is probable if repurchase of shares is financed in the form of debt capital. The liability side of a firm's balance sheet is influenced by the use of debt capital for buying back of shares in two ways, namely an increase in debt capital and decrease in equity capital. Therefore, a firm shifts closer to its optimum financing ratio (Vermaelen, 1981; Opler and Titman, 1996). Further, decrease in equity capital lessens free float in the market, whereas the risk of a given firm is increased. Both these impacts may play an important role to prevent hostile takeover initiatives by the competitors ((Bagwell, 1991 and Dittmar, 2000). A corporation buys back its own share for making adjustment of its debt-equity-ratio. This is a significant reason for buying back of shares in the form of tender offer as a firm characteristically retires a large portion of shares in such type of transaction, and therefore its leverage ratio increases. In case of open market operation, the said motive is comparatively less compelling. Though repurchase of shares in the form of open market buy back has only a little impact on the financing ratio in the short-run, it is likely that a company buy back its own shares in the open market in order to avoid having to make larger adjustments in its leverage ratio. For this reason, a firm may use tiny open market operation as a means to fine-tune its leverage over a period of time (Grullon and Ikenberry, 2000). When a firm distributes excess funds to its shareholders, it reduces its equity and enhances its leverage ratio. Therefore, it is assumed that an optimum leverage ratio be present, the given firm may use a stock repurchase to attain such target ratio (Bagwell and Shoven 1988; and Opler and Titman 1996). A company can repurchase its own stock more if its leverage ratio is below its target leverage ratio. Therefore, a firm's capital structure will influence its decision to repurchase. Ownership of the institutional

investor influences the buying back of shares positively that may be explained by the reality that distribution of the on hand free cash flow in the form of repurchases in a means to control the managers and repurchases. It is accounted for the entrenchment power which may be a determinant for the repurchase by enhancing the proportion of manager stockholdings (Houcine, 2013). Buying back of shares programs can persuade a firm's capital structure in a more direct way. Share buying back lessens the market capitalization of a given company which enables a company to increase its gearing ratio as preferred. A firm which believes that it is under-gearred may reduce its level of equity through buying back a portion of its shares. To the extent that a firm uses long-term debt to finance its repurchase program, gearing ratio will make adjustment quickly as level of debt is enhanced, whereas the extent of equity is decreased (Dhani and Roberts, 2009).

### III. CONCLUSION

The motives for buying back of shares are increase in the underlying share value, enhance price-earnings (P/E) multiples, replenishment of the pool of share available for employee incentive options, prevention of hostile takeovers, and an effective way to return surplus cash to shareholders. Buying back of shares programs can persuade a firm's capital structure in a more direct way. Stock repurchase reduces the market capitalization of a given company which makes a company able to enhance its capital gearing ratio as per its preference. A firm which thinks that it is under-gearred may decrease its level of equity through buying back a portion of its shares. To the extent that a firm uses long-term debt to finance its repurchase program, gearing ratio will make adjustment quickly as level of debt is enhanced, whereas the extent of equity is decreased. It can be conclude that if a company uses buying back of shares as a financial strategy, it will lead to increase in its capital gearing when financing is made for stock repurchase in the form of debt.

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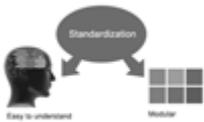




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Title: The title page must carry an instructive title that reflects the content, a running title (less than 45 characters together with spaces), names of the authors and co-authors, and the place(s) wherever the work was carried out. The full postal address in addition with the e-mail address of related author must be given. Up to eleven keywords or very brief phrases have to be given to help data retrieval, mining and indexing.

*Abstract, used in Original Papers and Reviews:*

### Optimizing Abstract for Search Engines

Many researchers searching for information online will use search engines such as Google, Yahoo or similar. By optimizing your paper for search engines, you will amplify the chance of someone finding it. This in turn will make it more likely to be viewed and/or cited in a further work. Global Journals Inc. (US) have compiled these guidelines to facilitate you to maximize the web-friendliness of the most public part of your paper.

### Key Words

A major linchpin in research work for the writing research paper is the keyword search, which one will employ to find both library and Internet resources.

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

Search engines for most searches, use Boolean searching, which is somewhat different from Internet searches. The Boolean search uses "operators," words (and, or, not, and near) that enable you to expand or narrow your affords. Tips for research paper while preparing research paper are very helpful guideline of research paper.

Choice of key words is first tool of tips to write research paper. Research paper writing is an art. A few tips for deciding as strategically as possible about keyword search:



- One should start brainstorming lists of possible keywords before even begin 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 research paper?" Then consider synonyms for the important words.
- It may take the discovery of only one relevant paper to let steer in the right keyword direction because in most databases, the keywords under which a research paper is abstracted are listed with the paper.
- One should avoid outdated words.

Keywords are the key that opens a door to research work sources. Keyword searching is an art in which researcher's skills are bound to improve with experience and time.

Numerical Methods: Numerical methods used should be clear and, where appropriate, supported by references.

*Acknowledgements: Please make these as concise as possible.*

#### References

References follow the Harvard scheme of referencing. References in the text should cite the authors' names followed by the time of their publication, unless there are three or more authors when simply the first author's name is quoted followed by et al. unpublished work has to only be cited where necessary, and only in the text. Copies of references in press in other journals have to be supplied with submitted typescripts. It is necessary that all citations and references be carefully checked before submission, as mistakes or omissions will cause delays.

References to information on the World Wide Web can be given, but only if the information is available without charge to readers on an official site. Wikipedia and Similar websites are not allowed where anyone can change the information. Authors will be asked to make available electronic copies of the cited information for inclusion on the Global Journals Inc. (US) homepage at the judgment of the Editorial Board.

The Editorial Board and Global Journals Inc. (US) recommend that, citation of online-published papers and other material should be done via a DOI (digital object identifier). If an author cites anything, which does not have a DOI, they run the risk of the cited material not being noticeable.

The Editorial Board and Global Journals Inc. (US) recommend the use of a tool such as Reference Manager for reference management and formatting.

#### Tables, Figures and Figure Legends

*Tables: Tables should be few in number, 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. Vertical lines should not be used.*

*Figures: Figures are supposed to be submitted as separate files. Always take in a citation in the text for each figure using Arabic numbers, e.g. Fig. 4. Artwork must be submitted online in electronic form by e-mailing them.*

#### Preparation of Electronic Figures for Publication

Even though low quality images are sufficient for review purposes, print publication requires high quality images to prevent the final product being blurred or fuzzy. Submit (or e-mail) EPS (line art) or TIFF (halftone/photographs) files only. MS PowerPoint and Word Graphics are unsuitable for printed pictures. Do not use pixel-oriented software. Scans (TIFF only) should have a resolution of at least 350 dpi (halftone) or 700 to 1100 dpi (line drawings) in relation to the imitation size. 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: It is the rule of the Global Journals Inc. (US) for authors 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.



*Figure Legends: Self-explanatory legends of all figures should be incorporated separately under the heading 'Legends to Figures'. In the full-text online edition of the journal, figure legends may possibly be truncated in abbreviated links to the full screen version. Therefore, the first 100 characters of any legend should notify the reader, about the key aspects of the figure.*

## **6. AFTER ACCEPTANCE**

Upon approval of a paper for publication, the manuscript will be forwarded to the dean, who is responsible for the publication of the Global Journals Inc. (US).

### **6.1 Proof Corrections**

The corresponding author will receive an e-mail alert containing a link to a website or will be attached. A working e-mail address must therefore be provided for the related author.

Acrobat Reader will be required in order to read this file. This software can be downloaded

(Free of charge) from the following website:

[www.adobe.com/products/acrobat/readstep2.html](http://www.adobe.com/products/acrobat/readstep2.html). This will facilitate the file to be opened, read on screen, and printed out in order for any corrections to be added. Further instructions will be sent with the proof.

Proofs must be returned to the dean at [dean@globaljournals.org](mailto:dean@globaljournals.org) within three days of receipt.

As changes to proofs are costly, we inquire that you only correct typesetting errors. All illustrations are retained by the publisher. Please note that the authors are responsible for all statements made in their work, including changes made by the copy editor.

### **6.2 Early View of Global Journals Inc. (US) (Publication Prior to Print)**

The Global Journals Inc. (US) are enclosed by our publishing's Early View service. Early View articles are complete full-text articles sent in advance of their publication. Early View articles are absolute and final. They have been completely reviewed, revised and edited for publication, and the authors' final corrections have been incorporated. Because they are in final form, no changes can be made after sending them. The nature of Early View articles means that they do not yet have volume, issue or page numbers, so Early View articles cannot be cited in the conventional way.

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### **6.4 Author Material Archive Policy**

Please note that if not specifically requested, publisher will dispose off hardcopy & electronic information submitted, after the two months of publication. If you require the return of any information submitted, please inform the Editorial Board or dean as soon as possible.

### **6.5 Offprint and Extra Copies**

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You must strictly follow above Author Guidelines before submitting your paper or else we will not at all be responsible for any corrections in future in any of the way.



Before start writing a good quality Computer Science Research Paper, let us first understand what is Computer Science Research Paper? So, Computer Science Research Paper is the paper which is written by professionals or scientists who are associated to Computer Science and Information Technology, or doing research study in these areas. If you are novel to this field then you can consult about this field from your supervisor or guide.

#### TECHNIQUES FOR WRITING A GOOD QUALITY RESEARCH PAPER:

**1. Choosing the topic:** In most cases, the topic is searched by the interest of author but it can be also suggested by the guides. You can have several topics and then you can judge that in which topic or subject you are finding yourself most comfortable. This can be done by asking several questions to yourself, like Will I be able to carry our search in this area? Will I find all necessary recourses to accomplish the search? Will I be able to find all information in this field area? If the answer of these types of questions will be "Yes" then you can choose that topic. In most of the cases, you may have to conduct the surveys and have to visit several places because this field is related to Computer Science and Information Technology. Also, you may have to do a lot of work to find all rise and falls regarding the various data of that subject. Sometimes, detailed information plays a vital role, instead of short information.

**2. Evaluators are human:** First thing to remember that evaluators are also human being. They are not only meant for rejecting a paper. They are here to evaluate your paper. So, present your Best.

**3. Think Like Evaluators:** If you are in a confusion or getting demotivated that your paper will be accepted by evaluators or not, then think and try to evaluate your paper like an Evaluator. Try to understand that what an evaluator wants in your research paper and automatically you will have your answer.

**4. 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.

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

**6. Use of computer is recommended:** As you are doing research in the field of Computer Science, then this point is quite obvious.

**7. Use right software:** Always use good quality software packages. If you are not capable to judge good software then you can lose quality of your paper unknowingly. There are various software programs available to help you, which you can get through Internet.

**8. Use the Internet for help:** An excellent start for your paper can be by using the Google. It is an excellent search engine, where you can have your doubts resolved. You may also read some answers for the frequent question how to write my research paper or find model research paper. From the internet library you can download books. If you have all required books make important reading selecting and analyzing the specified information. Then put together research paper sketch out.

**9. Use and get big pictures:** Always use encyclopedias, Wikipedia to get pictures so that you can go into the depth.

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

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



**12. Make all efforts:** Make all efforts to mention what you are going to write in your paper. That means always have a good start. Try to mention everything in introduction, that what is the need of a particular research paper. Polish your work by good skill of writing and always give an evaluator, what he wants.

**13. Have backups:** When you are going to do any important thing like making research paper, you should always have backup copies of it either in your computer or in paper. This will help you to not to lose any of your important.

**14. Produce good diagrams of your own:** Always try to include good charts or diagrams in your paper to improve quality. Using several and unnecessary diagrams will degrade the quality of your paper by creating "hotchpotch." So always, try to make and include those diagrams, which are made by your own to improve readability and understandability of your paper.

**15. Use of direct quotes:** When you do research relevant to literature, history or current affairs then use of quotes become essential but if study is relevant to science then use of quotes is not preferable.

**16. Use proper verb tense:** Use proper verb tenses in your paper. Use past tense, to present those events that happened. Use present tense to indicate events that are going on. Use future tense to indicate future happening events. Use of improper and wrong tenses will confuse the evaluator. Avoid the sentences that are incomplete.

**17. Never use online paper:** If you are getting any paper on Internet, then never use it as your research paper because it might be possible that evaluator has already seen it or maybe it is outdated version.

**18. Pick a good study spot:** To do your research studies always try to pick a spot, which is quiet. Every spot is not for studies. Spot that suits you choose it and proceed further.

**19. Know what you know:** Always try to know, what you know by making objectives. Else, you will be confused and cannot achieve your target.

**20. Use good quality grammar:** Always use a good quality grammar and use words that will throw positive impact on evaluator. Use of good quality grammar does not mean to use tough words, that for each word the evaluator has to go through dictionary. Do not start sentence with a conjunction. Do not fragment sentences. Eliminate one-word sentences. Ignore passive voice. Do not ever use a big word when a diminutive one would suffice. Verbs have to be in agreement with their subjects. Prepositions are not expressions to finish sentences with. It is incorrect to ever divide an infinitive. Avoid clichés like the disease. Also, always shun irritating alliteration. Use language that is simple and straight forward. put together a neat summary.

**21. 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 to your topic. You may also maintain your arguments with records.

**22. Never start in last minute:** Always start at right time and give enough time to research work. Leaving everything to the last minute will degrade your paper and spoil your work.

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

**24. Never copy others' work:** Never copy others' work and give it your name because if evaluator has seen it anywhere you will be in trouble.

**25. Take proper rest and food:** No matter how many hours you spend for your research activity, if you are not taking care of your health then all your efforts will be in vain. For a quality research, study is must, and this can be done by taking proper rest and food.

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



**27. Refresh your mind after intervals:** Try to give rest to your mind by listening to soft music or by sleeping in intervals. This will also improve your memory.

**28. Make colleagues:** Always try to make colleagues. No matter how sharper or intelligent you are, if you make colleagues you can have several ideas, which will be helpful for your research.

**29. Think technically:** Always think technically. If anything happens, then search its reasons, its benefits, and demerits.

**30. Think and then print:** When you will go to print your paper, notice that tables are not be split, headings are not detached from their descriptions, and page sequence is maintained.

**31. Adding unnecessary information:** Do not add unnecessary information, like, I have used MS Excel to draw graph. Do not add irrelevant and inappropriate material. These all will create superfluous. Foreign terminology and phrases are not apropos. One should NEVER take a broad view. Analogy in script is like feathers on a snake. Not at all use a large word when a very small one would be sufficient. Use words properly, regardless of how others use them. Remove quotations. Puns are for kids, not grunt readers. Amplification is a billion times of inferior quality than sarcasm.

**32. Never oversimplify everything:** To add material in your research paper, never go for oversimplification. This will definitely irritate the evaluator. Be more or less specific. Also too, by no means, ever use rhythmic redundancies. Contractions aren't essential and shouldn't be there used. Comparisons are as terrible as clichés. Give up ampersands and abbreviations, and so on. Remove commas, that are, not necessary. Parenthetical words however should be together with this in commas. Understatement is all the time the complete best way to put onward earth-shaking thoughts. Give a detailed literary review.

**33. Report concluded results:** Use concluded results. From raw data, filter the results and then conclude your studies based on measurements and observations taken. Significant figures and appropriate number of decimal places should be used. Parenthetical remarks are prohibitive. Proofread carefully at final stage. In the end give outline to your arguments. Spot out perspectives of further study of this subject. Justify your conclusion by at the bottom of them with sufficient justifications and examples.

**34. After 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 through which your research is going to be in print to 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 in your research.

## INFORMAL GUIDELINES OF RESEARCH PAPER WRITING

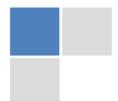
### Key points to remember:

- 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 criterion for grading the final paper by peer-reviewers.

### Final Points:

A purpose of organizing a research paper is to let people to interpret your effort selectively. The journal requires the following sections, submitted in the order listed, each section to start on a new page.

The introduction will be compiled from reference matter and will reflect the design processes or outline of basis that direct you to make study. As you will carry out the process of study, the method and process section will be constructed as like that. The result segment will show related statistics in nearly sequential order and will direct the reviewers next to the similar intellectual paths throughout the data that you took to carry out your study. The discussion section will provide understanding of the data and projections as to the implication of the results. The use of good quality references all through the paper will give the effort trustworthiness by representing an alertness of 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 the 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 evade

- Insertion a title at the foot of a page with the subsequent text on the next page
- Separating a table/chart or figure - impound each figure/table to a single page
- Submitting a manuscript with pages out of sequence

In every sections of your document

· Use standard writing style including articles ("a", "the," etc.)

· Keep on paying attention on the research topic of the paper

· Use paragraphs to split each significant point (excluding for the abstract)

· Align the primary line of each section

· Present your points in sound order

· Use present tense to report well accepted

· Use past tense to describe specific results

· Shun familiar wording, don't address the reviewer directly, and don't use slang, slang language, or superlatives

· Shun use of extra pictures - include only those figures essential to presenting results

### **Title Page:**

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



## Abstract:

The summary should be two hundred words or less. It should briefly and clearly explain the key findings reported in the manuscript-- must have precise statistics. It should not have abnormal acronyms or abbreviations. It should be logical in itself. Shun citing 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 approach 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. Yet, use comprehensive sentences and do not let go readability for brevity. You can maintain it succinct by phrasing sentences so that they provide more than 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 maintain the initial two items to no more than one ruling each.

- Reason of the study - 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 quantitative data; results of any numerical analysis should be reported
- Significant conclusions or questions that track from the research(es)

## Approach:

- Single section, and succinct
- As a outline of job done, it is always written in past tense
- A conceptual should situate on its own, and not submit to any other part of the paper such as a form or table
- Center on shortening results - bound background information to a verdict or two, if completely necessary
- What you account in an conceptual must be regular with what you reported in the manuscript
- Exact spelling, clearness 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

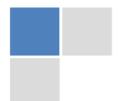
## Introduction:

The **Introduction** should "introduce" the manuscript. The reviewer should be presented with sufficient background information to be capable to comprehend and calculate the purpose of your study without having to submit to other works. The basis for the study should be offered. Give most important references but shun difficult to make a comprehensive appraisal of the topic. In the introduction, describe the problem visibly. If the problem is not acknowledged in a logical, reasonable way, the reviewer will have no attention in your result. Speak in common terms about techniques used to explain the problem, if needed, but do not present any particulars about the protocols here. Following approach can create a valuable beginning:

- Explain the value (significance) of the study
- Shield the model - why did you employ this particular system or method? What is its compensation? You strength remark on its appropriateness from a abstract point of vision as well as point out sensible reasons for using it.
- Present a justification. Status your particular theory (es) or aim(s), and describe the logic that led you to choose them.
- Very for a short time explain the tentative propose and how it skilled 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 with every section. If you make the four points listed above, you will need a least of four paragraphs.



- Present surroundings information only as desirable in order hold up a situation. The reviewer does not desire to read the whole thing you know about a topic.
- Shape the theory/purpose 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 sound written Procedures segment allows a capable scientist to replacement 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 for the least amount of information that would permit another capable scientist to spare 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 object, mention the specific item describing a way but draw the basic principle while stating the situation. The purpose is to text 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:**

- Explain materials individually only if the study is so complex that it saves liberty this way.
- Embrace particular materials, and any tools or provisions that are not frequently found in laboratories.
- Do not take in frequently found.
- If use of a definite type of tools.
- Materials may be reported in a part section or else they may be recognized along with your measures.

#### **Methods:**

- Report the method (not 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 - details how procedures were completed not how they were exclusively performed on a particular day.
- If well known procedures were used, account the procedure by name, possibly with reference, and that's all.

#### **Approach:**

- It is embarrassed or not possible to use vigorous voice when documenting methods with no using first person, which would focus the reviewer's interest on the researcher rather than the job. As a result when script up the methods most authors use third person passive voice.
- Use standard style in this and in 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 a 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. Carry on to be to the point, by means of statistics and tables, if suitable, to present consequences most efficiently. You must obviously differentiate material that would usually be incorporated in a study editorial from any unprocessed data or additional appendix matter that would not be available. In fact, such matter should not be submitted at all except requested by the instructor.



## Content

- Sum up your conclusion in text and demonstrate them, if suitable, with figures and tables.
- In manuscript, explain each of your consequences, point the reader to remarks that are most appropriate.
- Present a background, such as by describing the question that was addressed by creation an exacting study.
- Explain results of control experiments and comprise 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 in manuscript form.

### What to stay away from

- Do not discuss or infer your outcome, report surroundings information, or try to explain anything.
- Not at all, take in raw data or intermediate calculations in a research manuscript.
- Do not present the similar data more than once.
- Manuscript should complement any figures or tables, not duplicate the identical information.
- Never confuse figures with tables - there is a difference.

### Approach

- As forever, use past tense when you submit to 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 part.

### Figures and tables

- If you put figures and tables at the end of the details, make certain that they are visibly distinguished from any attach appendix materials, such as raw facts
- Despite of position, each figure must be numbered one after the other and complete with subtitle
- In spite of position, each table must be titled, numbered one after the other and complete with heading
- All figure and table must be adequately complete that it could situate on its own, divide from text

### Discussion:

The Discussion is expected the trickiest segment to write and describe. A lot of papers submitted for journal are discarded based on problems with the Discussion. There is no head of state for how long a 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 implication of the study. The purpose here is to offer an understanding of your results and hold up for all of your conclusions, using facts from your research and generally accepted information, if suitable. The implication of result should be visibly 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 with prospect, and let it drop at that.

- Make a decision if each premise is supported, 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 the experiment might be personalized to accomplish a new idea.
- Give details all of your remarks as much as possible, focus on mechanisms.
- Make a decision if the tentative design sufficiently addressed the theory, and whether or not it was correctly restricted.
- Try to present substitute explanations if sensible alternatives be present.
- One 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 available information
- Submit to work done by specific persons (including you) in past tense.
- Submit to generally acknowledged facts and main beliefs in present tense.



## THE ADMINISTRATION RULES

Please carefully note down following rules and regulation before submitting your Research Paper to Global Journals Inc. (US):

**Segment Draft and Final Research Paper:** You have to strictly follow the template of research paper. If it is not done your paper may get rejected.

- The **major constraint** is that you must independently make all content, tables, graphs, and facts that are offered in the paper. You must write each part of the paper wholly on your own. The Peer-reviewers need to identify your own perceptives of the concepts in your own terms. NEVER extract straight from any foundation, and never rephrase someone else's analysis.
- Do not give permission to anyone else to "PROOFREAD" your manuscript.
- **Methods to avoid Plagiarism is applied by us on every paper, if found guilty, you will be blacklisted by all of our collaborated research groups, your institution will be informed for this and strict legal actions will be taken immediately.)**
- To guard yourself and others from possible illegal use please do not permit anyone right to use to your paper and files.



CRITERION FOR GRADING A RESEARCH PAPER (COMPILATION)  
BY GLOBAL JOURNALS INC. (US)

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 Inc. (US).

Topics	Grades		
	A-B	C-D	E-F
<i>Abstract</i>	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
<i>Introduction</i>	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
<i>Methods and Procedures</i>	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
<i>Result</i>	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
<i>Discussion</i>	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
<i>References</i>	Complete and correct format, well organized	Beside the point, Incomplete	Wrong format and structuring



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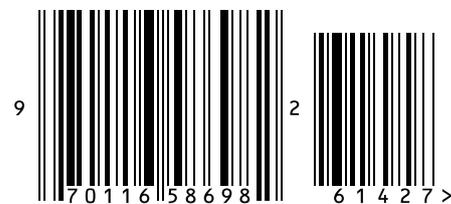
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