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Modélisation Des Défaillances D'entreprises Au Maroc : Une Étude Économétrique

By Aomar Ibourk & Abdelkrim Aazzab

Cadi Ayyad, Morocco

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L'objectif de cet article est d'expliquer les évolutions des défaillances d'entreprises au Maroc par un facteur conjoncturel et un facteur démographique. En effet, à l'aide d'un modèle vectoriel à correction d'erreurs, il s'agit d'expliquer la variable défaillance par les deux variables à savoir les créations et le PIB.

Comme résultats, les défaillances d'entreprises apparaissent fortement liées à l'évolution du PIB et peuvent être expliquées, à court terme par la très forte sensibilité aux variations de la conjoncture économique. Ainsi, l'effet de la variable démographique sur les défaillances est plus remarquable à long terme.

Motsclés: créations d'entreprises, défaillances d'entreprises, pib, modèle vectoriel à correction d'erreur.

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MODELISATION DESDEFAILLANCESDENTREPRISESAUMAROCUNEETUDEECONOMETRIQUE

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Modélisation Des Défaillances D'entreprises Au Maroc : Une Étude Économétrique

Aomar Ibourk [α] & Abdelkrim Aazzab [σ]

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Motsclés: créations d'entreprises, défaillances d'entreprises, pib, modèle vectoriel à correction d'erreur.

I. Introduction

Le tissu économique marocain est caractérisé par plus de 95% des petites et moyennes entreprises à caractère généralement familial et artisanal ainsi leur mode de management reste encore traditionnel et archaïque. La conjoncture économique actuelle est défavorable et marquée par des crises de toutes natures. Et, face à la mondialisation, toute entreprise est exposée au risque de défaillance. L'intérêt porté à la défaillance d'entreprises vient des coûts substantiels des faillites. En effet, les conséquences d'une faillite sont généralement très coûteuses : problèmes financiers (pertes financières), problèmes économiques (perte de la compétitivité) et problèmes sociaux (chômage), ainsi, la résolution des problèmes de défaillance entraîne un gaspillage de ressources.

La notion d'entreprise défaillante peut s'avérer complexe et dynamique ainsi qu'il est difficile à cerner en raison des divers modes d'analyse. Dans sa dimension juridique, elle peut être définie comme celle qui est engagée dans une procédure de redressement ou de liquidation judiciaire. Dans sa conception économique la plus large, c'est une entreprise qui n'arrive plus à écouler normalement ses stocks, accumulant ainsi les déficits et devenant non rentable, ce qui implique une valeur ajoutée négative (GRESSE, 1994). Selon la vision financière, c'est la situation où l'entreprise se trouve en difficulté d'honorer ses engagements financiers.

Les explications de la défaillance d'entreprises ont fait l'objet de nombreux travaux empiriques. En effet, plusieurs travaux ont tenté d'examiner l'impact de la conjoncture macroéconomique sur le nombre de défaillances d'entreprises (Tirapat et Nittayagasetwat 1999, Bunn et Redwood 2003, Liou et Smith 2007, Lev 1974, Delion 2008, Blot et Le Bayon 2009). Ces travaux affirment qu'un nombre important d'entreprises disparaissent quand la conjoncture leur est défavorable. Dans cette optique, Altman (1984) et Johnson (1974), affirment que le taux de faillite augmente durant les périodes de récession et diminue durant les périodes d'expansion.

Ainsi, d'autres travaux ont exposé le lien entre défaillances et créations (Longueville 1992, Bordes et Mélitz 1992, Marco et Rainelli 1986, Blazy et al. 1993, Combier 1994, Blazy et Combier 1998). Ces études ont montré que l'évolution des défaillances d'entreprises peut être également expliquée par les créations intervenues aux périodes précédentes et donc par un facteur démographique[1].

Cet article propose une analyse statistique, sur une longue période, de l'effet d'un facteur macroéconomique et un facteur démographique sur la défaillance des entreprises. Il s'agit, en effet, d'établir une relation de corrélation entre les défaillances d'entreprises comme variable endogène et les créations d'entreprises et le PIB comme variables exogènes.

Pour cette étude, l'analyse porte sur la période 1991-2011 et nous allons utiliser, pour les défaillances et les créations, les données collectées par les statistiques de l'Office Marocain de la Propriété Industrielle et Commerciale (OMPIC), et pour le PIB, nous allons se baser sur les statistiques de la base de données de la Banque Mondiale: WORLD DEVELOPMENT INDICATORS.

Alors nous allons appliquer un modèle vectoriel à correction d'erreurs (MCE) sous la forme suivante[2]:

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[1] BONNET J. et RENOU-MAISSANT P. [2000], « La régulation macro-économique et sectorielle de la démographie d'entreprises », Économie et Prévision, 145(4), p.19-40.

[2] La forme matricielle du VECM est présentée dans l'annexe 1.

$$\Delta X_t = \Gamma_1 \Delta X_{t-1} + \ldots + \Gamma_p \Delta X_{t-p} + BA' X_{t-1} + \varepsilon_t$$

avec :
Γ : est la matrice des paramètres d'un processus de décalage d'ordre p;
B : est la matrice des coefficients des termes à correction d'erreur ;
A' : est une matrice contenant les r relations de cointégration ;
ε : terme d'erreur

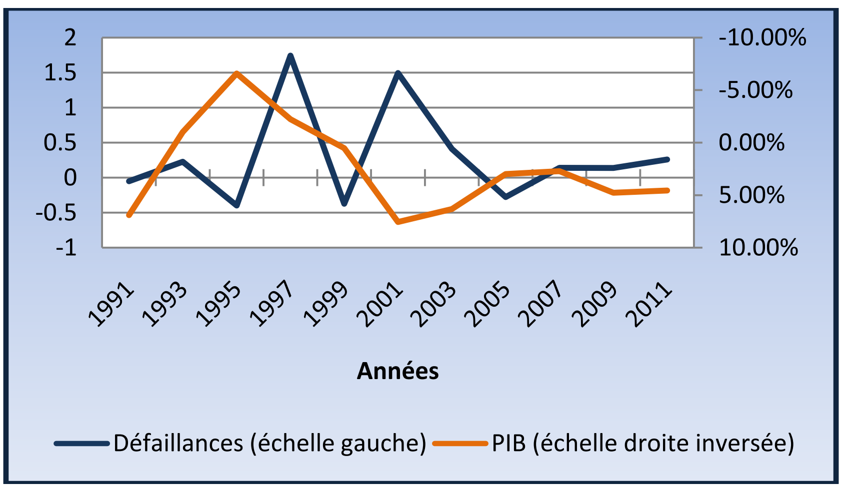
II. Méthodologie de Recherche

Nous allons appliquer un modèle vectoriel à correction d'erreurs (VECM : VEctor Correction Model) suivant les étapes suivantes.

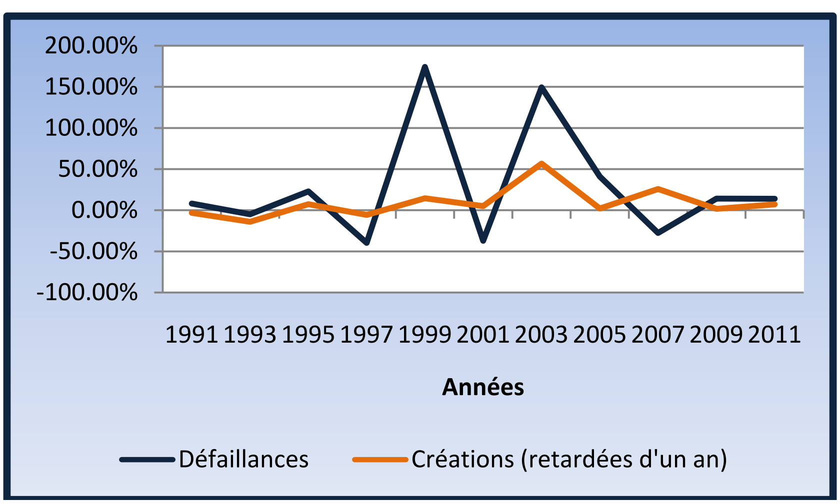
D'abord, après avoir étudié les évolutions annuelles des créations d'entreprises, des défaillances et du PIB au Maroc, une étape préliminaire consiste à transformer les séries en logarithme et le rendre sur la même plage temporelle à partir de 1991. Ensuite, nous allons effectuer des tests de bases de détermination de la causalité en se basant sur le test de Granger et des tests de stationnarité en rappelant que les séries en niveau doivent être non stationnaires. Après, nous allons déterminer le modèle vectoriel à correction d'erreur (VECM) en précisant premièrement le nombre de retard p à attribuer au modèle VAR(p) à l'aide des critères d'informations, en déterminant deuxièmement l'ordre de cointégration en se basant sur le test de Johansen, en estimant troisièmement le VECM et en validant quatrièmement le modèle obtenu par les différents tests des appliqués aux résidus. Enfin, nous allons interpréter les résultats obtenus

a) Evolutions annuelles des créations d'entreprises, des défaillances et du PIB au Maroc

En analysant les évolutions annuelles des taux de croissance de ces trois grandeurs, il apparaît graphiquement que les variations annuelles des défaillances d'entreprises sont corrélées négativement avec celles du PIB (Graphique 1). Cependant, les variations annuelles des défaillances d'entreprises sont corrélées positivement avec celles des créations d'entreprises.



Graphique 1 : taux de croissance annuel des défaillances d'entreprises et du PIB



Graphique 2 : Taux de croissance annuel des défaillances d'entreprises et des créations d'entreprises

Tableau 1 : Evolution des taux de croissance annuel des créations d'entreprises, des défaillances et du PIB

Années	Défaillance	Créations	PIB
1991	-5,00%	-3,12%	6,90%
1992	-19,30%	-4,89%	-4,03%
1993	22,83%	-14,07%	-1,01%
1994	38,05%	-2,31%	10,36%
1995	-39,74%	7,38%	-6,58%
1996	11,70%	23,14%	12,22%
1997	174,29%	-5,78%	-2,23%
1998	-30,21%	11,48%	7,66%
1999	-37,31%	14,50%	0,53%
2000	132,54%	8,15%	1,59%
2001	149,49%	5,05%	7,55%
2002	-8,21%	10,06%	3,32%
2003	40,98%	56,79%	6,32%
2004	-8,46%	10,57%	4,80%
2005	-27,60%	2,12%	2,98%
2006	35,57%	0,40%	7,76%
2007	14,12%	25,88%	2,71%
2008	47,42%	8,47%	5,59%
2009	13,99%	1,74%	4,76%
2010	2,76%	2,85%	3,68%
2011	25,97%	7,20%	4,55%
2012	16,02%	28,98%	2,72%

b) *Transformations des séries*

Les séries en niveau sont transformées en logarithme suivant la notation suivante :

- Le logarithme du PIB est noté LPIB
- Le logarithme des défaillances est noté LDEF
- Le logarithme des créations est noté LCRE

La transformation des séries en niveau en logarithme permet à la fois d'estimer plus facilement le modèle, surtout s'il est d'ordre multiplicatif, ainsi, les coefficients sont exprimés en termes d'élasticité et cela permet donc de raisonner en terme de taux de croissance.

c) *Tests de causalité et de stationnarité*

i. *Test de causalité de Granger et détermination de la variable endogène et des variables exogènes*

Granger (1969) a fourni une définition de la causalité fondée sur trois axiomes :

- La cause doit précéder l'effet dans le temps ;
- La cause contient certaines informations sur la valeur future de l'effet ;
- L'amplitude de la cause varie dans le temps selon Granger. Y est dite causé par X, si l'introduction des valeurs passées de X améliore la qualité statistique de la régression de Y sur ses propres valeurs passées.

Tableau 2 : Test de causalité de Granger

	Observation	F-Statistique	Probabilité
LPIB does not Granger Cause LDEF	20	6.76126	0.00971
LDEF does not Granger Cause LPIB		1.02190	0.38709
LCRE does not Granger Cause LDEF	20	3.95635	0.04345
LDEF does not Granger Cause LCRE		6.15051	0.06211

- On voit que la probabilité de la statistique F correspondant à « LPIB does not Granger Cause LDEF » est égale à 0,009 < 0,05 : on accepte alors H1, LPIB cause LDEF.
- La probabilité de la statistique F correspondant à « LDEF does not Granger Cause LPIB » est égale à 0,38 > 0,05 : on accepte alors H0, LDEF ne cause pas LPIB.
- La probabilité de la statistique F correspondant à « LCRE does not Granger Cause LDEF » est égale à 0,04 < 0,05 : on accepte alors H1, LCRE cause LDEF.
- La probabilité de la statistique F correspondant à « LDEF does not Granger Cause LCRE » est égale à 0,062 > 0,05 : on accepte alors H0, LDEF ne cause pas LCRE.
- Donc LDEF est la variable endogène et LPIB et LCRE sont les variables exogènes

ii. *Tests de stationnarité*

Les tests de Dickey-Fuller (DF) simple permettent de mettre en évidence le caractère stationnaire ou non d'une chronique par la détermination d'une tendance déterministe ou stochastique. Or, pour le test de Dickey-Fuller Augmenté (DFA), il n'y a aucune raison pour que, à priori, l'erreur soit non corrélée, c'est la différence entre les deux.

Les tests de stationnarité de (DFA) des séries LPIB, LCRE et LDEF sont présentés dans le tableau suivant dans le cas où le modèle est avec intercepte (1) ; dans le cas où le modèle est avec trend et intercepte (2) et dans le cas où le modèle est sans trend ni intercepte (3).

Tableau 3 : Tests de stationnarité des séries LPIB, LDEF et LCRE

		ADF	Valeur critique 5%	Niveau (décalage)	R^2
LPIB	(1)	-12,68	-3,04	I(1)	91 %
	(2)	-4,41	-3,75	I(1)	96 %
	(3)	-2,85	-1,96	I(1)	95 %
LDEF	(1)	-6,03	-3,04	I(1)	73 %
	(2)	-5,87	-3,69	I(1)	73 %
	(3)	-2,59	-1,96	I(1)	69 %
LCRE	(1)	-3,67	-3,02	I(1)	44 %
	(2)	-4,64	-3,67	I(1)	55 %
	(3)	-2,64	-1,96	I(1)	53 %

Le test de stationnarité montre que les trois séries ne sont pas stationnaires en niveau, cependant, ils sont intégrées d'un même ordre I(1), il y a alors risque de cointégration. On peut donc envisager l'estimation d'un modèle à correction d'erreur. Pour ce faire il a fallu déterminer le nombre de retard p du modèle VAR(p) à l'aide des critères d'informations.

d) Test de co-intégration et estimation du modèle à correction d'erreur

Pour effectuer une telle approche nous avons passé par quatre étapes :

i. *Détermination du nombre de retard*

Le nombre de retards p à attribuer au modèle VAR dépend des critères Akaike (AIC), Schwarz (SC) et Log Likelihood. D'autres retards sont ajoutés dans le modèle et donc le modèle VAR à choisir est celui qui a le nombre de retards qui vérifiera un minimum pour Akaike (AIC) et Schwarz (SC) et un maximum pour Log Likelihood.

Tableau 4 : Critères de sélection du nombre de retard VAR(P)

Retards	LogL	LR	FPE	AIC	SC	HQ
0	-9.62	NA	0.00	1.32	1.47	1.35
1	39.28	77.22	1.16e-05	-2.87	-2.27	-2.77
2	53.01	17.33*	7.70e-06	-3.36	-2.32	-3.19
3	69.79	15.90	4.33e-06*	-4.18*	-2.69*	-3.93*

** indique l'ordre de retards sélectionné par les critères*
LR: sequential modified LR test statistic (each test at 5% level)
FPE: Final prediction error
AIC: Akaike information criterion
SC: Schwarz information criterion
HQ: Hannan-Quinn information criterion

Nous allons choisir VAR (3) parce qu'il a le minimum pour les critères FPE, AIC, SC et HQ et le maximum pour le Log Likelihood.

ii. *Détermination de l'ordre de cointégration (Test de Johansen)*

Le test de la trace affirme qu'il y a cointégration car l'hypothèse nulle d'absence de cointégration a été rejetée (55,98>29,79) au seuil de 5%. Egalement, l'hypothèse nulle selon laquelle il y a au plus une relation de cointégration a été rejetée au seuil de 5%, car la p-values (1,6%) est inférieure à 5% (18,67> 15,49). Cependant, l'hypothèse selon laquelle il y a au plus deux relations de cointégration a été acceptée au seuil de 5%, car la statistique de la trace (2,05) est inférieure à la valeur critique (3,84). Le test de la trace indique donc que les trois séries sont cointégrées d'ordre 2, alors il y a deux relations d'association de long terme.

Tableau 5 : Test de la trace

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.874167	55.98636	29.79707	0.0000
At most 1*	0.602732	18.67600	15.49471	0.0160
At most 2	0.108110	2.059419	3.841466	0.1513

Trace test indicates 2 cointegrating eqn(s) at the 0.05 level
** denotes rejection of the hypothesis at the 0.05 level*
***MacKinnon-Haug-Michelis (1999) p-values*

Ces résultats peuvent être confirmés par le test de la statistique de maximum d'Eigenvalue (voire annexe 2) qui affirme aussi l'existence de deux relations de cointégration.

iii. *Estimation du modèle VECM(2)*

Nous avons estimé le modèle à correction d'erreur avec un nombre de retards de 3 (VAR(3)) et avec deux ordres de cointégration. Ainsi, nous retenons une constante et une tendance dans le VECM et non dans le modèle VAR. Alors le modèle à correction d'erreur estimé est comme suit :

Dans les deux équations de coinétgration du modèle à correction d'erreur, les coefficients C(1) et C(2) appelés termes de correction d'erreur, qui mesure la vitesse de convergence vers l'équilibre, sont respectivement de -1,78 et -5,94 (voir annexe 6), ils sont négatifs et significativement différent de 0, car les probabilités associées aux t-statistiques (respectivement 0,002 et 0,001) sont inférieures à 5%. Alors, il existe une relation d'association de long terme de LCRE vers LDEF et une autre relation de long terme de PIB vers LCRE. Ainsi le test de Wald sur la significativité des coefficients montre que les coefficients associés à LPIB sont significativement différents de 0, alors il existe une relation de court terme de LPIB vers LDEF. Pareillement, ce test montre qu'il y a aussi une relation de court terme de LCRE vers LDEF car les coefficients associés sont significativement différents de 0. De même, la significativité des coefficients associés à LDEF, montre qu'il y a une relation de court terme de LDEF vers LCRE.

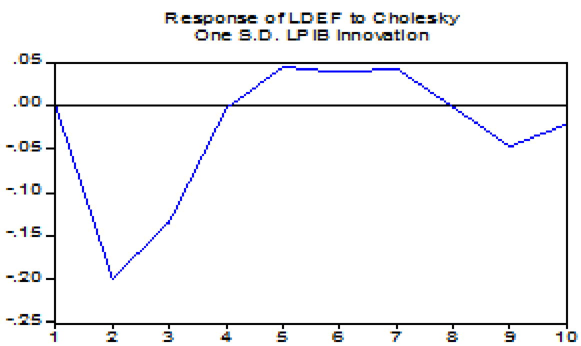
III. Validation du Modèle

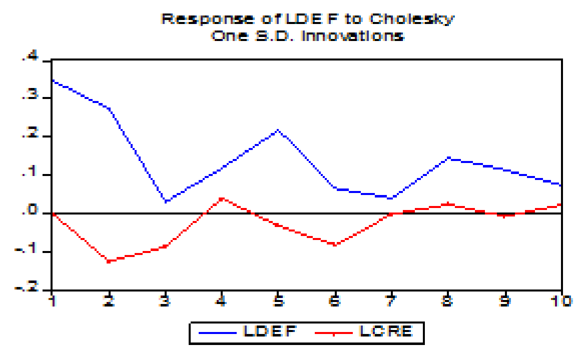
Le modèle à correction d'erreur est valable car le coefficient de correction d'erreur est négatif et significativement différent de 0. Aussi, nous constatons que R^2 est égal à 98%, il est largement supérieur à 60% et proche de 1. Ainsi, la statistique de Fisher est de 25,51, il est significatif au seuil de 5%. Alors le modèle est globalement valide. Cela veut dire que la dynamique du PIB et des créations permet en effet d'expliquer à hauteur de 98% l'évolution des défaillances. En ce qui concerne les tests des résidus, la statistique de Durbin Watson est égale à 2,28, elle indique donc l'absence d'autocorrélation des erreurs. Ce résultat est confirmé par la statistique Q de Ljung-Box. En effet, la probabilité du test pour h=12 est 10,34 0,05, donc l'hypothèse nulle de bruit blanc est acceptée. Ainsi, le test de normalité des erreurs de Jarque et Berra montre que les résidus suivent une distribution normale (JB=16,12 et p-value=0,01), car la probabilité associée à cette statistique est inférieure à 5%.

IV. Analyse Des Résultats

La défaillance des entreprises peut être expliquée par la conjoncture économique et par le nombre de créations des entreprises. Le PIB a un effet négatif sur les défaillances. Cependant, les créations ont un effet positif sur les défaillances.

Les graphiques de réponse du nombre de défaillances à différents chocs montrent que les défaillances réagissent négativement à un choc positif sur le PIB. Ce choc entraîne dès la première année une baisse importante des défaillances, ensuite cet effet est amorti au bout de quatre ans. Cependant, les défaillances réagissent négativement, au bout d'un an, à un choc positif de créations et cet effet durera au maximum deux ans.





Graphique 3 : Fonctions de réponse des défaillances aux chocs sur le PIB et sur les créations

Tableau 6 : Mesures des élasticités à court terme et à long terme

Horizon	Court terme			Long terme	
Var. causales / Var. causées	Défaillances	Créations	PIB	Créations	PIB
Défaillances	-	3,27	-1,51	6,56	-
Créations	-0,11	-	0,65	-	1,75

A Long terme, le degré d'influence du niveau de créations des entreprises sur les défaillances est plus important que le court terme. En effet, une augmentation de 1% des créations entraîne à long terme une hausse des défaillances de plus de 6,5%, alors qu'il n'est que de 3,2% à court terme. Cependant, l'effet du PIB est très réduit, car, à court terme, une diminution de cette grandeur de 1% entraine une augmentation des défauts d'entreprises de 1,5%. Cet effet n'est que de presque de 0,2% à long terme. L'effet à long terme de la conjoncture sur le niveau des défaillances n'est pas observé dans notre étude.

Ainsi, l'analyse causale montre aussi que les créations d'entreprises subissent aussi des effets suite aux variations des niveaux des défaillances et du PIB. En effet, nous avons constaté une influence positive et importante du PIB dans les deux horizons temporels, tandis qu'une faible portée négative des défaillances à court terme. En effet, une augmentation du PIB de 1% entraine une hausse des créations de l'ordre de 0,65% à court terme et de l'ordre de 1,75% à long terme. Cependant, les défaillances ont un effet négatif sur le niveau des créations à court terme. Car, pour une hausse des défaillances de 1%, les créations diminuent de 0,1%.

Au terme de cette étude, nous constatons que les défaillances d'entreprises sont influencées négativement à court terme par le PIB. Donc, lorsque la conjoncture économique est défavorable, un nombre important d'entreprises fait défaut. Ainsi, les créations d'entreprises influencent positivement, beaucoup plus à long terme, les défaillances d'entreprises. C'est-à-dire que lorsque le nombre de création d'entreprises augmente, le nombre de défaillances augmente ultérieurement. Cela peut être expliqué par la hausse de la proportion de jeunes entreprises dans le stock des entreprises disponibles dont le risque de défaillance individuel est plus élevé, ce qui produit logiquement un accroissement du taux de risque de défaillance.

Entre 2007 et 2009, la défaillance s'explique par le PIB en chute (la crise économique) et par un effet démographique lié aux importantes créations d'entreprises entre 2005 et 2007. Ainsi, entre 2009 et 2011, la défaillance est expliquée essentiellement par l'effet démographique.

V. Conclusion

En guise de conclusion, les défaillances d'entreprises apparaissent fortement liées à l'évolution du PIB et donc elles peuvent être expliquées, à court terme par la très forte sensibilité aux variations de la conjoncture économique. Ce résultat affirme alors ceux démontrés par Tirapat et Nittayagasetwat (1999) et Blot et Le Bayon (2009). Ainsi, l'effet de la variable démographique sur les défaillances est plus remarquable à long terme, ce qui confirme aussi les résultats obtenus par Longueville (1992), Bordes et Mélitz (1992) et Blazy et Combier (1998).

Il est à noter enfin que cette étude présente certaines limites dans le cadre où le modèle est limité seulement à deux variables explicatives ainsi que le nombre d'observations est très réduit. En outre, les disparités sectorielles et régionales ne sont pas prises en considération dans notre étude.

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Annexes

Annexe 1: Forme matricielle du VECM

$$\begin{pmatrix}\Delta LDEF_t\\ \Delta LCRE_t\\ \Delta LPIB_t\end{pmatrix} = \begin{pmatrix}\mu_{LDEF}\\ \mu_{LCRE}\\ \mu_{LPIB}\end{pmatrix} + \begin{pmatrix}\Gamma_{LDEF\ LDEF,1} & \Gamma_{LDEF\ LCRE,1} & \Gamma_{LDEF\ LPIB,1}\\ \Gamma_{LCRE\ LDEF,1} & \Gamma_{LCRE\ LCRE,1} & \Gamma_{LCRE\ LPIB,1}\\ \Gamma_{LPIB\ LDEF,1} & \Gamma_{LPIB\ LCRE,1} & \Gamma_{LPIB\ LPIB,1}\end{pmatrix}\begin{pmatrix}\Delta LDEF_{t-1}\\ \Delta LCRE_{t-1}\\ \Delta LPIB_{t-1}\end{pmatrix} + \ldots +$$

$$\begin{pmatrix}\Gamma_{LDEF\ LDEF,p} & \Gamma_{LDEF\ LCRE,p} & \Gamma_{LDEF\ LPIB,p}\\ \Gamma_{LCRE\ LDEF,p} & \Gamma_{LCRE\ LCRE,p} & \Gamma_{LCRE\ LPIB,p}\\ \Gamma_{LPIB\ LDEF,p} & \Gamma_{LPIB\ LCRE,p} & \Gamma_{LPIB\ LPIB,p}\end{pmatrix}\begin{pmatrix}\Delta LDEF_{t-p}\\ \Delta LCRE_{t-p}\\ \Delta LPIB_{t-p}\end{pmatrix} + \begin{pmatrix}\Delta LDEF_{t-1}\\ \Delta LCRE_{t-1}\\ \Delta LPIB_{t-1}\\ T_t\end{pmatrix}\begin{pmatrix}\alpha^1_{LDEF} & \alpha^2_{LDEF}\\ \alpha^1_{LCRE} & \alpha^2_{LCRE}\\ \alpha^1_{LPIB} & \alpha^2_{LPIB}\end{pmatrix}\begin{pmatrix}1 & -1 & 0 & \lambda_{LDEF}\\ 0 & 1 & \beta_{LPIB} & \lambda_{LCRE}\end{pmatrix} +$$

$$\begin{pmatrix}\varepsilon_{LDEF,t}\\ \varepsilon_{LCRE,t}\\ \varepsilon_{LPIB,t}\end{pmatrix}$$

avec, pour t=1,...,T

LDEF le nombre annuel de défaillances ;

LCRE le nombre annuel de créations ;

LPIB le PIB annuel (en volume);

T la tendance linéaire (les tests de Johansen suggèrent qu'il existe une tendance linéaire pour chaque relation de cointégration).

Annexe 2 : Test de cointégration de Johansen

Unrestricted Cointegration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.874167	55.98636	29.79707	0.0000
At most 1 *	0.602732	18.67600	15.49471	0.0160
At most 2	0.108110	2.059419	3.841466	0.1513

Trace test indicates 2 cointegrating eqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

Unrestricted Cointegration Rank Test (Maximum Eigenvalue)

Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	0.05 Critical Value	Prob.**
None *	0.874167	37.31036	21.13162	0.0001
At most 1 *	0.602732	16.61658	14.26460	0.0209
At most 2	0.108110	2.059419	3.841466	0.1513

Max-eigenvalue test indicates 2 cointegrating eqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

Annexe 3 : Estimation du modèle à correction d'erreur

Vector Error Correction Estimates

Date: 02/05/14 Time: 09:41

Sample (adjusted): 1995 2012

Included observations: 18 after adjustments

Standard errors in ( ) & t-statistics in [ ]

Cointegrating Eq:	CointEq1	CointEq2
LDEF(-1)	1.000000	0.000000
LPIB(-1)	0.000000	1.000000
LCRE(-1)	-6.563614	1.752388
	(1.16050)	(0.39320)
	[-5.65584]	[4.45678]
@TREND(91)	0.626567	-0.288990
	(0.14273)	(0.04836)
	[4.38999]	[-5.97607]
C	47.97417	-37.61845

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Error Correction:	D(LDEF)	D(LPIB)	D(LCRE)
CointEq1	-1.780100	0.162170	0.336202
	(0.34673)	(0.30587)	(0.11032)
	[-5.13402]	[0.53019]	[3.04761]
CointEq2	-5.943717	0.609454	0.839526
	(1.03635)	(0.91424)	(0.32973)
	[-5.73521]	[0.66663]	[2.54608]
D(LDEF(-1))	0.344590	0.028468	-0.080454
	(0.30674)	(0.27060)	(0.09760)
	[1.12338]	[0.10520]	[-0.82436]
D(LDEF(-2))	0.152526	-0.047974	-0.039613
	(0.14829)	(0.13082)	(0.04718)
	[1.02857]	[-0.36673]	[-0.83960]
D(LDEF(-3))	0.144676	0.123527	-0.116606
	(0.11333)	(0.09997)	(0.03606)
	[1.27664]	[1.23563]	[-3.23401]
D(LPIB(-1))	2.986915	-0.566865	-0.650235
	(1.13652)	(1.00260)	(0.36160)
	[2.62812]	[-0.56540]	[-1.79821]
D(LPIB(-2))	1.254039	-0.443487	0.253217
	(0.88609)	(0.78168)	(0.28192)
	[1.41525]	[-0.56735]	[0.89818]
D(LPIB(-3))	1.519846	-0.396001	0.198826
	(0.43765)	(0.38608)	(0.13925)
	[3.47275]	[-1.02570]	[1.42789]
D(LCRE(-1))	-3.274006	0.803067	0.645714
	(0.47325)	(0.41749)	(0.15057)
	[-6.91810]	[1.92358]	[4.28839]
D(LCRE(-2))	-0.353202	-0.385983	0.679724
	(0.77688)	(0.68534)	(0.24718)
	[-0.45464]	[-0.56320]	[2.74994]
D(LCRE(-3))	-0.243952	0.736947	-0.288864
	(0.68432)	(0.60368)	(0.21773)
	[-0.35649]	[1.22076]	[-1.32673]
C	0.037324	0.030969	0.051384
	(0.11380)	(0.10039)	(0.03621)
	[0.32797]	[0.30848]	[1.41915]
R-squared	0.979072	0.561669	0.964617
Adj. R-squared	0.940703	-0.241939	0.899749
Sum sq. resids	0.070189	0.054622	0.007105
S.E. equation	0.108158	0.095413	0.034412
F-statistic	25.51736	0.698934	14.87044

Log likelihood	24.38155	26.63833	44.99484
Akaike AIC	-1.375728	-1.626481	-3.666093
Schwarz SC	-0.782147	-1.032900	-3.072512
Mean dependent	0.151272	0.063962	0.101669
S.D. dependent	0.444161	0.085617	0.108685

Determinant resid covariance (dof adj.)	2.14E-08
Determinant resid covariance	7.92E-10
Log likelihood	111.9861
Akaike information criterion	-7.554013
Schwarz criterion	-5.377549

Annexe 4 : Estimation de la relation à long terme

Dependent Variable: LDEF
Method: Least Squares
Date: 02/04/14 Time: 21:02
Sample: 1991 2012
Included observations: 22

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LPIB	-0.389583	0.068151	-5.716460	0.0000
LCRE	1.672340	0.178408	9.373694	0.0000

R-squared	0.845904	Mean dependent var	6.091387
Adjusted R-squared	0.838199	S.D. dependent var	1.134085
S.E. of regression	0.456179	Akaike info criterion	1.354647
Sum squared resid	4.161995	Schwarz criterion	1.453833
Log likelihood	-12.90112	Durbin-Watson stat	1.227738

Annexe 5 : Test de signification des coefficients du

Dependent Variable: D(LDEF)
Method: Least Squares
Date: 02/04/14 Time: 22:02
Sample (adjusted): 1995 2012
Included observations: 18 after adjustments

D(LDEF) = C(1)*(LDEF(-1) - 6.563614419*LCRE(-1) + 0.6265668275
@TREND(91) + 47.97417406) + C(2)(LPIB(-1) + 1.752388383
LCRE(-1) - 0.2889896008@TREND(91) - 37.61844545) + C(3)
*D(LDEF(-1)) + C(4)*D(LDEF(-2)) + C(5)*D(LDEF(-3)) + C(6)
*D(LPIB(-1)) + C(7)*D(LPIB(-2)) + C(8)*D(LPIB(-3)) + C(9)
*D(LCRE(-1)) + C(10)*D(LCRE(-2)) + C(11)*D(LCRE(-3)) + C(12)

	Coefficient	Std. Error	t-Statistic	Prob.
C(1)	-1.780100	0.346726	-5.134019	0.0021
C(2)	-5.943717	1.036355	-5.735214	0.0012
C(3)	0.344590	0.306744	1.123379	0.3042
C(4)	0.152526	0.148289	1.028573	0.3433

C(5)	0.144676	0.113325	1.276643	0.2489
C(6)	2.986915	1.136520	2.628123	0.0392
C(7)	1.254039	0.886092	1.415247	0.2067
C(8)	1.519846	0.437650	3.472746	0.0133
C(9)	-3.274006	0.473252	-6.918102	0.0005
C(10)	-0.353202	0.776884	-0.454640	0.6654
C(11)	-0.243952	0.684315	-0.356491	0.7337
C(12)	0.037324	0.113801	0.327971	0.7541

R-squared	0.979072	Mean dependent var	0.151272
Adjusted R-squared	0.940703	S.D. dependent var	0.444161
S.E. of regression	0.108158	Akaike info criterion	-1.375728
Sum squared resid	0.070189	Schwarz criterion	-0.782147
Log likelihood	24.38155	Durbin-Watson stat	3.157364

Annexe 6 : Test d'auto-corrélation des résidus

Date: 07/22/12 Time: 13:14
Sample: 1991 2011
Included observations: 21

Autocorrelation	Partial Correlation		AC	PAC	Q-Stat	Prob
. |* . |	. |* . |	1	0.086	0.086	0.1782	0.673
***| . |	***| . |	2	-0.399	-0.409	4.2182	0.121
. | . |	. |* . |	3	0.011	0.114	4.2212	0.239
. *| . |	.**| . |	4	-0.060	-0.294	4.3223	0.364
.**| . |	.**| . |	5	-0.309	-0.270	7.2128	0.205
. *| . |	.**| . |	6	-0.142	-0.299	7.8601	0.249
. |* . |	. *| . |	7	0.140	-0.150	8.5328	0.288
. | . |	.**| . |	8	0.053	-0.273	8.6387	0.374
. |* . |	. | . |	9	0.097	-0.047	9.0155	0.436
. |* . |	. *| . |	10	0.146	-0.182	9.9570	0.444
. | . |	. *| . |	11	0.033	-0.072	10.010	0.529
. *| . |	.**| . |	12	-0.079	-0.189	10.349	0.585

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Is Shifting the Best Therapy for Rising in Price of Food Grains? The Effects of Price Hike of Food Grains on Consumers in Ambo Town, Ethiopia

By Daniel Tadesse Tulu
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Abstract- Currently there are a number of macroeconomic problems which hinders the survival of the people of which inflation is a first and knife-edge problem. The research is carried out in Ambo town, which is located in Oromia regional state Western Shoa Zone, Ethiopia. It deals with the overall effects of price hike of food grains on different groups of consumers with different income levels in Ambo town. While conducting the research Descriptive type of research is employed. Both from primary and secondary data were used. Primary data is collected from consumers of the town, which are randomly selected whereas; secondary data is gathered from the bureaus that the issue is concerned. Great emphasis has given for some selected variables, which are directly related with title of study.

Keywords: inflation, food grains, price hike, hyperinflation, Adii/Magna, Teff** and consumers.*

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Abstract- Currently there are a number of macroeconomic problems which hinders the survival of the people of which inflation is a first and knife-edge problem. The research is carried out in Ambo town, which is located in Oromia regional state Western Shoa Zone, Ethiopia. It deals with the overall effects of price hike of food grains on different groups of consumers with different income levels in Ambo town. While conducting the research Descriptive type of research is employed. Both from primary and secondary data were used. Primary data is collected from consumers of the town, which are randomly selected whereas; secondary data is gathered from the bureaus that the issue is concerned. Great emphasis has given for some selected variables, which are directly related with title of study. These major variables are Price trend of food grains, monthly income of consumers and measures taken by consumes to hedge against this hardship. About 250 consumers are selected as a sample. The highly exposed groups to inflation are fixed income receivers which consist of those who receive constant monthly income. Additionally consumers with low income are at first target to be affected by this macroeconomic problem.

Keywords: inflation, food grains, price hike, hyperinflation, Adii/Magna, Teff** and consumers.*

** is the local term used to refer whiteness of an item. In this study it denotes white Teff. The former is in Afaan Oromoo while the latter is in Amharic languages respectively.*

*** is the kind of food grain growing and indigenous to Ethiopia. Teff is staple food in Ethiopia. it is grain from which Biddeena /injera is made.*

I. Introduction

The rapid rise of prices of different commodities has become usual problem in developing countries. Due to this fact peoples spend approximately full of their monthly income in buying and fulfilling different survival necessities. This lead to no saving which in turn brings about weak economy. In robust economy where there is no control of price of various commodities the possibility of rise of prices.

In free market economy where the price of an item is decided by the force of demand and supply there may be fair price. But this is not true where there is no perfect market free market in the world. Hence many argue that the intervention of the government is essential in bringing fair price and protect victims of the price hike. Government can take various measures to control the increase of price which may open the door and facilitate for smooth functioning of the economy.

When the price of a commodity is increased there are various population segments which are affected. Where the price of the commodity increases day and night and the income of the peoples stays the same there is no way to withstand the problem, rather to spend the whole money they have to buy the necessity or forced to shift to other second or third preferences. That means peoples shift to but less expensive products.

There are various basic requirements for life like shelter, food, clothing, water, social and other psychological needs. These are the must in the survival state of anybody. From these requirements food is the one which should be fulfilled for the better life. The availability of food items are mandatory for the existence of the people which in turn leads the way to standing and efficient economy. There are various cereals and grains from which the food items are made.

In Ethiopia different parts of the country has their own staple food items. In southern part of the country specifically in Guraghe and surrounding areas the most consumable food item is *Inset* while in other corners uses grains like *Teff,* wheat, maize, sorghum, barley and others. This study focuses on grain items due to the fact that the location of the study is in center of shoa province where *Teff,* wheat, barley are consumed most. More importantly *Teff* is the most grain used for consumption in Ethiopia and has an important nutritional value (Tadesse, 2009). According to (*Ethiopia Commodity Exchange*, 2008) wheat is also the highly produced and consumed cereal crop in Ethiopia. Nowadays the price of these grains are bidding up from time to time. it has its own impact on the urban dwellers who buys the items from the market not get from the farm unlike farmers. Hence, they are victims of inflation. Urban dwellers consists of different levels of the people in income perspective.

Like other countries of the word Ethiopia is also a country that is highly affected by inflation. The effect of inflation can be seen from different corners like social problems and Economic problems. Social problems like creating instability of life and weakening of the social

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relationship between individuals. Likewise an economic problem such as reduction of purchasing power, which in turn creates other problems, is also among the effect of inflation.

Ambo is located in western shoa zone, in Oromia national regional state at about 112km from capital city, Addis Ababa to the west. Ambo is the capital of the western shoa zone administration. This town has six kebeles that has different proportion of population. The populations of the town are also among those affected by inflation. In the town, there are various assortments of peoples which comprise government workers who are fixed income earners and, merchants who have shops and kiosk get various level of income monthly. On the other hand the other proportions of the dwellers are daily laborers who earn daily income which cannot even cover the daily expense for food. The income level of those dwellers varies from low income to high. The high proportions of the population are low and middle-income receivers. Hence this study find out different problems arisen due to the inflation and measures taken by households to hedge themselves against this problem.

It is obvious that currently inflation is the serious problem throughout the world i.e. developed and developing countries. In Ethiopia inflation becomes the most factor that decrease the purchasing power of households, especially those who earns fixed income and poor. Since inflation decreases the exchange value of money, it is impossible for income of the households to increase proportionally with decrease in the purchasing value of money.

In Ambo, most of the households are poor and fixed income receivers. Due to this, the influence of inflation on purchasing power of households could be observed. It is because of this impact that the study is initiated. No research has been done in this area with the regard to the effect of increment in price of food grains on the life of the households and the measures taken to curb the effect.

a) *Objective of the study*

The objective of this study is to identify the effects of inflation on consumers' purchasing power of food grain markets. Specific objectives of the study are:

- ✓ To assess measures to be taken by consumers and government in order to address inflation problems.
- ✓ To identify groups of consumers that mostly affected by inflation.
- ✓ To identify types of food grains those which have shown the largest variation in price.
- ✓ To know the causes for reduction of purchasing power of consumers.

II. Literatures Review

a) *Drivers of food inflation and ways to ensure price stability of food items*

As a research done in India there are various drivers of food inflation. These are capital stock deficiency which lead to shortages in supply. The other driver is demand Side drivers- demand-side inflation drivers, especially those arising from a sharp rise in personal disposable income and an expansionary fiscal policy, have also played an important role in keeping inflation persistently high. The third main driver is food price pressures and import price pressures. Furthermore, Inflation expectations overall, inflation expectations have been largely driven by food price inflation in India as food constitutes more than 50 percent of the average Indian household's consumption basket. Finally factors like food subsidy in India which is poorly targeted causes inefficient storage and mal-functioning of public distribution System has also led to inflation of food commodities (Capehart & Richardson, 2008; FAO, 2010; Kumari, 2013). Higher prices of food items seriously affected the major macroeconomic variables of Bangladesh economy such as revenue expenditures and balance of payment position. Food inflation in Bangladesh is triggered by both domestic and international reasons. Internationally the reason are, Droughts in major wheat-producing countries in 2005-06 while floods and cyclones in rice producing countries, Low grain reserves, High oil prices, A doubling of per-capita meat consumption in some developing countries and Diversion of 5 per cent of the world's cereals to agro fuels. Domestically Controlling Supply Chain through Syndication, Negligence of agriculture sector, Increasing Dependency on Import, Fluctuations of Food Grain Prices in Domestic Market and Currency Depreciation are the basic reasons found that trigger food grain items inflation in Bangladesh (Saha, 2013).

To ensure the stability food price hike the government ought to strengthen the supply chain so as to avoid wastage of perishable products, promoting interstate trade, a commodity for which market fee has been paid once must not be subjected to subsequent market fee in other markets including that for transaction in other states. Only user charges linked to services provided may be levied for subsequent transactions, arrest the adverse impact of food inflation on the common man, the policy of the government should emphasis on the PDS, foreign trade policy, and distribution of essential commodities at below market prices through state public-sector units (PSUs), anti-hoarding operations, and strengthening of supply chain efficiency, Extension programs and guidance to farmers regarding fertilizer and insecticide uses an alternate cropping pattern based on soil analysis could be undertaken and intensified and the Government (Kumari, 2013; Shev, 1998)Government can minimize the effect by establishing good and health agricultural value chain in which the participants who increase prices are identified and restrict the domestic price increment. Additionally price on cereals products can be restricted by fixing the amount of grain to be exported via quotas, imposing high export tariffs. The government can also use non-tariff controlling mechanisms (OECD-FAO, 2008; Trostle, 2008).

b) Consequences of price hike of food grain

According to (McConnell and Stanley, 2005 and 2006; Cranfield, 2010), inflation has different perspectives from output and the second one is its effect on employment and economic growth. Which is strongly intertwined with total spending. In addition price hike harms total production output, income and distribution of wealth (McConnell and Stanley, 2005).

There are various societal classes who are victims of price hikes that occurs in a given economy. According (Alexander & Hurt, n.d.; Capehart & Richardson, 2008; Saha, 2013). The population category who suffered from increasing in price of food grains are farmers in the first place. This is due to the fact that the price at which farmers sell the grain at times is quite different from the price market intermediaries sell to the final consumers. That means intermediaries like wholesalers and retailers increases the price unfairly. In this course the farmers cannot get enough money to buy necessary items for their livelihood. Furthermore low and middle income receivers are at the first line to be affected by inflation (Dev, 2009; Eckart Woertz, Eduard Soler, 2014).

c) Consequences of price hike of food grain in Ethiopia

It is true that whenever inflation occurs the consumption patterns of household may change to hedge themselves against the problem. This leads to change in expenditure. The study undertaken in Ethiopia (Gelaw & Sileshi, n.d.) Shows that the increment in price/inflation leads to poverty. The study revealed that rise in grain prices is expected to increase the incidence of poverty and its severity. Besides the government strategy of minimizing the poverty is not achieved unless the government focuses on minimizing the negative effect of inflation on grains.

According to (Samuelson and Nordhaus, 2005), Central bankers are united in their determination to contain inflation. During periods of high inflation, opinion polls often found that inflation is economic enemy number one and hence the effect of inflation can be: Impact on income and wealth distribution- inflation affects the distribution of income and wealth primarily because of differences in the asset and liabilities that people hold. Unanticipated inflation hurts fixed income receivers like severs and creditors. It redistributes real income away from them and towards another (McConnell and Stanley, 2006). Likewise, inflation affects the real output. Unexpected rise in key resources price such as oil can sufficiently drive up overall production cost-push inflation. As prices rises the quantity of goods and services demanded falls so firms respond by producing less output. As to the (Trostle, 2008) report inflation of food commodities may bring social unrest specially in developing countries like Ethiopia and problems on food security.

Deviating largely from its traditional behavior, price of grains was soaring by the day in the supply glut as well as leaner seasons since the onset of 2005. Combination of different factors hence made prices to soar and overall food price inflation to persist despite range of action taken by the government to curb the grain price hike. (European commission delegation to Ethiopia, 2007).

According to (European commission delegation to Ethiopia, 2008), there are several factors that revolve around structural changes in the economy like depletion of producers' stock caused by attractive prices offered by cooperatives earlier in the season which motivated producers to dispose their surpluses with in the short period that followed harvest and extensive maize and sorghum grain trade from surplus to deficit areas stimulated by consumption shifts from *Teff* to wheat because of their high prices. Stockpiling grain by cooperatives and unions which still hesitate to open stocks for sale and are expecting further price increases. In addition unlawful export and stockpiling of grain such as *Teff* by a few traders despite banning of such actions by the government and weevil damage on grain, sorghum and maize due to the prolonged store causes the price of some commodity items increase.

d) Research methodology

Data has been taken from both primary and secondary sources. Primary data is collected directly from consumers of Ambo town dwellers and surrounding inhabitant. Data is collected from consumers through questionnaire. Sample size of 250 individuals were selected out of which 135 are male and the rest 115 are females. The sample are randomly selected from the total population of Ambo town and nearby settlers. The education level of respondents varies from primary school to higher education graduates and amateur. The age of respondents who forwarded various suggestion and comments concerning inflation varies from 20 to 60. Secondary data on food grain price from the year 2007 to 2009. Secondary data is gathered from two bureaus of Ambo namely, Ambo woreda Trade Industry and Transportation bureau and Agricultural and rural development office.

e) Income of consumers

Consumers generate their income from different activities like being employee in government and non–governmental organizations, private jobs like trading, farming and daily laborer. From these activities they generate revenue that uses to undergo the living process. The levels of income generated by individuals vary from one to another. According to the table 1 below there are four groups arranged for simplicity. First group income level runs between 0 and 500 birr. From total sample size 40% falls in this group, which consists of 100 persons from the total sample. The second group's income varies from 500 – 1000 birr that has 25.6% of total sample size. Third and fourth group do consist about 18.8% and 15.6% of sample size taken respectively. Here it can be concluded that the majority of the respondents fall in very low [8] income group which is less than 500 birr per month. This amount is not enough to purchase all the necessary requirements of life.

Table 1 : Income of consumers

S.N	Income per month	Male	Female	total	percentage
1	0-500 birr	55	45	100	0.4
2	500-1000 birr	30	34	64	0.256
3	1000-2000 birr	25	22	47	0.188
4	Above 2000birr	25	14	39	0.156
	total	135	115	250	1

f) Measures taken by consumers

Normally when the problem is occurred human being search a sort of solution for it. Similarly, consumers in Ambo town took different measures to withstand the problem. As depicted on chart 1 there are different alternative measures consumers exercised to hedge themselves. Among these alternatives like shifting (total and partial), lessen in consumption amount and frequency are some.

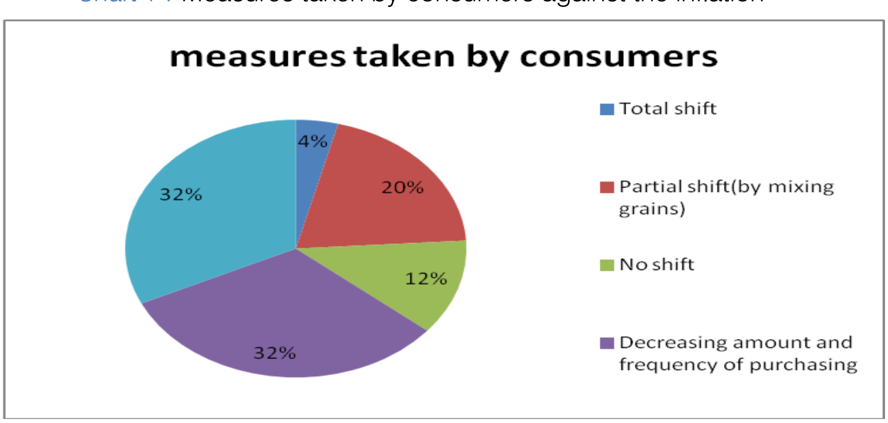
Total shifting occurred when the income of the consumer is not enough to cope up with the price of the previously consumed food grain. Hence, the consumers obliged to shift to low price grain compared to the previous one. This shifting is like to cease consumption of *Teff* and go for consumption of wheat and barley which are relatively lower in price. Accordingly, from the total sample about 4% are shifted their consumption which are totally female.

If consumers have potential to withstand the price increment effect of the grains, the next best alternative is to use the mixture of the grains like *Teff* and wheat together. From the total sample size about 20% of consumers fall in the partial shifting.

If mixing grains together is not possible still consumers go for another alternative. That is to minimize the consumption rate. That means reducing amount of grain as well as frequency of consuming per day. About 16% of the sample are reduced their consumption rate i.e. minimize from eating three times per day to two times per day.

If the effect of inflation comes worst, consumers decided to use the combination of above measures i.e. partial shifting together with consumption reduction. This measure shares about 16% of the total respondents. Finally, 12% of the sample sizes have income above 2000 birr and did not shift totally and stays consuming the previous grain.

Chart 1 : Measures taken by consumers against the inflation



g) What consumer's say about the solution?

Consumers suggested the following measures ought to be taken by administrative body of the town. The government should abolish exporting the grain before satisfying the demand of homeland, lifting off the high price and try to stabilize the market through setting some appropriate price. The government must also provide the necessary inputs for agricultural sector like Fertilizer, weed killer etc, punishing the retailers that hold the grain and create scarcity of food grains. Moreover, the government is expected to provide grain for society, Creating consumer union (Association), and giving awareness about the number of population i.e. awareness about family size so that the demand for food grains reduced if no high population in the country and supply and demand will be balanced.

h) Price trend of food grains

As shown on table 2, the prices of selected food grains in Ambo show increases from time to time. This bidding up of price influences the purchasing power as well as purchasing frequency of consumers. Data gathered from trade, Industry and Transportation and agricultural and development bureaus shows this on selected grains.

The price of grains such as *Teff*, wheat, barley, and other grains fluctuated like saw teeth. Especially from the year 2007 to 2009, the price changes greatly i.e. increments of the price shown in Ambo town. The price variation of selected food grains looks like the following according the data elicited from agricultural and rural development and trade, industry and transportation bureaus of Ambo woreda including the price per 100kg for three years. Although the degree of influence of inflation on different group of people differs, there are a group people highly vulnerable to the effect of inflation. From the total sample size taken about 98% responded they highly exposed group to effect of inflation is fixed income receivers which consists of those get consistent monthly income. Additionally, consumers those income level is less than 500 birr per month are at first target to be affected by this macroeconomic problem in relation to those consumers whose income is between 500 – 1000 birr. At the same time these group is affected more than the next group which income varies from 1000 birr to 2000 birr.

This bidding up of prices forces consumers to change their consumption from the previous one. Likewise, consumption amount of grains varied from individual to individual. According to data collected almost all respondents consumption amount reduced by more than 4 kilogram per individual per month.

Table 2 : price trend of food grains

SN	Type of food grains	Price interval per 100kg (in birr)		
		2007	2008	2009
1	Teff			
	Adii/Magna	435.50-475	440-580	830-1050
	Mixed	400-450	385-520	600-920
	Red	347.50-412.50	320-460	800-890
2	Wheat			
	White	266.25-306.25	275-470	500-780
	Mixed	252.50-291.25	290-450	425-730
3	Barley			
	White	258-325	285-390	500-720
	Black	250-294	270-370	450-650

i) Measures ought to be taken by the government

Respondents forwarded various actions that the government ought to take in order to come up with conducive environment for consumers and improve the socio-economic aspect of the country. Among the possible potential solutions, marketing stability is the first consumers said the government should intervene in such cases when this kind of problems occurred. Even though, the price of everything is adjusted by Demand and supply side in the free market economy, the government should inter its hand into the market to make it fair for consumers.

Another potential measure is to ban the exporting of food grains. As per response of consumers exporting grains should only performed when the need and want of domestic people is fulfilled i.e. when surplus is arises from the domestic demand.

Moreover, punishing and warning illegal retailers those performs activities of holding the grains and sell it out of the time of high price. Likewise, legal retailers also should be highly controlled and punished when they performed accumulating grains.

Furthermore, the government should provide food grains in order to assist them through directly distributing to the society by low possible price through eliminating the intermediaries. Together with this the administrative body must do some activities related with uniting the consumers in purchasing the grains at the time of relatively low price i.e. consumer association should be created that buys and distribute to the members at low price. This consumer association helps a lot in avoiding unnecessary cost related with buying grains.

Above all the great emphasis should be given to countryside residents where grains come from. Government should help the farmers in providing the necessary facilities that strengthen the agricultural sector. This can be done through minimizing the number of migrants from rural to urban and make them productive force.

III. Conclusion

According to this study, inflation showed various degree of influence on consumers based on their level of income. From the whole consumers, mostly those income group between zero and 500 birr are highly affected followed by those whose income is from 500 -1000 birr. At the same time, fixed income receivers are highly exposed to the effect of inflation since they receive constant amount of income monthly.

Consumers did some sort of measures to hedge themselves against the problem among these alternatives like shifting (total and partial), lessen in consumption amount and frequency of consumption and mixing grains together.

Among the food grains consumed around Ambo, *Teff* is dominant followed by wheat, Barley, Sorghum and etc. From these grains *Teff* shows the greatest variation (increased in high amount) in its price (especially magna *Teff*) followed by wheat.

Moreover, the purchasing power of the society is reduced due to the fact that, the price of grains increases from time to time. This increment of price weakens the amount of the grains to be purchased which in turn brings about declining in purchasing power.

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Electronic Commerce: A Study on Benefits and Challenges in an Emerging Economy

By Abdul Gaffar Khan

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Abstract- Information Technology has been playing a vital role in the future development of financial sectors and the way of doing business in an emerging economy like Bangladesh. Increased use of smart mobile services and internet as a new distribution channel for business transactions and international trading requires more attention towards e-commerce security for reducing the fraudulent activities. The advancement of Information and Communication technology has brought a lot of changes in all spheres of daily life of human being. E-commerce has a lot of benefits which add value to customer's satisfaction in terms of customer convenience in any place and enables the company to gain more competitive advantage over the other competitors. This study predicts some challenges in an emerging economy.

Keywords: e-commerce, information technology, customer satisfaction, business.

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ELECTRONICCOMMERCEASTUDYONBENEFITSANDCHALLENGESINANEMERGINGECONOMY

Strictly as per the compliance and regulations of:

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Abstract- Information Technology has been playing a vital role in the future development of financial sectors and the way of doing business in an emerging economy like Bangladesh. Increased use of smart mobile services and internet as a new distribution channel for business transactions and international trading requires more attention towards e-commerce security for reducing the fraudulent activities. The advancement of Information and Communication technology has brought a lot of changes in all spheres of daily life of human being. E-commerce has a lot of benefits which add value to customer's satisfaction in terms of customer convenience in any place and enables the company to gain more competitive advantage over the other competitors. This study predicts some challenges in an emerging economy.

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I. Introduction

Now-a-days e-commerce is growing popular in an emerging economy. E-commerce began in1995. It requires the digital goods for caring out their transactions. Digital goods are goods that can be delivered over a digital network (Laudon and Laudon, 2013). E-commerce is rapidly transforming the way in which enterprises are interacting among each other as well as with consumers and Governments. As a result of changes in the landscape of ICTs, e-commerce is now growing rapidly in several emerging markets and developing economies (UNCTAD/IER/2015). The technologies designed to improve commercial transactions using the Internet have evolved as quickly. However, we have not yet achieved an ideal world of painless and secure transactions utilizing the Internet, as unresolved privacy issues of the purchaser have impeded the further development of the technologies (Alberto, Avila and violeta-2007). E-commerce has been hailed by many as an opportunity for developing countries to gain a stronger foothold in the multilateral trading system. E-commerce has the ability to play an instrumental role in helping developing economics benefit more from trade (WTO-2013). The growing use of the Internet, tablet devices, and smart phones coupled with larger consumer confidence will see that ecommerce will continue to evolve and expand. With social media growing exponentially in recent years, the conversation between businesses and consumers has become more engaging, making it easier for transactional exchanges to happen online. Internet retailers continue to strive to create better content and a realistic shopping experience with technologies like augmented reality. With mobile commerce gaining speed, more users are purchasing from the palm of their hand (Miva-2011). E-commerce could deliver a significant benefit to businesses in developing countries by increasing their control over its place in the supply chain, thus improving its market efficiency (Molla & Heeks, 2007).

a) What is E-commerce?

Electronic commerce, or e-commerce, is the buying and selling of goods and services on the Internet. Other than buying and selling, many people use Internet as a source of information to compare prices or look at the latest products on offer before making a purchase online or at a traditional store. E-Business is sometimes used as another term for the same process. More often, though, it is used to define a broader process of how the Internet is changing the way companies do business, of the way they relate to their customers and suppliers, and of the way they think about such functions as marketing and logistics. For the purpose of this study e-commerce is taken to mean doing business electronically. (Lindsay P., 2002)

b) Why E-commerce?

With the increasing diffusion of ICTs, more specifically the Internet, the global business community is rapidly moving towards Business-to Business (B2B) e-Commerce. The buyers gain a clear advantage when the Internet gives them access to the global market, by which they can compare prices across regions, find out whether prices vary by order fragmentation and get awareness about substitute products. Due to transparency of the market, customer can compare the services of various e-commerce sites easily. For instant, in case of e-commerce the competitors are one click away from customer. If clients are not happy with the products, prices or services offered by a particular e-commerce site, they are able to change much more easily than in the physical. From the Sellers' point of view, they don't need to have physical existence of shop.

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II. Review of Literature

Internet and e-commerce are closely wrapped towards developed countries. But they can achieve tremendous benefits to developing countries if it is applicable as an ideal business purpose. E-commerce is a revolution in business practices (Ohidujjaman, et al 2013). The term commerce is viewed as transactions conducted between business partners. Electronic commerce is an emerging concept that describes the process of buying and selling or exchanging of products, services and information via computer networks including internet (Anupam-2011). Commercial transactions involve the exchange of value (e.g., money) across organizational or boundaries in return for products and services. Exchange of value is important for understanding the limits of e-commerce. Without an exchange of value, no commerce occurs (Laudon and Traver). E-business has changed processes within and between enterprises. Electronic Data Interface (EDI), widely introduced twenty five years ago on dedicated links between firms, showed how information could be directly passed from the operating systems of one enterprise into the order processing, production and logistics systems of another(Clayton and Criscuolo). If implemented properly, E-commerce technologies can result in business process improvements and increased efficiencies. Leveraging E-commerce technologies should result in improvements to developing countries, but so far have not produced the desired results (Jeffrey S. Ray-2011). The development experienced in internet and other global online networks have, thus, created new commercial opportunities for e–commerce and creation of completely new sets of global and national trading relationships. This consequently, led to the perception that e-banking and e-commerce are now an inevitable aspect of financial services. It enables multiple buyers and sellers to come together on a common platform and conduct business without compromising individual requirements and relationships among the participants very quickly; (Harris and Spencer, 2002; Bairagi, 2011). Electronic commerce is creating new opportunities to the global economic, for example in global travel and tourism industry. Transforming from traditional business method to electronic commerce method is hard and there were many different factors for companies to adapt them with electronic commerce factors (Nanehkaran, 2013). (Hasan, 2010) pointed out that nowadays e-commerce industries have increasingly become a necessary component of business strategy and a strong catalyst for economic development.

III. Objectives of the Study

The main objectives of the study are as follows:

1. To get a full acquaintance of the E-commerce in Bangladesh.
2. To identify the benefits of E-commerce.
3. To know the challenges in E-commerce.

IV. Research Methodology

The paper has been written on the basis of secondary data. The secondary data were collected from published books, journals, research papers, magazines, daily newspaper, internet and official statistical documents. The study is qualitative in nature.

V. E-commerce Situation in Bangladesh

In Bangladesh, there is a great deal of interest in e-commerce; however, due to various economic, infrastructural and legal reasons it did not spread widely in the past. After the introduction of 3G technology, the e-commerce has been growing rapidly because people have more easy access to internet than in the past. According to BASIS (Bangladesh Association of Software and Information Services), in just three years, more than 2000 online trading platforms have made their way to Bangladesh. Business people and trading houses state that the rapid growth in internet networking and mobile phone coverage induces them to meet customers online and deliver a smooth and transparent shopping experience including e-ticket sales and sales on Facebook the market has yearly transactions around Tk 10 billion (approximately DKK 700 million). Furthermore, it increases at a tremendous pace with a monthly growth of 20-25 percent according to data from BASIS. Around 15 million people use the internet regularly of them,4-5 million have accounts on Facebook which is still holding the leading position for online shopping through smaller and more local businesses although the market is changing rapidly. Larger companies, domestic and international, are having success in transforming a somehow hectic shopping culture into a transparent and easy way of accessing a greats e-location of consumer goods. This trend is known to Swedish e-commerce company Bikroy.com who is doing well in Bangladesh. Since their launching in 2012 Bikroy.com has experienced a significant growth and is today the largest online marketplace in Bangladesh. Now they have more than 2 million unique visitors on their website.

VI. Benefits of E-commerce

The main benefit from the customers' point of view is significant increase and saves of time and eases access from anywhere in the globe. Customer can place a purchase order at any time. The main benefits of e-commerce for customers are as follows:

- Reduced transaction costs for participating exchange in a market.
- Increased comfort - transactions can be made 24 hours a day, without requiring the physical interaction with the business organization.

- Time saving- Customer can buy or sell any product at any time with the help of internet.
- Quick and continuous access to information- Customer will have easier to access information check on different websites at the click of a button.
- Convenience-All the purchases and sales can be performed from the comfort sitting a home or working place or from the place a customer wants to.
- Switch to others companies-Customer can easily change the company at any time if the service of a company is not satisfactory.
- Customer can buy a product which is not available in the local or national market, which gives customer a wider range of access to product than before.
- A customer can put review comments about a product and can see what others are buying or see the review comments of other customers before making a final buy.

The main benefits of e-commerce from sellers' point of view is increasing revenue and reducing operation and maintenance costs through internet. These include as follows:

- Increases revenue.
- Reduces operation and maintenance costs.
- Reduces purchase and procurement costs.
- Raises customer loyalty and retention.
- Reduces transportation costs.
- Develops customer and supplier relationships.
- Improves speed of the process of selling.
- Improves internal and external communication. and
- Develops the company image and brand.

VII. Challenges in E-commerce

The major challenges faced by the sellers and the buyer which carrying out business transactions through internet are as follows.

- Private and public corporation is not involved jointly to grow the business of e-commerce. Private and public joint initiative is needed to develop the e-commerce business. Joint initiatives bring credibility inside people, which is needed for flourishing the e-commerce business.
- There is a lack of system security, reliability, standards, and some communication protocol. Customer loses their money if the website of e-commerce site is hacked. Most common problem of e-commerce website is not having enough cyber security.
- Financial institutions and intermediaries: Thus far, financial institutions and banks in developing countries are hesitant to take an active role in promoting e-commerce. However, merchants need the involvement of banks to broaden the reach and appeal of ecommerce and to help prevent fraud and potential losses attributable to credit card fraud. But beyond the credit card approach, banks and other financial service intermediaries are challenged to develop alternative modalities for secure and reliable online transactions in environments where credit cards are not commonplace (Anupam-2011).
- In developing countries there is a culture of buying product by negotiating price with seller, which is not easily possible in case of e-commerce in developing countries because of lack of infrastructure facility.
- One of the biggest challenges is the cutting down the price of internet. Authorities are trying to keep low the price of bandwidth low. But the high cost of spreading networks and operating expenses hinder to keep price low for internet.
- Trust is the most important factor for the use of the electronic settlements. Traditional paper about based rules and regulations may create uncertainties the validity and legality of e-commerce transactions. Modern laws adopted and impartiality implemented in the electronic transactions form the basis of trust in the developed world. Where legal and judicial systems are not developed e-commerce based transactions are at a disadvantage because of lack of security whether real or perceived. In many developing countries even today cash on delivery is the most accepted system, even cheques and credit cards are not readily accepted (Roni Bhowmik-2012).
- New methods for conducting transactions, new instruments, and new service providers will require legal definition, recognition, and permission. For example, it will be essential to define an electronic signature and give it the same legal status as the handwritten signature. Existing legal definitions and permissions such as the legal definition of a bank and the concept of a national border—will also need to be rethought (chavan-2013).

Besides the above challenges, the emerging economy like Bangladesh also faced the following challenges:

- Lack of education
- Cultural tradition
- Poor concept of online marketing
- Less marketing or promote
- Political problem
- High cost of products/services comparing traditional market
- Internet coverage arena is limited
- Communication is haphazard over the country
- Lack of trustable business and enterprise and
- Lack of experience of meeting directly with merchant and customer.

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VIII. Conclusions

The e-commerce industry will be a leader with popularity in electronic business world in the upcoming years. The e-commerce revolution has fundamentally changed the business of transaction by giving new opportunities and breaking borders easily. In Bangladesh, it has strongly impacted the traditional business system and changing the life of people by making it easier. While it gives benefits to customer and seller, e-commerce gives challenges to traditional business for competitive position. Developing countries face many obstacles that affect the successful implementation of e-commerce with the help of comparing with developed country. When the internet cost will be low then the e-commerce will flourish easily and will make many of traditional business to run out of their business. Convenience is one of the benefits that customer gets from the e-commerce and thus increasing customer satisfaction. This is due to customer can place a purchase an order from anywhere with internet connection. E-commerce business provider should give importance on every customer by giving smooth service and many options for payment and have more functions available online. Other benefits are expanded product offerings and expanded geographic reach. But e-commerce business faces a lot of challenges in flourishing their business.

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Adam Smith's System between Individualism and Socialization

By Ibrahim Alloush

Zaytouneh University, Jordan

Abstract- This paper tackles the Das Adam Smith problem, that is, the question of incongruence between Smith's two major works: the Theory of Moral Sentiments and the Wealth of Nations. It purports to show that the two works abide by the same methodology, which highlights the Natural Order manifest in the Grand Design, but that they reach eventually two fundamentally incompatible results emanating from different initial assumptions about the modus operandi of the individual: a social conscience versus unfettered self-interest. The implications are readily clear for the economic system derived as far as state intervention in the economy is concerned.

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ADAMSMITHSSYSTEMBETWEENINDIVIDUALISMANDSOCIALIZATION

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Keywords: adam smith, theory of moral sentiments, the wealth of nations, the socialized individual in smith's system.

I. Prelude

When Margaret Thatcher launched her campaign for privatizing the relatively large public sector in the British economy during the early eighties, she was flying the banner of Adam Smith. Laissez-Faire was the order of the day, and Adam Smith's Wealth of the Nations (WN) was poetically restored to its proper stature as the bible of the lovers of economic freedom everywhere.

Little did Thatcher mention (or probably know) about Adam Smith's other book The Theory of Moral Sentiments (TMS) in which Smith indicts individualism, condemns Utilitarianism, and sentences the pursuit of wealth to the irrational precinct of self-deception (TMS, pp. 162-3). Smith expounds in this book (1759) a system of ethics derived from the infinite wisdom of the Creator as revealed to him through induction the same way he described in the Wealth of Nations (1776) his system of Economics. The problem that has vexed the minds of historians of Economics since then is that albeit both volumes are enclosed in their own system, and in both social harmony is generated, in the Wealth of Nations the ultimate human motivation is self-interest, in the Theory of Moral Sentiments, sympathy. Thus emerged Das Adam Smith Problem, as it was termed by German scholars of the late Nineteenth Century: In the Wealth of Nations selfishness was declared the engine of industry and accumulation, and hence, of economic progress. In The Theory of Moral Sentiments the cohesion of society hinges upon the ability of individuals to make judgements while holding "auto-pleasure" in abeyance. What complicates the problem even further is that Smith made revisions to the sixth edition of The Theory of Moral Sentiments in 1790 in which he upheld and adhered to the original principles of sympathy. In Smith's words: "Nature, when she formed man for society, endowed him with an original desire to please, and an original aversion to offend his brethren. She taught him to feel pleasure in their favorable... regard" (p. 170).

Was Adam Smith simply inconsistent? Anspach (1972) dismisses the "simply inconsistent" explanation by pointing out that Smith in his History of Astronomy "described scientific achievement as taking the form of logically structured, unified theory" (p. 204). Anspach continues: "... the "inconsistency" solution would force one to question the quality of Smith's mind. Given the stature of the man and his work, this conclusion must be rejected" (p. 204).

Viner (1968) qualifies the "inconsistency" solution by arguing the that "apparent inconsistencies were often not real ones, but were merely the consequences of deliberate shifts from one partial model to another" (p. 323). One model deals with "the interrelationships of men living in community", the other to the pursuit of wealth (p. 325).

What Viner does not explain, however, is how and why "the interrelationships of men living in community" are not influenced by the circumstances that engulf their pursuit of wealth. How could one separate society from economy, in practice, or Smith's theory? Indeed, as Ekelund and Hebert (1990) put it: "Informed opinion tends to view the Wealth of Nations as a logical extension of The Theory of Moral Sentiments, although that is by far not a unanimous judgement" (p. 100).

Upon reviewing the literature, one finds that many have established connections between the conclusions of Smith's two books and found parallels between their methodologies. Not astonishingly, we are informed that Professor Smith's course on Moral Philosophy in Glasgow University consisted of four parts: "first, Natural Theology, second, Ethics itself –and consisted chiefly of the doctrines which he afterwards published in the Moral Sentiments- third, 'Justice' (or jurisprudence) on which he intended to write a book..., and fourth, 'Expediency', the first hints of the later Wealth of Nations" (Macfie 1960, p. 12). This, in a way illustrates Smith's journey through the four stages of his

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intellectual life, starting with his intentions to become a minister.

These also happen to be the four pillars of Smith's total system. They would appropriately serve, therefore, as a brief outline of what follows. Before moving on, however, it should be pointed out that "had he [Smith] been able to complete his total system ..." as Viner (1968) likes to say, research on the relation between The Theory of Moral Sentiments and the Wealth of Nations would have been superfluous. Smith would have done it himself ... with his intended book on jurisprudence as a probable direct link between Ethics and Economics. In the meantime, several direct links can be drawn and many more indirect controversial ones. This paper discusses those and endeavors to suggest others, but does not by any means claim that it has exhausted all such possible connections, effectively resurrecting Smith's total edifice of social and philosophical hypothetical system thereof from the oblivion of his unfulfilled intellectual project!

II. The Philosophy of Moral Sentiments

In the background of his system, Smith, the moral philosopher "sees the world as the Design of the Deity, a perfectly harmonious system reflecting the perfection of its designer" (Evensky 1987, p. 447). Thus, Smith's view of the world is essentially theological in origin and purpose. This is a variation of the philosophy of the Enlightenment. The universe was a magnificent clock that God has made and set in motion according to a trajectory predetermined by Him. The social world should be no different. Through the application of reason to collected observation, i.e., through induction, man was to disclose the interconnected web of the Design, and through that the majesty of the Designer. That was the Invisible Hand which makes its appearance for the first time as a concept in The Theory of Moral Sentiments in exactly the same sense as it did later in The Wealth of Nations indicating that the rich "are led by an invisible hand to make nearly the same distribution of the necessaries of life which would have been made had the earth been divided into equal portions among all its inhabitants; and thus, without intending it, without knowing it, advance the interest of the society" (TMS, p. 264).

The Enlightenment witnessed a resurgence of interest in the classical heritage of the Greeks and the Romans. Thus Macfie (1960) finds Platonic - Aristotelian –Stoic influences in Smith's philosophy: "From Platonism came especially the rationalism, and the aesthetic delight in the perfect system or machine. From the Stoics springs his emphasis on the life according to Nature, on the natural liberty of the individual and the citizen-of-the-world theme. But when he criticizes the stoics (their 'perfect apathy') he is following Aristotle in recognizing subordinate goods, such as health and wealth, as well as the major good (habitual) virtue" (p. 14). Although Smith qualified the doctrine of Stoic natural liberty with an individual inextricably embedded in a social milieu, and although Anspach (1972) disagrees with Macfie above, and insists that instinct and sentiment not rationality energize man in Smith's system, it will be shown that the interplay of rationality and sentiment, the intertwining of individual and society, of self-interest and sympathy, and of idealism and practicality hold the key to solving Das Adam Smith problem.

For example, Smith criticized Mandeville's Fable of the Bees in a letter to the Edinburgh Review of 1775 in the course of which he develops his theory of sympathy. On the other hand, he criticized his mentor Hutchenson because his theory of benevolence does not account properly for the evident effect of self-love in human relations (Macfie 1960, p. 14). How do we solve this inconsistency in Theory of Moral Sentiments itself?

For a man who was not very beautiful, Smith worshiped beauty as the ultimate value, the manifestation of the well-functioning Design, and the outcome of symmetry and balance. In a criticism of Hume's utility theory, Smith replies categorically that "It is not the view of this utility or hurtfulness which is either the first or principal source of our approbation or disapprobation" (TMS, p 166). "The sentiment of approbation always involves in it a sense of propriety quite distinct from the sense of utility", where "propriety" here possesses the qualities of balance and symmetry that endow it with grace and beauty. Smith notes sarcastically that "... it seems improbable that the approbation of virtue should be a sentiment of the same kind as that by which we approve a convenient or well-contrived building...". Granted a "well-contrived machine ..." provides "a thousand agreeable effects", and vice-versa "... a rusty jarring machine would displease" and be "necessarily offensive", but beauty seem to be derived from this utility, to be reinforced by it. And hence even though Smith did not exclude utility, he assigned it "only instrumental value, except in so far as it partook of the beautiful in the system" (Macfie 1960, p. 17).

In discussing the nature of virtue, Smith concludes that virtue is neither pure self-love, nor pure benevolence. "Virtue consists not in any one affection, but in the proper degree of all the affections". Then he continues:"... Every affection is useful when it is confined to a certain degree of moderation" (TMS, p. 271). There we have a potential key to answering the question at hand. In The Theory of Moral Sentiments the "proper degree" tilts in favor of sympathy, in the Wealth of Nations in favor of self-interest. Why this is the case stems from the fact that Smith builds the analysis in each book on a different set of socio-psychological premises. In The Theory of Moral Sentiments, there is "perfect individual virtue", in the Wealth of Nations there is "human frailty". The former is the Design as an ideal, the latter is a viable system approximating, or tending towards the Design, a social algorithm if you will. This is the reconciliation proposed by Evensky (1987) towards making the two works complements rather than substitutes (p. 448).

To understand this argument thoroughly, one has to define exactly what Smith meant by terms like virtue, sympathy, frailty, etc... Subsequently we have to briefly sketch the general behavioral theory of The Theory of Moral Sentiments.

III. Behavioral Theory

The starting point is the individual. Smith finds that man is endowed first with the senses and the ability to reason. Then he is inculcated with "instincts, drives, emotions, affects, and propensities to which Smith ... gives the label 'passions' (Heilbroner 1982, pp. 430-1). Some of these are: self-preservation, pleasure seeking and pain avoidance, esthetic sensitivity, etc... These can be lumped together under the heading 'self-interest', and can be experienced apart from society. Let us notice here, nevertheless, that both rationalist and emotional elements enter the analysis at the onset with the instinctive dominating the rational element in the sphere of incentives and the pursuit of goal-fulfillment, but not necessarily in the means to achieving these goals, where the rational element usually dominates, at least in modern societies.

To introduce this individual into society, i.e., to socialize him, he is also equipped by mother nature with a reflex-type pleasure "which seem to be transfused from one man to another, instantaneously, and antecedent to any knowledge of what excited them in the person principally concerned. Grief and joy, for example, strongly expressed in the look and gestures of any person, at once affect the spectator with some degree of like painful or agreeable emotion" (TMS, p. 6). But again this is the instinctive element of sympathy not its rational part.

The rational aspect of sympathy is a little complicated and involves several components: "the self, the other, the beneficiary of the other's actions, and the impartial spectator" (Anspach 1972, p. 180). Sympathy pleasure can be derived in two possible ways: when the self identifies itself, to one degree or another, with the sentiments of the other given the same circumstances, this is called propriety of action. It is maximal if the perceived concord between the self and the other is complete. The second kind of sympathy pleasure describes the fellow feeling experienced when the self is imbued with concord with the perceived sentiments of the beneficiary of an action of the other.

Now while pleasures of sympathy presuppose plugging into a social interaction, auto-pleasures do not. Auto-pleasures represent self-interest, while sympathy pleasures are deemed "the source of moral rules". Thus in self-interest the instinctive dominates the rational, and vice-versa in sympathy. Consequently, it is not possible to determine before hand in an absolute manner what energizes man in Smith's system. He left it an open question, in fact, dependent on the premises of the model. And therefore, neither Macfie nor Anspach are actually right or wrong all the time. Combining that with Evensky's analysis on the two voices of Adam Smith, moral philosopher and social critic, the first voice louder in the first work and the second voice in the latter work, this paper would be the first, to the best of my knowledge, to explain the difference between the two works in terms of implicit assumptions about the rationality of man, where more sympathy is a consequence of more rationality implied. Society in The Theory of Moral Sentiments is more sympathetic which necessarily implies that its individuals are more rational. After all, "imagining ourselves in another's situation is a much more intellectual procedure than merely sharing his observed emotion" (Macfie 1960, p. 19), or the process of digesting food, for example.

To develop the argument further, let us consider the power to put ourselves in the place of the other, "... and then assess it, can act in reverse. The person concerned can be his own spectator... The force of reason must be strong if it can so cause the sufferer to 'conceive some coolness' as to his own situation, and so restore control" (Macfie 1960, p. 21). It follows that a weak force of reason cannot restore tranquility and control and would be disconcerting to virtue as the proper balance would be upset. Instead of command, we have frailty, and instead of a virtuous society, we merely have a viable one.

Human frailty, which in Evensky (1987) makes for the model in the Wealth of Nations, is brought about specifically when the self cannot enforce upon itself the judgment of the impartial spectator (p. 453). But who is this impartial spectator? And how does he affect our analysis?

The mechanics of sympathy pleasure involve a congeniality between the sentiments of one individual and another due to an approval of response given the same stimulus. As a corollary then, one can induce pleasure to oneself by acting in a manner towards another that one knows will cause them pleasure. This makes possible benevolent behavior and provides an incentive for it. It also provides an incentive for acquiring knowledge about how others are conditioned to respond to stimuli. "To achieve such knowledge, all men are motivated to learn what their fellow men feel by projecting themselves deliberately into other persons' positions" (Anspach 1972, p. 183). This is the most rational of interactions, it involves very conscious exercises in role -switching. It makes possible to see through others' eyes, to henceforth become courteous and considerate. It makes civilized society feasible. It "encourages them [spectators] to curtail auto-pleasure actions which would be hurtful to others, so as not to lose the sympathy of the spectator who is actually present. A further by-product of this role is to create within a person an "internal spectator" or conscience. This internal monitor is "a generalization of the many evaluations made by many spectators upon the individual harboring the conscience" (Anspach 1972, p. 184). That is the impartial spectator. "It combines the indifferent perspective, unaffected by passion, of a spectator with the clear vision of relevant information available only to one's inner self" (Evensky 1987, p. 452). Now if this impartial spectator approves the balance of sentiments in the self, the self is in concord with it and that provides for true happiness because it conforms to the grand Design.

Such concord does not occur automatically though. Knowledge of the right path does not guarantee adherence to the dictates of the Impartial Spectator. Strength of character is required; and that as noted earlier is equivalent to force of reason because the mind is afflicted with the disease of self-deceit which emanates from man's self-love which "makes him reject evaluations which are unflattering to him" (Anspach 1972, p. 185). So, the power of rationality may fail due to self- deception and self-love. What prevents the degeneration from becoming rampant is social pressure and its rules of morality, and the rules of conduct which keep society together.

IV. Theory of Justice

In one of the most quoted passages of The Theory of Moral Sentiments, Smith emphasizes that society based on utility alone would disintegrate because it cannot "subsist among those who are at all times ready to hurt and injure one another" (TMS, p. 79). Thus, self-interest cannot form a solid basis for society, and benevolence could not be forced, but "Justice ... is the main pillar that holds the whole edifice" (TMS, p. 84). Only when justice is enforced can self-interest exist for the two to make the basis for a viable society as in the Wealth of Nations. If sympathy or benevolence is added to that, we achieve the ideal society of The Theory of Moral Sentiments. Consequently, it is understandable why Smith's unwritten book on Jurisprudence was deemed "the missing piece of Smith's design" (Evensky 1987, p. 454).

On the practical level, "Smith's concept of justice is the necessary complement to freedom defined as the absence of coercion. Justice is the limit or boundary beyond which no individual's pursuit of self-interest can extend. Furthermore, the observation of this limit is not to be left up to individual discretion as in the case of ..beneficence: it can be extorted by force" (Campbell 1967, pp. 573-4). The equivalent of the impartial spectator for society is the judge, of self-command, the police. Corruption in the judicial system and police marks the triumph of self-love of judges and policemen over their sense of duty which corresponds for society as a unit to the dominance of instinct over reason in the individual. Impartiality for society implies all the groups are treated equally before the law. No special privileges, no special restraints but natural liberty. One particular variation on this subject in the Wealth of Nations is how divergence from this system of natural liberty and bestowing monopoly privileges on some and restraints on labor leads to a divergence of market prices from natural price, defined as prices under free competition, and that leads to a loss of welfare due to the economy straying from the precepts of the Design.

Another interesting point is that the impartial spectator of society, i.e., the judge, has to make decisions in the enforcement of justice that imply interpersonal utility comparisons, thus breaching the very precepts of Pareto optimality. For example, how is such a social judge to determine if the loss of utility to the monopolist is greater or less than the loss of utility to society if monopoly rights were revoked. Impersonal utility functions have thus to be constructed but this is does not represent an analytical problem in Smith's system because he has already admitted the possibility of role-switching (Campbell 1967, p. 575).

By all standards then, Smith was not a pure individualist, and always advocated the subjugation of the interests of the individual to those of society (Macfie 1960, p. 23).

V. Economic Implications

Of the parallels and connections made in the previous pages between Smith's two great works, none were direct. Robert Heilbroner (1982) made the two most direct connections in the literature. First, he explained the mechanism by which the socialized individual in The Theory of Moral Sentiments becomes the agent of economic progress in the Wealth of Nations. He demonstrates how the drive for self-improvement provides the impetus for "capital accumulation, the central social process to which the Wealth of Nations is devoted" (Heilbroner 1982, p. 431). Smith points out in a Veblenian twist that one force that prods men to accumulate wealth is to partake in the admiration and revel in the adulation that society awards to those who succeed. That would be sheer vanity. The second force is that of the invisible hand which "deceives" individuals to overvalue wealth and power and keeps them thus in a continuous state of industry (TMS, pp.162-3). Specifically, wealth is not pursued for the material utility it brings, or essentially for that narrow purpose alone, but rather because society has conditioned its members to become prudent and acquisitive. The prudent man, "the rational, well-informed man who is capable of abstaining from present pleasures for greater future pleasures" (Anspach 1972, p. 187) becomes the capitalist in the Wealth of Nations.

Smith maintained that an individual is more likely to receive approbation if he was in a cheerful as opposed to a sorrowful situation (TMS, p. 70). For one thing, people are more likely to approve of those who make them happy than sad. That is their instinctive response. On the rational front, Smith assumes that there exists a normal average state of wealth in a community. Given a diminishing marginal utility of wealth, the absolute value of utility per unit of wealth added is less than the absolute value of utility per unit of wealth deducted. This makes it easier for an individual to identify himself with those above than those below his standard of living. There the conclusion one draws is that one would rather associate himself with a richer than with a poorer man.

From this Heilbroner deduces that the upward-oriented sympathies condition the socialized individual to submit to those who are richer than him which provides the system of economic inequality with the stability it needs to reproduce itself and expand capital growth (Heilbroner 1982, p. 433).

Heilbroner finds upward-oriented sympathies an inconsistent application of the sympathy principle. Especially that Smith restricts hardheartedness to the case of poverty of all misfortunes (p. 437). He states that "the `problem' in Smith's socialization of the individual is that social cohesion is achieved at the price of social compassion" (p. 439). Evensky (1987) who agrees with the basic connections Heilbroner made between Smith's two great works finds no analytical inconsistency in Smith but an ethical one. The differences in wealth occur due to imperfect human virtue and self-command.

VI. Conclusion

All available evidence indicates that The Theory of Moral Sentiments and the Wealth of Nations are neither contradictory nor disconnected in their methodology and purpose of reflecting the Design as manifested in the tradition of Newtonian statics. They were both the brainchildren of a master economist who was also a distinguished philosopher and an accomplished psychologist. They were two links in the same chain although not necessarily in strict intellectual sequence.

However, Smith reached different conclusions practically in each of his major works. For in his economic system, he attributes the modus operandi of natural order and balance to the free pursuit of unencumbered self-interest, i.e., the absence of state intervention. In his social system, however, he attributes natural order and balance to the development of a socialized 'instinct' as displayed in a 'conscience' and/or an external judge, who is either an official or a non-official representative of the collective interest and will, i.e., the state. The implications for economic policy are very obvious and problematic.

The source of these incongruent conclusions lies not in logical inconsistencies in Smith's intellectual system, but in starting out with different assumptions about the individual in his social system versus his economic system. Society, by definition, cannot exist and flourish if individuals are mindless of the harm they visit on each other in their pursuit of self-interest, hence the necessary initial assumption of empathy in the Theory of Moral Sentiments. On the other hand, achieving maximum economic efficiency in a world of many producers and consumers required Smith to assume away social conflict, thus interweaving self-interest by an Invisible Hand into a perfect system which operates like Newtonian clockwork to approach the perfect design on the margin. Eventually, the unfettered individual is not the same thing as the socialized individual, no matter how hard some historians of economic thought try to sweep the quintessential differences between the two, and the economic system each implies, beneath the proverbial carpet. In both cases we have a 'natural system', in the good tradition of the Eighteenth Century, but it is not the same one in its premises or conclusion, albeit it is the same in the methodology used to derive it.

A more comprehensive study is probably needed to plow through all the aspects of similarity and dissimilarity between Smith's two works. However, enough research has been done to show that some solid links have been established methodologically between them, which may have been mistake by some as compatible conclusions. What this paper has done is attempt to re-open the case of the incongruence between the conclusions and implications of Smith's two major works. Methodologically, it introduces the element of rationality/instinct into the theory of the connection between the two works. It has also shifted emphasis on the interaction of dualities as a spring of development in Smith's thought, always in the proper degree to insure propriety, if one allows some role for the state in the economy, as Smith has done when he discusses the state's role in furnishing education, and if Smith is re-interpreted as an onslaught on private sector impediments to economic activity, as is the case with medieval guilds or post-medieval pre-modern Merchantilism, not just as an all-weather blanket attack on any state intervention in the economy whatsoever.

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Make in India Initiative: Reigniting Indian Manufacturing Sector

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Abstract- Over the decades when major reforms and policies were introduced the manufacturing sector could not keep up compared to the countries with similar development/growth phase and size. National manufacturing policy aims at enhancing the share of manufacturing in GDP to 25 % within a decade and creating 100 million jobs. The government has made efforts to provide favorable by simplification, rationalization and digitization of process. In this regard, 'Make in India' initiative is aimed at encouraging the spirit of entrepreneurship and making India the manufacturing hub of the world. This article takes a look at what has been done so far and what more needs to be done to give much needed force to the manufacturing sector. Secondary data has been utilized taken from various sources to advocate the views expressed in this article.

Keywords: manufacturing, simplification, rationalization, digitization and innovation.

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MAKEININDIAINITIATIVEREIGNITINGINDIANMANUFACTURINGSECTOR

Strictly as per the compliance and regulations of:

Make in India Initiative: Reigniting Indian Manufacturing Sector

Dr. Syed Khalid Perwez [α], Dr. G. Vijayalakshmi [σ] & Mr. Syed Zahid Perwaiz [ρ]

Abstract- Over the decades when major reforms and policies were introduced the manufacturing sector could not keep up compared to the countries with similar development/growth phase and size. National manufacturing policy aims at enhancing the share of manufacturing in GDP to 25 % within a decade and creating 100 million jobs. The government has made efforts to provide favorable by simplification, rationalization and digitization of process. In this regard, 'Make in India' initiative is aimed at encouraging the spirit of entrepreneurship and making India the manufacturing hub of the world. This article takes a look at what has been done so far and what more needs to be done to give much needed force to the manufacturing sector. Secondary data has been utilized taken from various sources to advocate the views expressed in this article.

Indian economy which has traditionally been agriculture based, is taking big leaps towards promoting manufacturing which constitutes 16% of GDP in India. But its contribution to employment sector and growth is well below its true potential. Restrictive and rigid labour laws, abundance of unskilled workforce over skilled workforce, lack of technology innovations are some of the factors contributing to this. 'Make in India' calls for clear vision, detailed planning, strong determination, vast resources, and efficient administrative instruments to achieve this monument task. It will automatically lead to more and more employment opportunities and a better quality of life.

Keywords: manufacturing, simplification, rationalization, digitization and innovation.

I. Introduction

The rapid expansion of manufacturing sector has been a major objective of economic policy in India. Starting with the second five year plan in 1956 and with the contemporary launching of 'Make in India' approach, policy makers always stressed the need to expand India's manufacturing sector.

Manufacturing is the backbone of the economy in most countries, especially so in fast growing emerging markets. Historical evidence from different parts of the world demonstrates the indispensable role that industrialization plays in the economic development process of countries. The experience of East Asian countries, in particular, shows that export led industrialization is crucial for the attainment of sustained employment generation and poverty reduction.

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Indian economy which has traditionally been agriculture based, is taking big leaps towards promoting manufacturing which constitutes 16% of GDP in India. But its contribution to employment sector and growth is well below its true potential. Restrictive and rigid labour laws, abundance of unskilled workforce over skilled workforce, lack of technology innovations are some of the factors contributing to this.

II. Rationality and Methodology

Over the decades when major reforms and policies were introduced the manufacturing sector could not keep up compared to the countries with similar development/growth phase and size. National manufacturing policy aims at enhancing the share of manufacturing in GDP to 25 % within a decade and creating 100 million jobs. The government has made efforts to provide favourable by simplification, rationalization and digitization of process. In this regard, 'Make in India' initiative is aimed at encouraging the spirit of entrepreneurship and making India the manufacturing hub of the world. This article takes a look at what has been done so far and what more needs to be done to give much needed force to the manufacturing sector. Secondary data has been utilized taken from various sources to advocate the views expressed in this article.

a) *Make in India- new perspective and objectives*

'Make in India' initiative launched in September, 2014 to give an impetus to the manufacturing sector and seek foreign investment. The aim is to improve India's ranking from 142 (among 149 countries) to 50 in the World Bank's Ease of Doing Business Index in three years. For this purpose the government has charted out 25 key sectors out of which the main sectors are automobile, aviation, information technology, construction, textile etc. Five smart cities to be built around high employment generating industrial clusters such as textiles, leather and food processing. The 'Make in India' initiative assumes significance for its sheer criticality and ambition. The aim is to increase share of manufacturing in GDP and create more jobs by initiating reforms in key sectors. In a nutshell in can be presented in following way:-

Table 1 : Aim of Make in India

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2024-25
% share to GDP	15.78	16.17	16.17	16.28	15.76	14.94 Projected	25.00 Projected
By initiating Reforms	Ease in approvals	Environment	Single unit clearance for units in National Manufacturing Investment Zones		Time lines defined for all clearances		Process clearance via Web
In key sectors	Auto	Aviation	IT	Construction	Textile	Leather	Tourism

Source: The Economic Times Magazine, Feb 22-28, 2015, p-06.

b) *Ground realities for 'Make in India' program*

India is a country which has experienced a growth in GDP driven by its service sector throughout the last few decades; however the service sector led growth has largely been jobless, thereby creating large segments of unemployed population.

Table 2 : The Unemployment Scenario*

Year	1999-00	2004-05	2009-10	2011-12
Current Daily Status- Unemployment rate (%)	7.3	8.2	6.6	5.6

Table 3 : Change in Sectorial Employment Pattern*

Year	Agriculture and allied	Industry	Services
1951	72.1	10.6	17.3
1991	66.9	12.7	20.4
2009-10	53.2	21.5	25.3

*Source: Economic Survey 2014 -15**

The manufacturing growth has lagged which can be seen in the following table:-

Table 4 : Manufacturing growth in reality

Year	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Manufacturing growth within GDP growth in %	10.3	4.3	11.3	8.9	7.4	1.14	- 0.7
Index of Industrial Production in %	18.7	2.9	4.9	8.9	3.2	1.3	- 0.7

Source: The Economic Times Magazine, Feb 22-28, 2015, p-06.

We must consider that the Index of /industrial production has languished in some previous years, dipping into negative territory in 2013-14, as mega projects got stuck in huge time and cost over runs.

Table 5 : Infrastructure projects are stuck

Projects	Anticipated cost (` crore)	Cost overrun (%)	Time overrun (months)
KUSMUNDA EXPANSION (Coal)	7,612	541	120
BHAIRABI SAIRONG, NEFR (Rlys)	2,393	286	35
TEHRI STORAGE PLANT (Power)	2,979	80	79
SEVOK RANGPO, NEFR (Rlys)	3,375	152	15
POOLING STATION & NETWORK WITH DVC, MAITHOB RBC (Power)	7,075	0	22

Source: The Economic Times Magazine, Feb 22-28, 2015, p-06.

As on March 2014, out of total 721 projects monitored by ET, only 136 were on schedule with another 218 delayed. 238 projects across different sectors show a cost overrun of around ` 1.94 lakh crore in the last three decades. The original cost of these 238 projects was pegged at Rupees 2, 51,198.1 crore while the anticipated cost has now shot up to ` 4, 45,267 crore, a difference of 1, 94,069 which is around 77%. The difficulty in getting projects moving is reflected in India's abysmal ranking in the World Bank's Ease of Doing Business Index – 142 out of 189 countries. The following table shows the same:-

Table 6 : Doing business in India is difficult

Parameter	Previous rank	Latest rank
OVERALL RANK	140	142
Starting a business	156	158
Dealing with permits	183	184
Getting electricity	134	137
Registering property	115	121
Getting credit	30	36
Paying taxes	154	156
Enforcing contracts	186	186

Source: Doing Business 2015, World Bank. (A total of 189 countries were considered)

c) *'Make in India' the positive aspects to revive manufacturing*

'Make in India' is a timely policy initiative to convert India into a manufacturing super power by encouraging and inviting manufacturers to set their bases in India. It is a program that aims to boost investment and encourage innovation by creating world class manufacturing infrastructure and making it easier to do business in transparent and credit friendly environment. It is clear that only a labour intensive manufacturing sector can meet with the increasing employment needs in India and cater to the needs of increasing local demand. In a young nation with over 800 million people under the age of 35 and a median population of around 26 years, the initiative would definitely provide sufficient opportunities and a clear headway towards employment and fulfilling the demands of the available talent and labour pool. Much has also been said about the initiative's key objective of attracting foreign investors and increasing FDI inflows into India through the manufacturing sector. The government has already made investor friendly policies on FDI and 100 percent FDI schemes under the automatic route in many sectors. The following points are important in this regard:-

Table 7 : The world and 'Make in India'

The Global Manufacturers want to know most	Top five global cities to show interest
Guidance on pre-investment consultation on sectors, taxation etc.	London , UK.
Delays being faced by existing investors.	Granada, Spain.
Subsidy schemes that could be availed.	Singapore.
Queries on seeking funds from the government.	New York, USA.
Policy changes, policy clarification.	Dubai , UAE

Source: based on queries received on Make in India website, log in to same on Oct 21, 2014

d) *Areas for improvement*

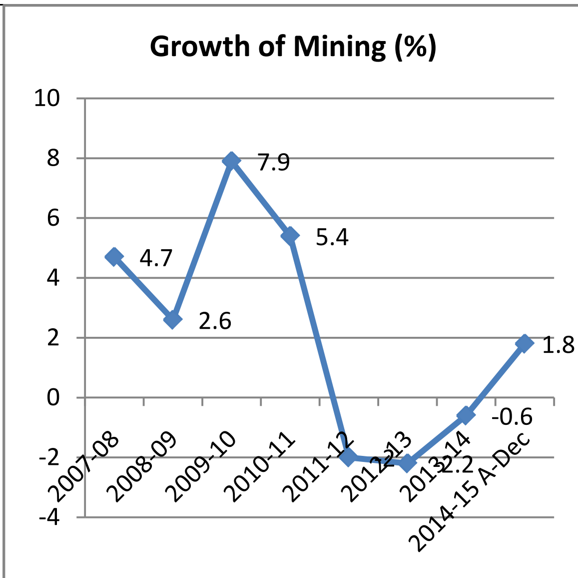
While a good start has been made towards promoting the 'Make in India' initiative and inviting global companies to look at India as a potential manufacturing destination. It is clear that the Indian economy to successfully distribute wealth across its population, manufacturing has to grow. This growth will require several significant changes including significant increase in productivity and quality at the plant levels, pursuit of worldwide competitive manufacturing strategies and operations and successful integration into the global supply chains.

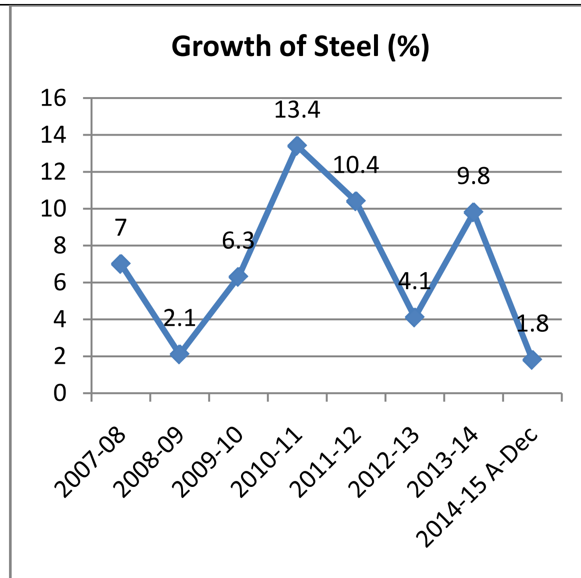
While there are significant challenges for Indian manufacturing entering the global arena whether through the expansion of domestic enterprises or investment by global manufacturers from abroad the opportunities are arguably more than worth the effort? Global competitiveness in manufacturing fosters growth, productivity and employment, and strengthens the agriculture and service sectors. The Make in India initiative need to relook India's ability to continue to develop its manufacturing sector to the point where it might revolutionize global industry. For the same the following information is important:-

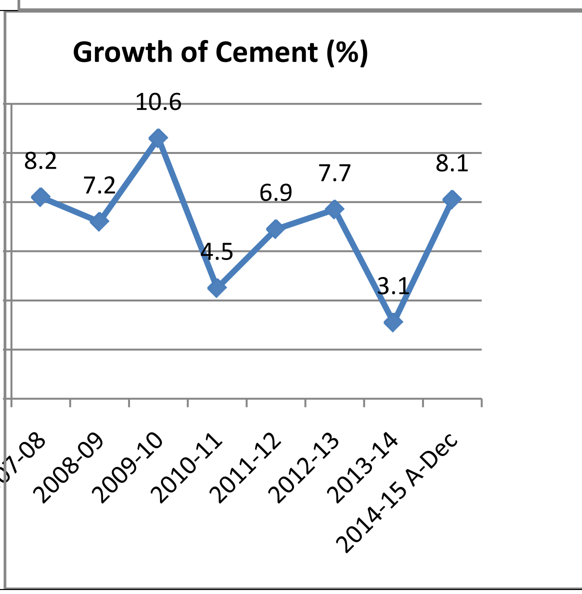
e) Need to be done for success of Make in India initiative

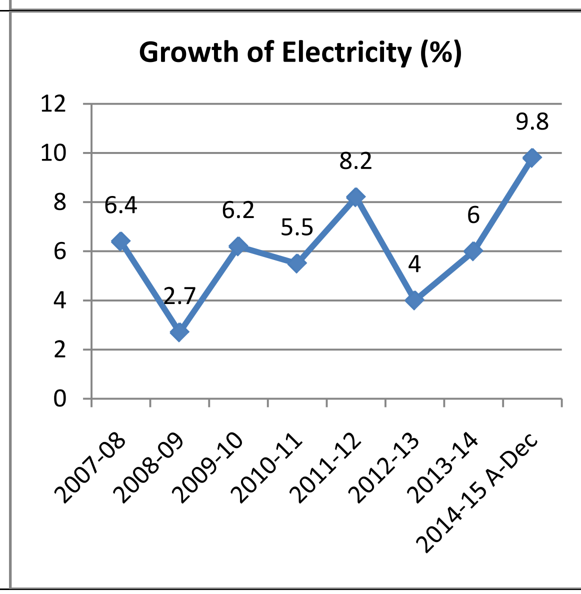
Table 8 : What needs to be done?

1. Need to give a push to the core infrastructure sectors like…*

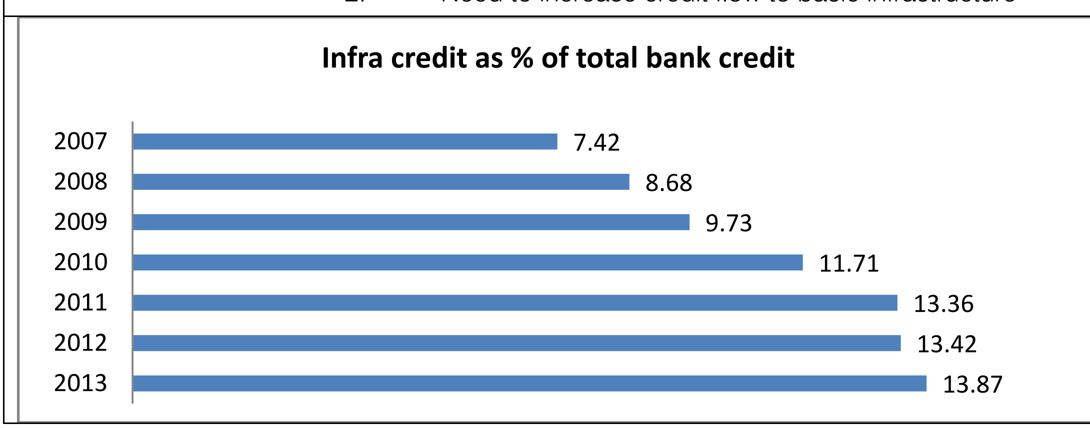








2. Need to increase credit flow to basic infrastructure*



3. Need to target technology in a better way*

	China	S Korea	Thailand	Japan	Germany	India
Share of manufacturing in GDP	34.1	27.7	36.6	20.5	19.2	14.9
Share of medium and high technology in total manufacturing	40.7	53.4	46.1	53.7	56.7	32.2
Share of total exports in world exports	14.6	4.3	1.5	6.0	10.4	2.0

*Source: The Economic Times Magazine, Feb 22-28, 2015, p-06.**

4. Some policy measures and recommendation

Require for Initiation of Export Promotion Policy	Require to reduce Excise Duties and give Exemptions	Requires to Identify key Export areas

III. Conclusion

The importance of manufacturing sector is reviving the fortunes of the economy is well understood. What is less noticeable, however, is what prevents the manufacturing industry from growing faster. The five focus areas are:- capacity utilization, encouraging alternative technologies, power sector, incentivizing utilization, and defense production and localization. 'Make in India' calls for clear vision, detailed planning, strong determination, vast resources, and efficient administrative instruments to achieve this monumental task. It will automatically lead to more or more employment opportunities and a better quality of life.

To conclude one can say that manufacturing sector has the potential to play a crucial role for India to achieve its goal of becoming the fastest growing economy in the world. And the right mix of strong commitment from the government as well as the industry can make this a reality.

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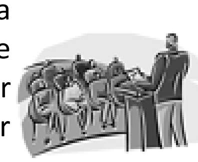

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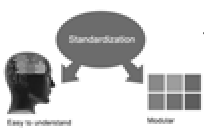

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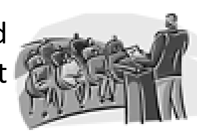

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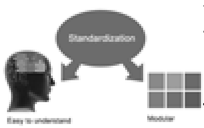

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Abstract, used in Original Papers and Reviews:

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. 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 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.

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6.4 Author Material Archive Policy

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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 though 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 briefness. 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.

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 perceptive 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)

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

INDEX

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