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Trafficking of Wildlife: An Emerging Problem in South Asia

By Sanjaya Acharya
Tribhuvan University

Abstract- This paper makes a review of literature on growing wildlife trafficking, more specifically to South Asia. It intends to analyze the nature of this illegal trade and evaluate practices in institution building for the control of wildlife crimes. Based on review and consultation with the stakeholders, we conclude that socio-cultural fabrics in East Asian countries are fuelling the demand side of the trafficking from this region whereas the poverty in the vicinity of national park areas coupled with the connection to mediators and smugglers is causing the supply side chain. The high prices in the international market are mainly caused by the misconception mainly regarding the medicinal values of some wildlife products. The poaching model discussed in the paper concludes that the conservation effort/cost needs to move along with the stock of the wildlife and the poaching efforts, but the lack of effective monitoring mechanism for the census of wildlife is causing the gap between them and the continuation of the crime in the region.

Keywords: trafficking; trade route; price; forest.

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I. Introduction

Trafficking of wildlife has emerged as a global problem that shows a rising trend over the years. Poaching and international trafficking of endangered species rank among the largest of crimes representing tens of billions of dollars per year; consequently, it has appeared as one of the threats to the survival of the species and global biodiversity. United Nations sixty-ninth session of the General Assembly (September 2014 – September 2015) also expressed concern about the increasing scale of poaching and illegal trade of wildlife and their products and its adverse economic, social, and environmental impacts. South Asia faces the same misfortune from the deeply-rooted wildlife crime. Weak law enforcement and poor coordination across the administrative/political boundary are helping escape the criminals through the porous borders. Trans-boundary cooperation, coordination, and integrated actions are, therefore, required to make the wildlife crime control efforts producing tangible results. The UN General Assembly has also welcomed the efforts of and cooperation between intergovernmental organizations aimed at preventing and fighting against poaching and trafficking of wildlife.

Wildlife crimes are considered the fourth biggest crimes in the world next to that of arms, drugs, and human trafficking. Similar to the latter, it is also primarily an organized crime that is transnational. The illegal wildlife trade includes the demand of bones for traditional medicines, pets and zoo exhibit, parts and bodies as collectors' trophies, decorations, and luxury items, bush meat and exotic dishes from restaurants, etc. TRAFFIC (2008a) reports that wildlife trade accounts millions of individual plants and animals from several thousand species. South-east Asia's experience suggests that the demand side of this illegal trade is stronger than the supply side.

The political economists overlooked the problems regarding the poaching and illegal wildlife trade for the last several years; however, these issues have recently emerged in the grounds of biodiversity conservation (Eliott, 2011). The present study also stemmed from a similar need particularly in case the of South Asian countries.

Regional Scenario of Wildlife Crimes

Studies show China as the world's largest destination market for illegal ivory and other wild animal parts as well. The recent trend in unlawful ivory trade in China is the consequence of several interlinked factors: the creation of a parallel legal domestic market for ivory in China by CITES decisions, and ineffective control of ivory trade in mainland China through Hong Kong. EIA (2014) highlights the need of Chinese government role to control the trade as well as to regulate the state-owned ivory carving factories and stores. However, the challenge remains on how to control the illegal ivory market when the parallel legal market of ivory also exists. Complete ban of ivory trading in China might be one initiative to be taken.

South Asia and South-east Asia are rich in biodiversity and have porous borders across countries. South Asia possesses almost 12 percent of fauna species and 16 percent of flora species of the world (World Bank, 2009). Moreover, in the case of South-east Asia, countries have well-established trade routes and accessible transport links. These trade routes have caused wildlife trade along with growing wealth in Asia.

South Asia itself does not appear as the foremost global destination market of wildlife crime in terms of both animals and their body parts. However, this being one of the fastest growing regions in the world, the scale of wildlife crimes is expected to grow in coming years. The mode of IWT as discussed in the

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following section shows how South Asia integrates itself with the rest of the world regarding this crime.

In this background, the objectives of this study are two-fold. First, it intends to analyze the nature of this illegal trade. Second, it aims to evaluate and suggest best practices in institution building for the control of wildlife crimes and protect wildlife resources. To fulfill these objectives, the rest of this paper is organized as follows. Section 2 is all about the data/information used for the study and the study method applied. It proceeds with the discussions on the mode of the interrelationship among social, economic, and political factors in Section 3 to understand the intricate relationship among these intertwined factors. Section 4 discusses on study findings and Section 5 presents summary, conclusion, and implications.

II. Data and Methods

a) *Data Sources*

The study has primarily collected secondary data/information for the review. They are mainly from wildlife enforcement authorities of South Asian countries. Furthermore, the study has reviewed the publications from ASEAN Wildlife Network (ASEAN-WEN), Global Tiger Fund (GTF), GTIC, CBD, Convention on International Trade in Endangered Species (CITES), Latin America Tiger Fund (LATF), Central America Wildlife Enforcement Network (CAWEN), International Police Environmental Society (INTERPOL-ENS) and SAARC Forestry Program.

The study has also conducted in-depth key informant interviews and (focus) group discussions among the stakeholders. The data/information collected has followed the exploratory and qualitative analysis.

b) *Methods*

The analytical approach in this study follows a triangulation technique to comprehend the political economy of wildlife crimes in the interface of enforcement agenda; socio-political factors; and the demand vs. supply of wildlife, their products, and the derivatives. The enforcement agenda associates the issues regarding the power vacuum and the legal provision against the crimes. The socio-political factors comprise geographic and governance issues in addition to the highlights on the potential areas prone to emerge as illegal wildlife trade spots. Likewise, the study also diagnoses the demand and supply side factors behind the crime. Based on the availability of information/data, the analysis has comprised both national and regional perspectives of the problems.

c) *Issues and Indicators*

This political, economic analysis is a combination of methods including but not limited to review, study, consultations, and research. A variety of broadly conceived opportunities and alternatives based on studies at national and international levels are also under review. More specifically, the review of works as mentioned earlier is to:

- Understand the phenomenon of wildlife crime, its effects, and its quick emergence in areas with a power vacuum, including those of many transition economies, and the factors behind the wildlife crime
- Describe the conditions that typically lead to its emergence
- Comprehend legal prohibition of wildlife commodities
- Ensure geographic and social distance from the centers of political decision-making, and
- Assess the internal organization, market structure, and welfare effects of wildlife crime.

There are several reasons for wildlife crimes. In more than 60 countries in the world, protein from wild animals including fish fulfill a fifth of the animal protein in rural diets (TRAFFIC, 2017). Wildlife includes three types of resources: animal, plants, and fisheries. Increasing human population in poverty is causing the attack on these forest resources for their survival. Secondly, people use leather, furs, and feathers as clothing and ornaments. Falconry and trophy hunting is mainly for sports. Herbal remedies and traditional medicines rely on wildlife resources. An estimated about 80 percent of the global population do use such resources directly or indirectly (TRAFFIC, 2008). Some animals and plant derivatives are in use for religious purposes; for example, Hindus use rhino horn utensil in worships. Likewise, museums and private individuals do accommodate many wildlife specimens and curios (Ibid).

In some Asian countries – such as China and Vietnam – deep-rooted cultural misconceptions prevail regarding the use of wild animal body parts to have positive effects on the human body, including increasing virility and curing cancer (Pederson, 2013). More specifically, tigers and rhinoceroses are believed to have these medicinal values that are propelling the shadow market of these animal body parts and derivatives in the region.

Traditional Chinese medicines often incorporate ingredients also from animals in addition to plants, the leaf, stem, flower, root, and minerals. In the case of animals, such as seahorses, rhinoceros horns, binturong and tiger bones, and claws are sold by poachers in hidden illegal markets (Weirum, 2007 and New scientist, 2010). Popular Sumatran tiger parts, tiger genitals, and eyes -- culturally believed to improve virility -- are available in open market of some East Asian countries including China (TRAFFIC, 2008b). Due to the demand in Asia (for medicinal and luxury items, especially horns for decoration) and in the Middle East, rhino populations face extinction (CNN, 2011). Despite no scientific basis, a sharp surge in demand for rhino horn in Vietnam has attributed to rumors that the horn cures cancer (Watts, 2011 and Telegraph, 2012). In 2012, one kilogram of crushed rhino horn used to sell as much as $60,000 -- more expensive than a kilogram of gold (Randall and Owen 2012). Vietnam is the country that produces bowls for grinding rhino horn in a commercial scale (Smith, 2012).

Ivory is another natural material of several animals that is also under illegal trade to a large extent. It is mainly for creating art objects and jewelry where the ivory carved is with various designs. China is the main destination of the ivory trade. Jeffrey (2012a and 2012b) reported that an upsurge in ivory poaching is flowing to China -- with about 70% of all illegal ivory trade. Poachers seek for the fur -- a natural material – for decoration. Alpine regions of Austria and Bavaria region of Germany traditionally used chamois beard -- a tuft of hair -- as a decoration on trachten-hats worn as a trophy hunting. In the past, it was made exclusively from the chamois' lower neck hair, but its production continues to some extents upon the availability of this hair (Duell, 2012).

This is how socio-economic and cultural elements are fuelling illegal wildlife trade. These factors do work together, so that power, interests, and incentives become structured. WEF (2012) has summarized the idea as follows:

- Poaching swells in the environment with widespread corruption, fragile enforcement mechanism and lack of employment.
- Enormous profits coupled with low-risk in this crime attract criminal groups. Furthermore, the tendency of the crime is fuelled by weak law enforcement, trial, forfeits, and other deterrents.
- Economic growth in consumer societies has caused rising demand for illegal wildlife products, which is exacerbated by the increased accessibility of illegal wildlife products through the internet.
- The lack of collaboration, coordination, and accountability between source and consumer countries is causing the blame being passed back and forth between them.

We discuss these issues more detail in the following sections.

III. Review and Insights

a) *Social Factors*

Animal poaching is a very open topic among people since the ancient period. As the survival of humankind during the hunting age required killing of animals, it continued to some extent even after people started agricultural activities. In the beginning, it was persistent for fun, meat, and some animal products for human use. In the course of human civilization, there was an increasing realization of the need of protecting wildlife for facilitating the ecosystem and maintaining biodiversity that would, in turn, benefit the environmental protection and eventually human wellbeing.

Once the wildlife got into protection, hunting became a fun and wild animal body parts as something precious for amusement and home decoration. Furthermore, socio-cultural factors and misconceptions provided some undue importance to wild animal body parts. Moreover, the body parts are somewhere considered to have high medicinal and scientific values. These factors are fuelling for the continuation of wildlife poaching as an outcome of these demands. The wealthy consumers in the destination countries use the poor in the source countries to work as poachers. Many illegal hunters commit this crime for economic return; some do it for the 'thrill' or 'fun' involved in it, while others poach themselves for the wildlife products.

Social factors also cross artisan based communities who traditionally practice the art of ivory carving that is present in China and in Nepal too. It is also due to these artisan based skills that make it difficult for governments to be completely assertive in banning the trade.

In addition to the animal hunting, poaching affects the surrounding areas and the other animals too. Food items of human being once entered to wildlife's food chain creates the problems among the latter regarding their food availability and longevity of their lives. Under the circumstances, any of these animals that have been in the world for thousands of years are now becoming endangered and may extinct. There is not an adequate environment to reproduce as well as not enough food to their survival. The animals at the top of the food chain, which rely on the animals lower on that chain but the latter are also disappearing because of hunting, don't have adequate food for survival, therefore, are as well dying from starvation (Girdler et al. 2010). Unlawful animal poaching causes the illegal trade of animal products. Many radical animal poachers, as well as illegitimate buyers, are very powerful and heavily armed themselves. In many cases, people are scared of speaking about their wrongdoing in fear of their own lives.

b) *Economic Factors*

Several studies have reached to the conclusion that wealth in demand countries is a stronger driver of IWT than poverty in source countries (TRAFFIC 2008a; IFAW 2008; Duffy 2010: 155-187; Duffy and St John 2013). Anti-poaching measures in Chitwan National Park of Nepal has explored that the illegal traders in the country buy it at approximately US$ 8,000 for about one kilogram of rhino horn (Kunwar, 2009). Poacher, mediator, and trader get their return from this amount. In the case of tiger skin, it's trading value in the local illegal market is about US$ 50 for skin from one tiger. However, studies on the overall trading value of animals and their body parts, trophy, etc. are still lacking in Nepal.

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People living in the vicinity of the national parks do have dependencies on the latter for fodder, fishing, herbs, and firewood. Mostly, they do have the license to collect these forest products. Majority of the poachers poach for the monetary cause. There are two types of hunters - (i) the game hunters do it for the sport who are usually licensed, and they pay for the game, (ii) traditional poachers who poach for the food, e.g. bush-meat hunting in Africa and also in South Asian countries.

c) Political Factors

International concern over the wildlife crimes dates at least to the early 1960s when the International Union for the Conservation of Nature (IUCN) called for a treaty to address illegal export trade of endangered species. It took almost ten years to organize the Convention on International Trade in Endangered Species (CITES).

The nature of illegal wildlife trade is sophisticated and complex; however, this sort of crime is of organized nature because it requires an extensive and functional network for hunting the wild animals and pass through all domestic transfers and eventually cross the border. This crime is not only the injustice to endangered wildlife, but it also causes a high level of violence while killing the animals. Although wildlife crime is the fourth biggest in the world next to drugs, arms, and human trafficking, this illegal trade is managed by species-specific smuggling rings, many of which hide behind the cover of the expertise offered by legal operation.

Despite the constant efforts to address the persistent debate over different approaches to wildlife management, the dispute is yet to settle primarily on the issues regarding wildlife trade regulation (Sand, 1997) and CITES has made growing formal commitments to contribute in the sustainable use of wildlife species (CITES, 2007). Significant internal debates persist around the fundamental valuation of trade. The tensions between pro-trade and anti-trade approaches to wildlife management mean that CITES has been likened to a forum where members of opposing camps launch ideological crusades against each other (Stoett, 2002, p. 197). Differences between pro-trade and anti-trade approaches to wildlife management exacerbates in developing countries where poverty alleviation dominates local politics. An ongoing challenge for CITES is achieving outcomes that will ensure the sustainability of wildlife trade while avoiding accusations of cultural domination (Arroyo-Quiroz et al. 2005).

Political interference does have the hindrance to curb wildlife crime as evident in the literature. Kideghesho (2016) reports that Tanzanian politicians have created frustration in the efforts to control IWT in protecting the interests of their constituents who could earn their living through the IWT. According to the survey among staff working in Tanzania's national parks, 75% of respondents described local politicians as the barrier in conservation endeavors. Parliamentary Committee on Land, Environment and Natural Resources in the country has received and presented the evidence of political interference in the war against wildlife crime. The committee found some members of parliament and government officials involved in protecting poachers with whom they had close personal ties (Ibid).

Similar is the case of Nepal, Kunwar (2009) has explicitly mentioned names of the three politicians in Chitwan district during Panchayat regime (1961-1990) who used to have a business of illegal trade of rhino horn. During the period, some of them had close ties with the royal palace; consequently, their IWT got protection in the shadow of the Panchayat regime. Despite this, one of them was arrested by the police along with the rhino horn. These political ties have weakened the enforcement of the protection laws.

The evidence above reveals some affiliations of political groups/parties in promoting IWT; however, democratic changes in the political systems may improve the credibility of the system and has the contribution in the control of IWT. Institutional endeavor comes along with political commitment. An example is the establishment of the South Asia Wildlife Enforcement Network(SAWEN) in South Asia as the reflection of the regional political pledge in the control of wildlife crimes. Democratization in the political system in South Asian countries has caused the increasing realization of the protection of the endangered species, both flora, and fauna. Enforcement of SAWEN Statute is, therefore, a reflection of this realization. In parts of SAWEN region, the number of tigers has doubled within the last five years due to this political will.

IV. Findings

As mentioned earlier, illegal wildlife trade has appeared as the fourth biggest crime next to arms, drugs and human trafficking. Illicit wildlife products are also undergoing with online marketing. Similar to the trading of weapons and drugs, it also lacks awareness about the importance of conservation and impacts of over-exploitation. The poor suppliers and wealthy consumers are contributing to the depletion of the region's fauna and flora resources.

A typical scenario of illegal wildlife trade or its body parts or trophy trade runs like this. A mediator connects the poacher to a local carrier who transfers the wildlife contraband to another mediator for forward delivery and eventually to a trafficking leader. The latter finances the poaching network and uses corrupt connections, if available, in the public and private sector to move the trafficking within the country and across the borders.

The poaching network often involves a complex mix of criminal syndicates, often led by foreign nationals, and corrupt government officials. Nepalese experience also suggests that many poaching criminals did use the wildlife and law officials to escape themselves from the crime conducted. Collusion between corrupt officials and criminal network explains the unprecedented scale of poaching and wildlife smuggling in many countries (EIA, 2014). It also compromises enforcement efforts so that only a few of the culprits get prosecution. In the case of Tanzania, trafficking chain of elephant, especially its tusk or ivory, associates series of corruption. The game starts from rangers who provide information regarding duty tracks and the whereabouts of elephant herds to police officers. The latter rent out weapons and pass on ivory to the Tanzanian Revenue Authority (TRA) officers. The role of TRA officials in this regard is to allow shipping containers leave the country's ports (Ibid).The common trend shows that the exporters often form an organized group whereas the importers are mostly individuals.

People in traditional Chinese society were prone to use ivory bracelets linked to handcuff; this inclination was more visible across urban centers. However, this culture has fuelled substantially high demand for ivory in China. A significant landmark in this connection is the ban of ivory import in China announced in January 2018; however, the impact of this regulation is yet to assess. Not only in case of China, but it is also expected to have influence in source and transit countries as well, more importantly in African countries as a source region and Vietnam as well as other South Asian countries as a transit region. Poachers are killing thousands of wild elephants in Africa to satisfy the ivory demand in mainland China so far, and African elephants are expected to be relatively safe after this announcement of the ban of ivory trade in China.

a) Regional Dimensions

USA, Europe, Middle East, Russia, and South-East Asia are the final destinations of illegal wildlife trade (Table 1). The following table shows the source and destination countries along with the end market values of these products (wild animals):

The Convention on International Trade in Endangered Species (CITES) monitors the international trade in species of conservation concern. From 2005 - 2009, CITES recorded an annual average of more than 317,000 live birds, just over 2 million live reptiles, 2.5 million crocodilian skins, 1.5 million lizard skins, 2.1 million snake skins, 73 tonnes of caviar, 1.1 million coral pieces and nearly 20,000 hunting trophies (TRAFFIC online portal). A significant chunk of these trades, no doubt, is illegal. During this period, EU enforcement authorities made over 12,000 seizures of illegal wildlife products in the region (Ibid).

In the legal front, in the early 1990s, TRAFFIC estimated the value of legal wildlife products imported globally around US$ 160 billion. In 2009, the price assessed of global imports was over US$ 323 billion. Furthermore, according to TRAFFIC, the lawful trade of wildlife products into the EU alone was worth an estimated €93 billion in 2005 that swelled-up to nearly €100 billion in 2009.

By the nature of this trade, it is almost impossible to obtain reliable figures for the value of the illegal wildlife trade, but it is considered several billions of US dollars every year. The illegal, unreported and unregulated (IUU) fisheries alone accounts between US$ 10-23 billion per year (MRAG & FERR, 2008); while the value of the illegal international timber trade is about US$ 7 billion per year. Likewise, the prohibited wildlife trade, excluding timber and fisheries counts US$ 7.8-10 billion per year (GFI, 2011).

According to IFAW (2013), the total value of these illegal trades was equivalent to about US$ 19 billion in 2012. However, how much trading occurs in each trading center is still unavailable, and this requires further investigation and research.

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Table 1: IWT across the World and the Trading Values

Source regions/countries	Destination regions/countries	Wildlife (or product)	Price (per unit) in US$
Africa	USA, Europe, Russia	Cheetah	5000-10,000
	Japan, Hong Kong	Elephant	Over 100,000
	Japan, Hong Kong	Ivory	500-1000
	South East Asia	Rhino Horn	5,000 - 10,000
Russia	Middle East	Saker Falcon	10,000 - 50,000
	Hong Kong, Korea, China	Bile/Paws of Brown Beer	500 - 1000
	Hong Kong, Korea, China	Amur Tiger	5,000 - 10,000
	Europe and USA	Snow Leopard	50,000 – 100,000
South-east Asia and Australia	Russia	Boa	500 – 1,000
	Russia	Python	500 – 1,000
	Russia	Parrots	1,000 – 5,000
	Europe	Bird-eater Tarantulas	100 - 500
	USA, Europe	Tiger	5,000 – 10,000
	USA, Europe	Leopard	5,000 – 10,000
	USA	Leopard, Cat	500 – 1,000
	USA	Kangaroo	5,000 – 10,000
South America	Europe, Russia	Butterflies	500 – 1,000
		Old World Monkey	500 – 1,000
		Caiman	500 – 1,000
		Jaguar	5,000 – 10,000
		Piranha	100 - 500

Source: Sputnik News, 2017.

Note: South America includes Colombia, Ecuador, Peru, Venezuela, Trinidad and Tobago, Guyana, Suriname, French Guiana, Brazil, Bolivia, Uruguay, and Argentina. Likewise, South-east Asian countries comprise Brunei, Burma (Myanmar), Cambodia, Timor-Leste, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand, and Vietnam.

b) People Park Relation

Harvesting wildlife does have many implications. Most importantly, it promotes the harvesting of other natural resources as well. Although rules are not so strict to control fodder, herbs, and vegetable collections, sometimes illegal activities are also associated with these activities. In addition to wild animal poaching, national park and conservation areas are always prone to face timber harvesting, sand mining, opium cultivation, cattle grazing, and fishing in the protected areas. So long as the park authorities get informed about these illegal activities, SAWEN countries do have the system of prompt response to them. However, spot operations are not always possible that make the poachers/violators escape from the park. Spotted deer, wild buffaloes, and wild pigs are poached for meat, rhinos and elephants for ivory/teeth/tusks, beers for bile, tiger and crocodiles for skins, and many other animals for fur. These scenarios are quite similar among the SAWEN countries.

Three types of connections exist between the parks and people (Figure 1): one is legal; another is illegal, and the third one is natural. People in the vicinity of the national park area do often receive the license in fishing, collecting fodders, vegetable, and herbal products to a limited extent. Generally, this is the support to the livelihood of the poor who have a normal tendency to depend on the natural resources. The usual relationship is the behavioral one. The wild animals tend roaming around the jungle irrespective of the park boundaries; therefore, agricultural products adjacent to the buffer zone are always under threat of wildlife attack. Furthermore, human lives are also not free from wildlife attack. For example, people in the Madi region near Chitwan National Park of Nepal do have several complaints against this sort of suffering and loss of human lives. Reciprocally, people also tend killing wild animals roaming in the villages.

The third relation is the focus of this study, i.e., illegal wildlife trade. The poachers are the poor from the vicinity of the wildlife reserve/park areas; the illegal trading goes in different layers until the products get exported. The uses of the products are beyond South Asia, especially in East and South-east Asia.

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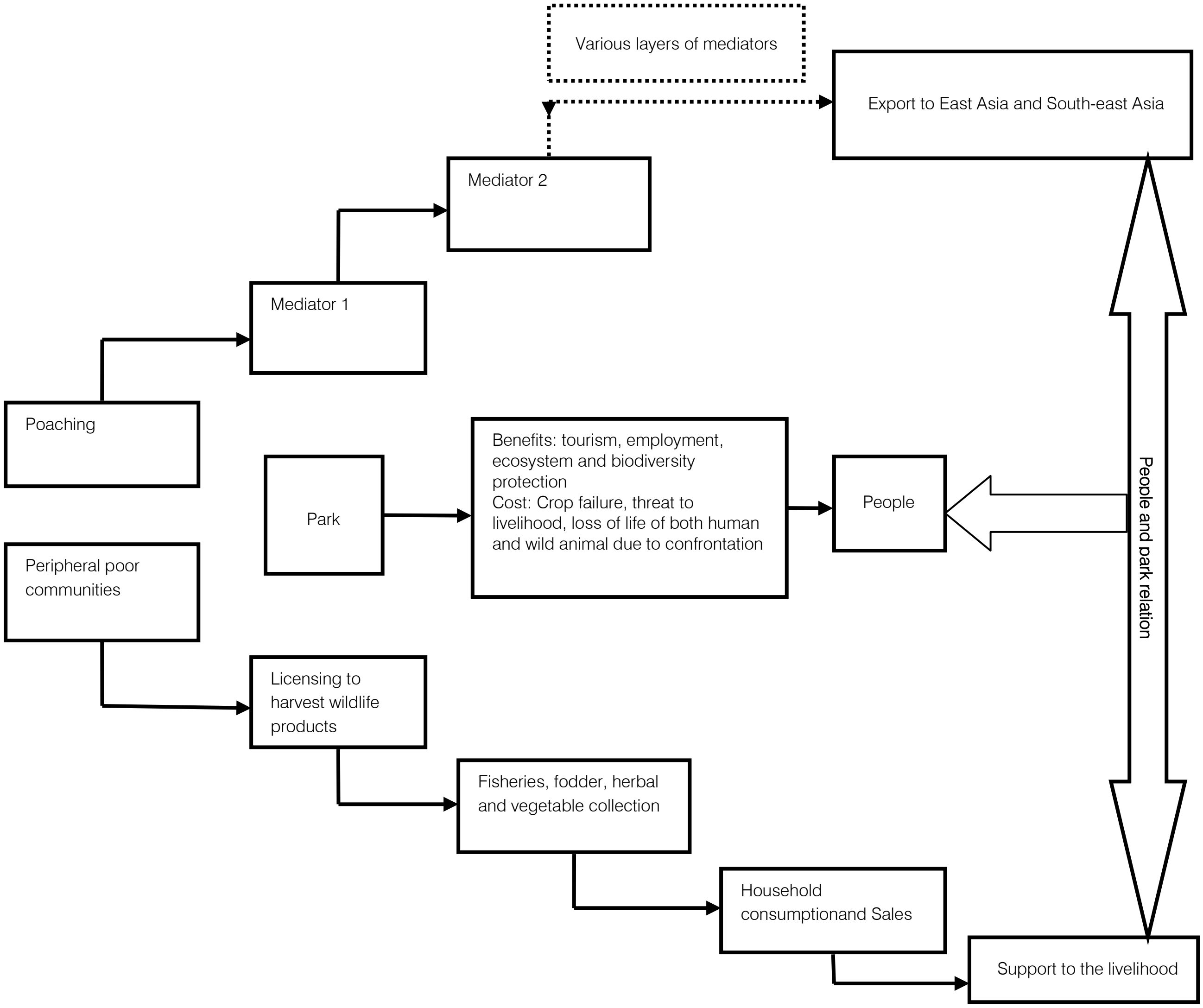

Figure 1: Summarising the People and Park Relations

c) Modelling Socio-economic, and Legal Components for Anti-poaching

The poaching model was first developed by Skonhoft and Solstad (1998). Here we follow and modify this model concerning the socio-economic and legal perspectives in anti-poaching.

In most of the cases, poachers are from the local people living in the vicinity of the park areas. They are from poor agricultural households. These poachers are aware of the movement of wild animals and the availability of other wildlife products. The total benefit to these households comprises that from agricultural activities and the poaching activities:

$$B = A(N, X, a) + W(L, X) \qquad \text{(i)}$$

B= total benefit to the households
A=function representing the returns from the agricultural activities
N= total efforts in agriculture
X= total wildlife stock
a= price of the agricultural products
W= function representing the harvesting benefits
L= Harvesting efforts

Total returns from the efforts in agriculture (G) is assumed to be increasing but at a decreasing rate, therefore,

$$\delta G/\delta N = G_N > 0 \text{ and } G_{NN} < 0.$$

Higher the stock of the wildlife, bigger is the damage of the agricultural products in the vicinity of the park, i.e., nuisance effect. Furthermore, the rate of return from agricultural activities lessens along with the growing number of wildlife:

$$G_X < 0 \text{ and } G_{NX} < 0.$$

The rise in the price of agricultural products shifts the agricultural product curve upward. Likewise, the return from agricultural employment swells up along with the rise in the price of agricultural products:

$$G_a > 0 \text{ and } G_{Na} > 0.$$

The first part of the equation (i) refers to the traditional agricultural activities whereas the second part is all about illegal wildlife harvesting. Total labor constraint (T) in the local economy is the sum of all efforts in these activities (equation ii).

$$N + L = T \quad \text{(ii)}$$

The second part of the equation i is subject to the law enforcement effort. The level of law enforcement (θ) is the function of the level of anti-poaching efforts (E) and the total labor efforts (L) in wildlife harvesting.

$$\theta = \theta\,(E, L) \quad \text{(iii)}$$

where

$$\theta_L > 0,\ \theta_E > 0, \text{ and } \theta_{LE} > 0.$$

Should the poacher be captured, the expected total benefit (B) to the poacher gets reduced due to the fine (Q) imposed. In this situation, the expected benefit at time t will be $(1-\theta)\,B + \theta\,(B-Q)$

Under the total labor constraint, the total benefits to the poachers will be

$$(1-\theta)\,B + \theta\,(B-Q) = A\,(N, X, a) + W(L, X) - Q\,\theta\,(E, L)$$

To make the enforcement effective, the return from the agricultural activities must exceed the net return from the wildlife harvesting:

$$A_N\,(N, X; a) \geq W_L(L, X) - Q\theta_L\,(E, L) \quad \text{(iv)}$$

If the poacher makes optimal efforts (L*) in wildlife harvesting, equation (iv) moves towards equality. In this situation, L* is positive. Likewise, if $L^* = 0$, the inequality in equation (iv) holds. When $L^* > 0$, the harvesting effort will be a function of the stock size (X) and the anti-poaching effort (E) along with other parameters:

$$L^* = L^*\,(X, E;\ a, b, Q, T)$$

Substituting this into harvesting function f(L,X), the reduced form of illegal harvesting function (h) is determined as follows:

$$\begin{aligned} h &= 0 \text{ when } L^* = 0, \text{ and} \\ &= f(L^*(X,E;\ a,b,Q,T), X) \\ &= h(X, E;\ a,b, Q, T) \text{ when } L^* > 0. \quad \text{(v)} \end{aligned}$$

X_0 is the poaching pressure, i.e. minimum level of wildlife stock considered essential for poaching. At this level $L^* = 0$.

$$\text{Above } X_0 \text{ level, } L^* > 0,\ h > 0, \text{ and } h_X > 0.$$

The higher stock size will shift the marginal benefit curve of agricultural production G_N curve downward through nuisance effect. In this situation, the marginal net benefit curve of harvesting ($A_L - Q$) will shift upward.

The conclusion of this model is that along with the growth of the wildlife in the conservation areas; the harvesting effort also tends to grow. Therefore, anti-poaching efforts should grow along with the growth of the number of wildlife. The effective monitoring mechanism is, therefore, warranted for devising the anti-poaching activities. This is evident from the experience of Udawala we National Park of Sri Lanka that the conservation staff experience the existing monitoring mechanism as unscientific one because of its rely on visual inspection. The exact census of the wildlife existing in the park areas is still available; poaching activities are; therefore, increasing along with the growth of wildlife. The poaching is also going on, and the scale of poaching has only the rough estimates that have very modest scope for monitoring and research. The case of Chitwan National Park is rather noteworthy in this connection. Due to the graphic monitoring system, the exact numbers of the main wildlife is available with the park authority. Because of this, the park has succeeded in reaching its target of zero poaching of rhinos for the last couple of years.

The supply-side dynamics requires enriched with the research/investigations of the poachers' psychological behavior. McNamara (2016) has also warranted the need for the management interventions to focus and explore the factors behind the changing behavior of hunters for the lasting impact of anti-poaching endeavors.

V. Conclusion and Implications

The Convention on International Trade in Endangered Species (CITES) monitors International trade in species of conservation; from 2005 – 2009, it has recorded an annual average trade of more than 317,000 live birds, just over 2 million live reptiles, 2.5 million crocodilian skins, 1.5 million lizard skins, 2.1 million snake skins, 73 tonnes of caviar, 1.1 million coral pieces and nearly 20,000 hunting trophies. A significant chunk of these trades, no doubt, is illegal. During this period, EU enforcement authorities made over 12,000 seizures of illegal wildlife products in the EU member countries.

According to TRAFFIC estimate, in the early 1990s, global import of wildlife products was around US$ 160 billion. In 2009, this figure crossed US$ 323 billion. Furthermore, according to TRAFFIC, the lawful trade of wildlife products into the EU alone was worth an estimated €93 billion in 2005 that swelled-up to nearly €100 billion in 2009.

By the nature of this trade, it is almost impossible to obtain reliable figures for the value of the illegal wildlife trade, but it is considered several billions of US dollars. Studies reveal that the illegal, unreported and unregulated (IUU) fisheries alone has been estimated between US$ 10-23 billion per year, while the illegal timber trade was worth of US$ 7 billion per year, and the wildlife trade, excluding timber and fisheries, was US$ 7.8-10 billion per year.

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South Asia possesses richness in biodiversity; it contains 12 percent of fauna and 16 percent of flora species of the world. However, the region has lost almost 10 percent of the biodiversity during the last two decades due to several reasons. Most importantly, uncontrolled forest fires, poaching, wildlife trafficking and trade, dependence on forest resources for the livelihood of the poor indigenous communities living in the neighborhood of forest areas are the major factors behind this trend. Likewise, uncontrolled cattle grazing in forest areas, illegal encroachments to forests due to poverty and political reasons, weak monitoring and management system, lack of awareness, and limited availability of conservation financing are also worth mentioning.

Countries in the region do have protection act in each of them with varying dimensions. Some of them have exclusive wildlife protection act, but in case of other environmental law captures the provisions for protection. Wildlife protection has been covered by Environmental Law 2007 in Afghanistan, Wildlife Preservation Order 1973 and 2012 in Bangladesh, Forest and Nature Conservation Act 1995 in Bhutan, Wildlife Protection Act 1972 in India, Environment Protection and Preservation Act (4/93) in Maldives, National Park and Wildlife Conservation Act 1973 in Nepal, Pakistan Wildlife Ordinance 1971, and Fauna and Flora Protection Act 2009 in Sri Lanka. However, concerning SAWEN, policy harmonization including penalties and other prosecutions are still far away; this causes committing crimes in one country with a low level of fines and prosecutions and entering another country where regulations are quite strict, or conversely based on the situations. This infiltration is all possible due to the porous borders across countries in the South Asia region, and it requires transnational co-operation to curb the problem.

South Asian countries still do not have a systematic database of total wildlife resources in the countries of the region. The development of reliable statistics requires the organization of a baseline survey across the nations. This investigation should have the same questionnaire in the regions that have wildlife resources and another to the areas that have marine resources and both set of questionnaires to the countries that have both resources. This survey will be conducive to the quantification of endogenous species and the issues behind their protection. The periodical surveys after that will be instrumental in making impact assessments of several conservation endeavors.

In some countries of South Asia – example includes that of Nepal and Sri Lanka – the role of the settlement of dispute resolution in wildlife conservation has moved to the court from the conservation authority. The idea behind it is the separation of legal and executive powers of preservation. However, there is a problem in this approach as the court authority also does not have technical knowledge of wildlife protection; therefore, the disputes settled may go biased due to ignorance.

The mode of people-park relation also makes a background for the legal framework and enforcement of the conservation law. Community people's dependency on the park and the reciprocal relationship are built based on the need from both ends. Community people living in the vicinity of the park depend on the latter for fodder, firewood, fishes and other water resources. Licensing systems are in place for the same purpose.

Another aspect of people-park relation influences on the enforcement of existing laws against the illegal trade is the promotion of income-generating activities of the community people dependent on forest resources. The conservation policies in many countries accommodate this sort of activities. In the case of Nepal, almost one-fifth of the annual budget of the park goes for the promotion of income-generating activities of the community people on top of the 30 percent on community development. This livelihood promotion helps control illegal poaching and trade of wildlife from neighboring communities. Acknowledgement of the need of park support to the low-income people living in the vicinity of the park is the reflection of the efforts in strengthening enforcement law so that community people can be supportive to the endeavors.

Awareness raising through community development and implementation of income-generating activities deem necessary to sustainable poverty reduction of the community people who are likely to attack natural resources for their livelihood due to the lack of gainful employment. Conservation acts/laws/policies of several countries do have such provisions that require safeguarding in every single amendment. Maintaining this provision eventually contributes not only to the enforcement of protection law with community support but also to impart a message that the ultimate goal of protecting natural resources is for the welfare of the community people. Resource sharing by the state and the community is, therefore, a key in this regard.

Developing successful mode of conservation financing is the pressing need for sustainable protection of wildlife. The major problem in conservation financing is that the monetary investment in conservation and the benefit thereof are not well standardized. Another major difficulty in this regard is that the environmental benefits in the absence of a regulatory framework do have a series of externalities. Detection of these aspects also requires investigation. Although three different types of funding -- private, public, and philanthropic -- are available, an efficient mechanism in making the fund transparent, and channeling them in desired activities in conservation endeavors is important; and this should be through a public sector initiative.

In the global context, Europe, USA, Middle East, Russia, and South-east Asia (mainly China) are the major markets for the end use of wild animal products. Poaching, and trafficking of wildlife is rampant in South Asia to meet the final demand of the wildlife products mainly from neighboring countries: China, Hong Kong, Vietnam, and other South-East Asian countries. The cultures of the countries in the region have deep-rooted affiliations with the use of wildlife products in their civilization. This culture has continued over centuries; therefore, antique shops are available with wildlife products in the region. However, research on the claims regarding the importance of such products concerning traditional medicines and other uses do not reveal any scientific validation. More specifically, no any proof of the medicinal benefits of the consumption of rhino-horn, beer-bile, tiger meat as well as the use of tiger/lion skins, elephant tusks, etc. is available so far.

Traditional Chinese medicines do use ingredients from wild animals in addition to that from a variety of plant leaves, roots, stems, flowers as well as various minerals. Similar traditions also exist in some other South-east Asian countries; for example, rhino horns are used in Vietnam to prepare traditional medicine to fight against cancer. Rhino-horn grinding bowls are produced and made available in Vietnam.

Regulation of the trade of endangered species in the global context is through the CITES provisions; however, differences in the list of endangered species differs between CITES and the member countries. This difference has created anomalies in the harmonization of endeavors among them. Traffickers use porous borders of South Asian countries and shelter in the region where legal provisions are relatively soft. CITES member countries require coherence in regulatory frameworks to make the efforts result-oriented.

Anti-poaching efforts should grow along with the growth of the wildlife stock. This correspondence necessitates consistent monitoring system developed across countries in the region. The supply of the significant share of wildlife and their products in South-east Asia from South Asia requires control with collaborative efforts among China, SAARC and ASEAN member countries for the sustainable solution of poaching and illegal trade. The wildlife trade is an organized crime, therefore, transnational co-operation, is vital for mutual benefits from all source, transit, and destination countries.

Long term solution of poaching and illegal trade of wildlife in SAWEN region requires addressing from both demand and supply side perspectives. The demand side management is more critical because the end market for wildlife products is from beyond South Asia. However, CITES should articulate these cross-border issues pertinent to demand side of wildlife products. Conservation education from school level of children deemed necessary for raising awareness in the society.

The supply side management requires articulating the problem of poverty and vulnerability of the community living in the neighborhood of the wildlife park and conservation areas. This supply side effort essentially filters to developing the park-people relation for the sustainable protection of forest resources. Furthermore, the public sector does not go for the trading of wild animals; therefore, for making the wildlife conservation efforts financially sustainable in the long run, conservation tax collection from park visitors, licensing/registration/renewal fees from the entrepreneurs deem essential in meeting the operational cost of the wildlife reserves.

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The Racketeering of International Oil Trade: A Synergy of Economic Growth in Nigeria

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Abstract- The study examined the impact of international trade on economic growth in Nigeria. The specific objectives of the study were: to investigate the impact of oil export on the economic growth in Nigeria; to investigate the impact of oil import on the economic growth in Nigeria: to investigate the impact of non-oil export on the economic growth in Nigeria; to investigate the impact of non-oil import on the economic growth in Nigeria. Secondary data collected from the statistical bulletin of the Central Bank of Nigeria was used. The unit root test result was conducted, using Augmented Dickey-Fuller technique which showed that all the variables were stationary though at different levels. The Johansen co-integration result revealed that all the variables in the model have a long run relationship. The estimated result disclosed that there is a negative and insignificant relationship between oil import and economic growth in Nigeria; positive and insignificant relationship between oil export and economic growth in Nigeria; positive and significant relationship between non-oil import and economic growth in Nigeria, positive and significant relationship between non- oil export and economic growth in Nigeria.

Keywords: import, export, non-oil export, non-oil import, and economic growth.

GJHSS-E Classification: *FOR Code: 910103*

THERACKETEERINGOFINTERNATIONALOILTRADEASYNERGYOFECONOMICGROWTHINNIGERIA

Strictly as per the compliance and regulations of:

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Keywords: import, export, non-oil export, non-oil import, and economic growth.

I. Introduction

In a real-world situation, no country exists in autarky because very country buys goods and services from other countries and also sells its goods and services to other countries. Put differently, there is no country in the world today that is self-sufficient or is able to produce everything its people want. The basis for international trade rests on the fact that nations of the world do vary in their resource endowment, preferences, technology, the scale of production, etc. Trade enables them to consume what other countries produce. Hence, Nations, like individuals, find it economically beneficial to engage in exchange transactions (trade) amongst themselves (Abomaye-Nimenibo & Inimino, 2017).

In this light, so many countries (the developed ones) in the world have recorded sustainable growth and development through effective participation in international trade (export-led strategy). Nigeria's participation in international trade was expected to also assist Nigeria to get sustainable growth economically at the rate needed to make a visible impact in the reduction of poverty, unemployment, etc. but this has not been the case because the share of Nigeria's contribution to world trade is still very low and her exports are predominantly primary products which do not contribute much to Gross Domestic Product (GDP) when compared to trade on manufactured or finished goods of the developed countries Abomaye-Nimenibo & Inimino, 2017).

The theory of trade had been considered so vital whenever economic growth process of any country is discussed as we observed the long historical interdependence among various economies of the world. International trade theorists have always tried to explain observed patterns in national development standards in terms of their differential endowment of natural resources and production efficiency (United Nation, World Economic and Social Survey, 2013).

In this regard, Usman, (2011) argued that external trade has not helped in promoting economic growth in Nigeria, giving the reason that the Nigerian economy still records economic instability as external or international trade has turned the country into an import-dependent economy. Experience has shown that less developed countries including Nigeria have not benefitted from trade as much as developed countries. The reason so advanced was that the less developed countries of which Nigeria is one, experiences inadequate economic growth etc. despite several years of participation in trade. This does not mean that international trade should be written off as a growth-stimulating factor as far as developing countries are concerned.

Okowa (2005) argued that Nigeria being underdeveloped nation depends on foreign inputs of skill, capital and technology for her development.

Gbosi (2011) pointed out that through international trade; resources are transferred from the rich nations to the poor ones. However, it is international trade that enhances efficiency in the production of goods and services through the allocation of resources in line with comparative advantage. Therefore, if countries specialized according to comparative cost advantages, the least amount of resources will be utilized in the most efficient manner to increase total world output.

Nevertheless, previous researches carried out by Omoju and Adesanya (2012), Edoumiekumo and Opukri (2013) have demonstrated through their studies that international trade has a significant positive impact on economic growth in Nigeria; while Usman (2011), Oviemuno (2007), established in their studies that international trade is negatively related to real output (i.e., economic growth) of Nigeria.

From the above, it can be seen that while some studies state the positive effect of international trade on economic growth, others state the negative effect of international trade on economic growth. The divergence in view and experiential results on the impact of international trade on economic growth is a controversial issue and of serious concern, especially in developing countries like Nigeria; and this necessitates further researches.

The interaction among production, distribution and exchange across national frontiers, and their implications for economic growth form the central core of trade theory. Smith (1776) was said to be the first to point out the positive effects of trade on economic growth. Discussion on international trade was the prevailing economic idea as at then, with an exception of the relative hibernation during the marginalist revolution until World War II. After World War II, the dominating idea of free trade was truncated by the introverted and protectionist economic growth experiments especially in Latin America (Alfonso, 2011).

World Trade Organization, (2013) went on to say that owing to the failure of the protectionist experiments and the observed association of quick economic growth with the opening of international trade and consequent specialization in several countries, as well as the results of many studies based on the neoclassical theories, a newly decisive role was extended to international trade as the driving force of economic growth. It is pertinent to state at this point that although the dominant theoretical postulations beginning with the classical theorists indicated a positive trade-economic growth nexus, hence, most studies concentrated only on the static effects of trade. But after a survey of the extant empirical literature, Baldwin (1984) posited that the static gains of trade were of little significance. Therefore, a series of debates in the last decades on the precise direction of trade went on and stressing its dynamic effects on economic growth. The theoretical isolation/separation of these two effects (static and dynamic) was facilitated by the models of endogenous economic growth (especially after the works of Romer (1986) and Lucas (1988). The endogenous growth models stimulated the undertaking of empirical studies which moved towards an integrated and more robust analysis of the relationships between trade and economic growth. It is apparently clear that the transmission channels through which international trade stimulate economic growth are derived from both the dynamic and dynamic gains from trade.

Trade is widely accepted as a major engine of economic development and growth. International trade has since been an area of interest to policymakers as well as economists' world over. International trade has enabled nations to sell their locally produced goods to other countries of the world and therefore provides a platform for any nation to expand her markets for both goods and services, that may otherwise not have been available to her citizens (Adewusi, 2010). Foreign or international trade pin-points that, per capita income of a country is based on the domestic production, consumption activities and in conjunction with the foreign transaction of goods and services (Omoju and Adesanya, 2012).

Export trade having its hand in international trade is an engine of growth as is often found in the literature. According to Omoju and Adesanya (2012), export increases foreign exchange earnings, improves the balance of payments position, creates employment and development of export-oriented industries, and improves government revenue through tax revenue, levies and tariff. These benefits will eventually transform into better living conditions for the citizens of the exporting economy since foreign exchange derived from trade could contribute to meeting their importation of some essential goods and services for which they do not have a comparative advantage (Omoju and Adesanya, 2012). International trade is also said to be important for growth because it generates channels for technological diffusions since it enables less developed countries to import intermediate inputs and equipment to support their domestic production process. Thus, the literature has provided a basis for linking trade and growth at the level of individual firms and sectors also (Stone and Shepherd, 2011).

The Nigerian economy has often been said to have been dominated by both production and consumption of local goods and services as well as foreign transactions in goods and services. Before the political independence of Nigeria in 1960, she had been an active player in the field of foreign trade. However, despite her involvement in international trade the Nigerian economy, until of recent years, had recorded dismal growth rates. This a concern to every Nigerian and in view of this, this article wants to know whether Nigeria's economic stagnation for many years can be attributed to international trade or whether her relative economic growth can be attributed to her taking part in the field of international trade, especially in the face of crude oil racketeering. In other words, how significantly has international trade in crude oil and other non-oil products contributed to Nigeria's growth?

a) Statement of the Problem

In economic history, it has always been argued that trade is an important engine of economic growth for countries at different stages of development. It is a prime argument that the share of a country in world trade depends on the properties of the goods the country produces, the articulation and pursuit of domestic economic policies, and the trading approaches so adopted. Thirwall (2000) asserted that the volume of exports of developing countries has grown slower than those of developed countries because developing countries still produce and export largely primary commodities and low-value-added manufactures with a relatively low-income elasticity of demand.

Thirwall went on to say that, the discrepancies in the rates of growth of exports have been wider in value terms because the terms of trade of developing countries such as Nigeria has deteriorated vis-à-vis those of developed counties. This resulted in a fall in developing countries' share of the total value of world trade from 30 per cent in 1960 to 20 per cent as of recent. Thus, despite the predictions of trade theory, the issue for developing countries in general, and Nigeria, in particular, is not so much as whether to trade, but in what to trade, and the terms on which to trade.

Nigeria as per her adoption of the Structural Adjustment Programme [SAP] in 1986 has experienced a structural shift in its economic structure and trade policies. By this adoption, the import-substitution industrialization strategy of the 1970s was replaced by export-oriented industrialization strategy; and in order to liberalize foreign trade, the Nigerian government abolished the field exchange rate regime, abolished the import license requirement for procuring foreign exchange and deregulated the exchange rate of the naira to all its value to align with the dictates of market forces (Ochei, Tochukwu and Areghan, 2016).

Hence, the Nigerian economy is presently more integrated into the global economy, and foreign trade has become one of the essential foreign trade elements of economic growth in the country especially during the last three decades. Thus, the issue of trade and its impact on the Nigerian economy has gained prominence since the country opened up its economy to the world economy through the implementation of liberal economic policies. The question that readily comes to mind is - If a trade is an engine of growth as postulated by Trade theorists' and finding Nigeria's economy being opened to the world economy through international trade, then how favourable has international trade impacted on her economic growth over the years?

The impact of international trade on the Nigerian economy is a well-researched topic in the literature but, there had been some grey areas in the empirical approaches adopted in most of the existing researches. Empirical studies such as the one carried out by Haq (2014) did not examine the determinants of Nigeria's international trade which should naturally be the first step in explaining the transmission channels through which the gains of trade had impacted on economic growth. Without a clear explanation of the transmission channels, many of these studies have not been able to emphatically establish the causal relationships that existed between international trade and economic growth.

Moreover, the econometric models applied in studies such as the research work by Adeleye, Adeleye and Adewuyi (2012) did not disaggregate Nigeria's international trade into the four main components of oil export, non-oil export, oil import and non-oil import. The need for disaggregation of the Nigeria economy into the four components is to trace with a certain degree of certainty which trade variables produce a greater growth impact on the Nigerian economy. Without the disaggregation, two problems will arise, that is, the specified model may suffer from omitted variable(s) specification which may produce spurious results of doubtful policy relevance, and secondly, the estimated results may be too generalized in nature as to provide a proper empirical platform for articulation and recommendation of specific policy measures.

This research, therefore, set out to address these two problems identified above; so as to fill the gap in the literature and also generate some fresh insights into the theoretical discussion of the nexus between international trade and economic growth at least within the context of the Nigerian economy.

b) Objectives of the study

The broad objective of this study is to empirically examine the impact of international trade in oil and non-oil products on the economic growth of Nigeria. The specific objectives include:

i. To investigate the impact of oil export on economic growth in Nigeria
ii. To examine the impact of non-oil export on economic growth in Nigeria
iii. To investigate the impact of oil import on economic growth in Nigeria
iv. To examine the impact of non-oil import on economic growth in Nigeria.

c) *Research Hypotheses*

To guide the study, the following hypotheses were formulated:

Hypothesis One

Ho: There is no significant relationship between oil export and economic growth in Nigeria.

H_1: There is a significant relationship between oil export and economic growth in Nigeria.

Hypothesis Two

Ho: There is no significant relationship between non-oil export and economic growth in Nigeria.

H_1: There is a significant relationship between non-oil export and economic growth in Nigeria.

Hypothesis Three

Ho: There is no significant relationship between oil import and economic growth in Nigeria.

H_1: There is a significant relationship between oil import and economic growth in Nigeria.

Hypothesis Four

Ho: There is no significant relationship between non-oil import and economic growth in Nigeria.

H_1: There is a significant relationship between non-oil import and economic growth in Nigeria.

d) *Significance of the study*

The findings of this research are significant for its policy relevance and academic contribution. Specifically, it should be of great value to:

i. The Nigerian Government in the sense that the empirical results will enable the government to know the major macroeconomic international trade variables that have a greater impact on the economy. This knowledge will help the government in its negotiation of bilateral trade agreements and deals which should provide a stronger impact on the Nigerian economy.
ii. Trade Policymakers: The findings and recommendations of this study is believed to provide trade policymakers with an analytical framework with which to formulate bi-lateral trade policies of any nation based on the empirical results and policy implications of the study, so as to give them some soft landing to articulate trade incentives and other policy measures that will ensure a greater growth impact in international trade on the economy of any nation including Nigeria.
iii. Research scholars and students will not only have this research as a rich source of reference materials on growth impact of international trade but, will also serve them well as an excellent contextual guide for any study in a related field.

e) *Definition of terms*

The following terms are defined in their contextual terms of usage for proper understanding:

International trade:

This is the exchange of goods and services between countries; it is the exchange of goods and services among nations of the world which gives rise to the world's economy. Also, international trade is known as the exchange of capital, goods and services across international borders or territories.

Balance of payment (B.O.P):

This is the balance of an account in international payments and it is defined as the records of all financial flows in and out of a country. Balance of payment reflects all payments and obligations to foreign countries and also payments and obligations from these foreign countries.

Import:

Import simply means bringing into a country capital, goods and services legally or goods and services including capital brought into one country from another country. It is the bringing of goods and services into a country from abroad for sale and or direct consumption and also introducing an idea from a different place.

Export:

Legally sending capital, goods and services to another country on sales; being the opposite of import.

Economic growth:

An increase in the number of goods and services produced per head of the population over a period of time.

Exchange rate:

Exchange rate of two countries is the rate at which one country's currency in exchange for another country's currency, for instance, Nigerian Naira (N) being exchanged for U.S dollar ($).

II. Literature Review and Theoretical Framework

a) *Conceptual Literature*

i. *Definition of international trade*

International trade is simply the exchange of capital, goods and services across international borders or territories. In other words, to know what happens in the course of international trade, governments have to keep track of trade transactions among nations.

ii. *Importance of international trade*

1. The difference in technology is a big setback in the development strides of nations but international trade bridges the gap by bringing technology from the surplus nation to those countries that lack them; hence, advantageous nature of trade occurs between countries that differ in their technological abilities to produce goods and services.
2. The difference in resource endowments has caused international trade to flourish as countries engage in bilateral trade.
3. For economic reasons, nations trade in order to get or consume products they did not produce at all or in a small quantity but needed them. Therefore, countries through international trade consumer products they did not produce or have less quantity of the products she has in few numbers etc.

iii. *Problems of international trade*

1. Distance: As a result of the long distance between different countries of the world that engages in trade, it is difficult to establish a quick and close trade link between traders.
2. Risks in transit: Foreign trade involves much greater risk than home trade.
3. Difficulty in transportation and communication in terms of dispatch and receipt of goods which takes a long time and involves more expenses than home trade.

iv. *Relationship between International Trade and Economic Growth*

Economic growth is an increase in the capacity of an economy to produce goods and services, compared from one period of time with another. It can be measured in nominal or real terms, the latter of which is adjusted for inflation.

Traditionally, aggregate economic growth is measured in terms of gross national product (GNP) or gross domestic product, (GDP).

These are two concepts that go together, because international trade contributes to the growth of a country's economy in several ways such as; effects of import and export, specialization, increased productivity and improved infrastructure. The exportation of goods to other countries can contribute to the growth of the exporting country by increasing the foreign earnings of that country.

The national economies of some countries even depend on and sustained by their exports; such that, some oil-producing countries depend on the income from the export of crude oil and its derivatives to sustain their nations.

b) *Theoretical Framework*

i. *Theories of International Trade*

A review of major theories of international trade as propounded by leading economists over the years is presented in this section which expositions and assumptions we garner as clear insights into how trade stimulates growth in an economy. These theories are reviewed hereunder.

A. *Mercantilist Trade Theory*

Mercantilist Trade Theory was the economic system advocated based on the principle that a country can be wealthy and powerful if she increases her exports and keeps on collecting precious metals in return for her exports. It is the oldest theory of international trade. Usman (2011) stated that Mercantilist theory provides the earliest idea on international trade, which major concern was to make a nation-state powerful (Strong). The problem they were to tackle was how to find the means of increasing the power of the nation-state. Usman (2011) went on to say that, the most important way for a nation to be influential and rich is to reduce imports and increase exports, that is "export more, import less and collect the balance in the form of gold and silver".

The theory further states that "the earth contains a fixed quantity of riches and that to increase a country's wealth or riches; one country had to take some wealth from another through having a higher export" or "holding a country's treasure primarily in the form of gold to constitute its wealth".

The mercantilists were merchants who generated ideas which later became an economic thought known as mercantilism, which was prevalent between the 15th and the 18th centuries. The ideas were mainly about the relationship between a nation's international trade policy and its wealth which translates to power.

The major propelling forces it was the collapse of the feudal community with all its characteristics, the growth and increasing importance of cities, the growth and importance of trade (merchant capitalism) enhanced by the growth of cities and economic specialization, the discovery of gold in the Western Hemisphere and the popular use of money, the rise of nation states and the economic rivalries, led to the importance of merchant capitalists in the world of business. Therefore, the ideas of mercantilists supersede feudal concepts, to promote nationalism, give new dignity and importance of the merchant, and to justify a policy of economic and military expansion (Akpakpan, 1999).

Although there are so many men of economic thought among the mercantilist, but the major figures include Jean Bodin (1530–1596), Sir Thomas Mun (1571- 1641), Gerald Malynes (1586-1641), Edward Misselden (1608-1654), and Antonio Serra who was 'the first to analyse and fully use the concept of the balance of trade'. These English merchants Edward Misselden and Gerard Malynes had a dispute over free trade and the desire of the then government was to regulate the activities of businesses. For Malynes foreign exchange is beneath the control of bankers, and Misselden argued that international exchange of money and variation in the exchange rate depends on international trade. Sir James Steuart (1713–1780), Charles Davenant (1656–1714) and Philipp von Hörnigk also made their own contribution to mercantilist philosophy.

The mercantilists were practical merchantmen who were 'not given to subtle economic analysis', but their economic ideas were all based on inferences from the practical circumstances of their time. They looked at the facts of their situation and drew conclusions as to what they considered best to do (Abomaye- Nimenibo and Inimino, 2017). They also concentrated on the aspect of the economic life of the society (international economic relations) that was of immediate practical importance to them.

The Mercantilist economic policies are:

1. Strict prohibition of outflow of precious metals abroad,
2. The compulsion of export trade to pay for imports,
3. Limitation of imports of completed products from overseas,
4. Support of the establishment of factories,
5. Support the exportation of finished goods,
6. Establishment of commercial monopolies,
7. Ban on the export of some raw materials and semi-products,
8. Regulation of wages,
9. Support for population growth and immigration as well as laws of trade and navigation.

In the light of the above, it appears clear that mercantilist did not support free trade; and every exporter was considered to be a close friend of the state and every importer as an enemy.

Mercantilist economic ideas, though they were mainly concerned with the self- interest of the merchants, did make some contributions to the development of economic science such that they:

a. Drew attention to the role of an increased amount of money which reduces the rate of interest so as to stimulate business activities;
b. Showed the positive effect of a purposeful government in directing or controlling some aspect of the economy to have a possible influence on the society, and inspired such actions, especially the regulation of wages; and
c. Brought about a more favourable attitude to business which promoted the growth of business enterprises in the development of society.

Mercantilist economic ideas were particularly useful to Europe, in that these ideas promoted aggressive nationalism which characterized the approaches of most European countries to the management of their economies and societies, a feature which accounted for their success. Though, the philosophical ideas of mercantilism were criticized because of the opined accumulation of precious metals which unavoidably results in an increase in wages and prices that causes inflation. Adam Smith was one of the strong critics of mercantilism. Nevertheless, it is clear from the preceding theoretical insight, that mercantilist trade theory developed a sort of macroeconomic approach in solving problems of the society. The mercantilist emphasized the need for maximizing export not only with the idea of accumulating gold and silver but with the hope that export sector would eventually provide employment opportunity, reduce poverty, etc. showing the functionality of money. An increase in the supply of money will cause the interest rate to fall and a fall in interest rate will serve as an inducement to invest and hence stimulate economic growth.

The philosophical ideas of mercantilism were further criticized, that, nations in the course of trade could gain at the expense of other nations. The Physiocrats and Adam Smith are also strong critics of mercantilism. Based on his criticisms, Adam Smith postulated the absolute advantage theory of international trade published in his book "The wealth of nations" in 1776.

In spite of the criticisms, mercantilism is still alive today which emphasizes employment creation. Increase in exports will generate jobs domestically while imports will retract employment locally, but rather transfer employment opportunities to foreign nations.

B. *Absolute advantage theory of International Trade*

Discounting mercantilism (1950-1800), because it was not developed into a full-fledged theory, proponents such as Adam Smith (1723-90) advocated international trade as a tool for the growth of an economy. The Smithian trade theory is important for two main ideas; that, the trade makes it possible to overcome the reduced dimension of the internal market and, on the other hand, increasing the extension of the market through the division of labour for specialization.

International trade constitutes a dynamic force capable of intensifying the ability and skills of workers, encouraging technical innovations and the accumulations of capital, which makes it possible for overcoming technical indivisibilities and giving participating countries the possibility of enjoying economic growth.

Smith stated that increasing specialization brings the division of labour coupled with an international exchange would contribute to the raising of welfare and growth of nations. Thirwal, (2004), deduced that Smith saw international trade as a welfare-enhancing mechanism, a division of labour requires people exchanging goods and services. Higher levels of trade would imply more specialization, division of labour, leading to economic growth.

Specialization is considered by Smith both as a source of efficiency gains and continued technological development of new tools and mechanisms for undertaking the specialized tasks. Going a step further, it is cohesive to say that when specialization is promoted, new gains from the exchange in trade would be expected, as countries exploit the gains from that specialization (Van den Berg and Lewer, 2007). More specialization, induced by free trade, would reinforce the economy's growth path.

Van den Berg and Lewer (2007) stated that international trade has a very positive effect on economic growth. A sudden shift in trade policy that opens up new trade provides an immediate gain in real per capita income, which, in turn, accelerates technological progress and increases the rate of economic growth.

Hence, international trade brings gains in per capita output and increases in the rate of economic growth. An increase in productivity, derived from the lifting of restrictions on foreign trade would generate a greater output for the given level of capital (Bakai, 1969). Smith argued further than when foreign trade takes place between two nations, they derive distinct advantages from it. It provides a mechanism that enables the surplus for which there is no local demand to be exchanged for foreign goods, thus giving value to the superfluities of both countries (Thirwall, 2000). Thus in a concise form, the Smithian theory of absolute advantages states that countries should specialize in and export those goods that they are better endowed than other countries and import goods that are less endowed from other counties (Appleyard and Field, 1988).

From the above analysis, it is also clear that a country can import a commodity she can also produce; because she cannot use all its available resources to produce a larger amount of that good. Since there is free trade, Gbosi ( ) is of the opinion that such a nation has to import such good she is less endowed from other countries.

Furthermore, as stated by Robinson (2003), the absolute advantage theory has been criticized on the grounds of:

1. Where one country has an absolute advantage in the production of both commodities the theory of absolute advantage then collapses.
2. In contrast to the assumption of the theory, labour is empirically mobile in international transactions.
3. The theory does not explain how the benefits of external trade filter to the citizens in society.

C. *Comparative advantage theory of International Trade*

Adam Smith stated the basis of international trade essentially along with a pattern of absolute advantage as a result of superior natural geographical endowments. Aboyade, (1983) stated that some differences may exist in the degree of production and export specialization between geographically identical countries of the world because of differential production and transportation costs. Therefore, two countries with the same geographical endowment can produce similar goods but at different prices and differences in price is the basis for trade.

The question then is - if differences in price were the basis for trade between two nations, then what is needed is comparative advantages and not a necessary advantage. Similarly, if a producer, who is capable of producing a given commodity, may decide that the prices of his goods and services be much cheaper, a nation may logically elect to import what itself can produce. With this kind of reasoning, David Ricardo (1772-1883) in about 1815 developed his principle of comparative cost advantage (Aboyade, 1983, p.163). Ricardo stated that all that was needed as the basis for trade was a noticeable difference in the relative labour productivities of the countries concerned, even when they are perfectly capable of producing identical baskets of goods. He illustrated the principle of comparative cost advantage by using England and Portugal, where each nation is capable of producing both goods. The only difference was the cost of labour in producing each product by each country.

The graph he plotted showing the international price ratios at which trade indeed takes place, revealed the benefits accruing to the two trading partners. Before the trade, Portugal had to give AD of wine to get OA of cloth (represented by the tangent of the angle DOA). Now with trade at the international price ratio, Portugal only has to give up AC of wine to get OA of cloth represented by the tangent of the angle COA which is less than DOA, making a net gain of CD of wine in the process or alternatively saving the labour costs that the country would have incurred in producing a CD of wine. Similarly, before the trade, England got only AB of wine for OA of cloth; and now with trade, the country could get AC of wine for the same OA quantity of cloth, representing a net gain of BC of wine (Aboyade, 1983).

According to Suranovic (2009), within the Ricardian model trade welfare effects are considered from two different perspectives, whereby the first one was associated to the rise in real wages for the workers in the two countries that were engaged in trade, as compared to their situation in autarky. This situation is depicted where, if both countries specialize in their comparative advantage goods, and engages in free trade, and then both countries could experience gains from trade; while the second perspective was linked to the aggregative welfare effects of free trade, originating in increased production and consumption efficiency.

Suranovic, (2009) went on to say that, specialization and comparative advantage allow countries to achieve higher levels of aggregate utility, implying a rise in national welfare. Trade allows consumers to reach a higher indifference curve and hence, a higher welfare level, than under autarky. Producers and Consumers benefit from free trade since it increases the ranges of choices in both countries involved. Krugman and Obstfeld, (2006) stated that World output can be augmented if each country specializes in producing the good(s) in which it has comparative advantages.

ii. *John Stuart Mill Approach*

John Stuart Mill was of the opinion that, it is the reciprocal demand that actually determines the prevailing terms of trade and gains obtained by a particular country. He went on to say that, import or in other words, demand must be of much more importance than export in determining the real terms of trade. Mill thus resolved the problem of how to exactly reach the rate of exchange in the international market. Although J.S. Mill analysis does not show the exact position of quantum of gains and how they are distributed; yet, the basic tenets of his theory were summarized in the following outline.

1. When a country participates in trade it first takes the status as a demander status of a trader, supplier, is just derived there from.
2. It is the relative extensibility of reciprocal demand that actually determines the real terms of trade and consequently the distribution of possible total gains from trade between two trading partners. Assuming that Indonesia has a comparative advantage in wheat production and enormous demand for an automobile while the USA has a comparative advantage in automobile production and have enormous demand for wheat.
3. The equilibrium terms of trade depend on Indonesia's demand for automobile and wheat as well as the USA demanding for these two goods at the same time also.
4. If Indonesia's demand for automobile is stronger, then the terms of trade will be close to Indonesian price ratio, and on the other hand, if the US demands for wheat is stronger, then the terms of trade will close to U.S price ratio.
5. This can be explained with the help of the offer curve. The offer curve shows the quantities of good X that country A supplies to the world market for export and the quantities of good Y that it demands from the world market as an import for all prices.

The offer curve of the Indonesian and USA is generalized and illustrated in figure 2.2 below:

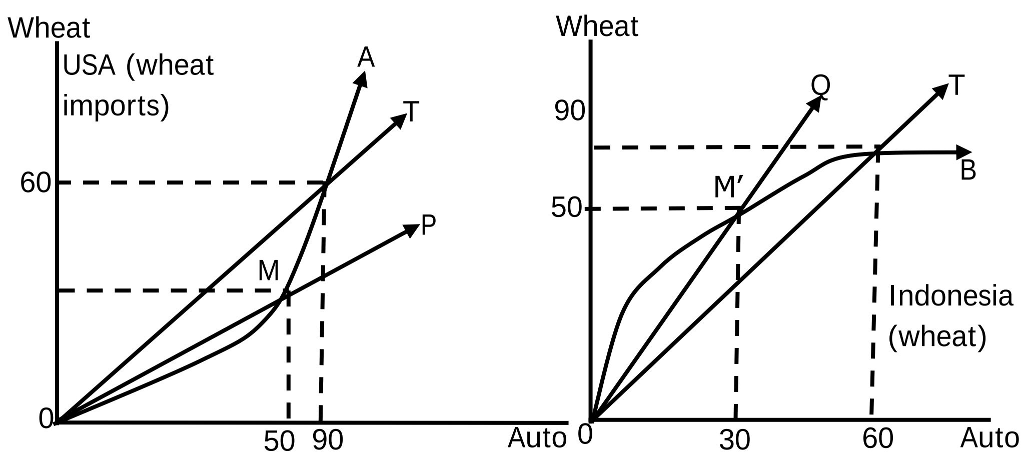

Figure 2.2: U.S.A and Indonesia Offer Curves Source

Export = 50A, Import = 20W
Export = 50W, Import = 30A
OA = U.S.A. offer curve;
OP = USA Cost Ratio of Auto
OB = Indonesia Offer Curve;
OQ = India Ratio of Wheat
OT = Equilibrium Terms of Trade.

From figure 2.2 above, it is clear that the terms of trade are in favour of U.S.A. This is because whereas the U.S.A exports 50 automobiles but imports only 20 units of wheat while Indonesia exports 50 units of Wheat and imports 30 automobiles. However, as trade continues between the USA and Indonesia, the specialization will lead Indonesia to increase production and export of Wheat from 50 units to 90 units while her import of automobile will rise to 60. On the other hand, the specialization will increase USA export of automobile to go up while its import of wheat will rise from 20 to 60 units. At this point, international trade will lead to the equilibrium terms of trade between the two nations.

iii. *Factor Proportion Theory: The Heckscher-Ohlin Samuelson Model*

To explain the importance of resources in trade, the proportion theory (or the Heckscher-Ohlin Samuelson model) explains the interaction between the relative abundance of factors of production (such as capital, labour or land) and the relative intensity with which these factors of production are used in the production of different goods.

By the factor proportion theory, a country which is relatively abundant in labour will have a comparative advantage in the production of relatively labour intensive goods and a country which is relatively capital abundant will have a comparative advantage in the production of relatively capital intensive goods. Specifically, country A has a comparative advantage in capital intensive good relative to country B, if it's capital-labour ratio is greater than that of country B. However, both countries stand to gain from international trade.

c) Empirical Literature

Jin (2000) investigated the effect of trade on economic growth for rapidly growing economies in East Asia in which rapid growth has been accompanied by a persistent openness to world trade. The framework of analysis was a five- variable vector autoregressive model that consists of real output, money supply, real government spending, foreign price shocks, and openness measures. The results did not strongly support the 'new' growth theories in which increasing openness affects long-run growth. Most countries in the sample have fiscal policy shocks as well as foreign price shocks which have a greater impact on economic growth than did the openness shock. The results were generally consistent with the view that the role of the government is critical for growth among the East Asian economies.

Sinha (2000) also carried out an analysis of the effect of the growth of openness and investment on the growth of GDP for 15 Asian countries for the period 1950 to 1992. He developed a model which specified GDP growth as a function of growth rates of openness (export plus import), domestic investment and population. The Auto-Regressive Model (ARM) results showed that for China, Hong Kong, Iran, Iraq, Israel, Myanmar, Pakistan and Singapore, the coefficient of the growth of openness was positive and significantly different from zero; and whereas for China, Hong Kong, Indonesia, Israel, Japan, Jordan, Philippines, Singapore and South Korea, the coefficient of the growth of domestic investment was also positive and significantly different from zero. In some others, the coefficient of the growth of population was negative but not significantly different from zero. Thus, this study found support for the proposition that the growth rate of GDP is positively related to the growth rates of openness and domestic investment. However, the relationship between the growth rate of GDP and the growth rate of population was not clearly spelt out. This study deserves special attention because it was very audacious in the use of the Auto-Regressive Model (ARM) which is still an evolving econometric approach in the 1990s.

Wacziarg (2001) tried to distinguish international trade influences on economic growth. He hypothesized that trade effects economic growth through six potential channels:

1. Macroeconomic policy quality,
2. Government size,
3. Price distortions or black-market premium,
4. Investment share of GDP,
5. Technology, and
6. Foreign direct investment.

He used a simultaneous equation model consisting of an extended growth equation, an equation to capture the simultaneity between growth and trade, plus six channel equations in which an openness index is one of the explanatory variables.

Wacziarg's result showed that the most important channel through which trade influences economic growth was investment which accounts for 63 per cent of trade's total growth effect; the technology channel (22.5 per cent of trade's total growth effect), and stabilizing macroeconomic policy (18 per cent of trade's total growth effect), and others account for nearly all of the remainder of trade's positive influence on growth. These results reinforced Levine and Renelt's (1992) findings which states that international trade acts through investment to influence economic growth.

Giles and Stroomer (2003) developed a flexible technique for measuring the speed of output convergence between countries when such convergence may be of an unknown non-linear form. They then calculated these convergence speeds for various countries, using two-time series data-sets and half-lives regression. These calculations were based on both nonparametric 'kernel regression' and 'fuzzy regression', and the results are compared with more restrictive estimates based on the assumption of linear convergence. The calculated half-lives are regressed, again in various flexible ways, on cross-sectional data for the degree of openness to trade. They found evidence that favoured the hypothesis that says - increased trade openness is associated with a faster rate of convergence in output between countries.

In an epoch-making study, Ynikkaya (2003) estimated the effect of trade liberalization on per capita income growth for 120 countries for the period 1970 to 1997. He used two types of trade openness measures. The first openness measure was estimated by using trade volumes which include different ratios of trade variables (exports, imports, exports plus imports and trade with developed countries) and GDP. He also used another measure based on trade restrictiveness which was estimated by calculating restrictions on foreign exchange on bilateral payments and current transactions. The results of the Generalized Method of Movement (GMM) estimates showed that the first group of openness, based on trade volumes were significant and positively related with per capita growth. The result also revealed that for developing countries openness based on trade restrictions were also significant and positively related to per capita growth. He, therefore, concluded that trade restrictions in developing countries may cause faster GDP growth.

Brummer (2003) using a dynamic panel model with panel data sets drawn from 125 countries over a thirty-three (33) years period (1960 –1992) explicitly tested the hypotheses of no long-term effects of growth on income and income growth. To address the possibility of endogeneity, Brummer constructed an instrument for trade by extending the Frankel and Romer's (1999) cross- sectional approach to the case of a panel data approach. The empirical results indicated that trade had a positive and significant effect on the level of income, but the effect on income growth through positive is non-robust to model specification.

Kim (2004) used the instrument-variable (IV) threshold regressions approach of Caner and Hansen (2004) to investigate whether the trade's contribution to standards of living and long-run economic growth varies according to the level of economic development using data on 61 countries over the 1960-1995 period, following the Frankel and Romer (1999) cross-sectional approach in using geographical variables (population, latitude and area) as the instruments to deal with simultaneity problem and reverse causation of international trade. The empirical evidence showed that greater trade openness has strong beneficial effects on growth and real income for the developed countries but significant negative effects for the developing countries. The heterogeneity in the relationships of trade with growth and income suggested that greater international trade and integration may foster uneven development and rather contribute to more diverging economies, showing that trade exerts its influence via the productivity channel for higher-income countries.

Oviemuno (2007), investigates international trade and economic growth in developing countries (1960-2003) specifically, a case study of Nigeria. The study made use of data on export, import, exchange rate and inflation sourced from CBN statistical bulletin. Furthermore, in order to achieve the overall objective of the study, the OLS econometric technique was used to analyse the data. The result shows that Nigeria's import value, export value and inflation rate do not act as an engine of growth in Nigeria.

Billmeier and Nannicini (2009) evaluated the impact of a binary treatment of trade openness or economic liberalization on the outcome changes in per capita income. Using a panel data set covering about 180 countries over the period 1960–2000, they used micro-econometric matching estimators based on the same identifying assumption as Ordinary Least Squares (OLS) conditional independence; whereby selection into treatment is fully determined by observable characteristics to make the estimation procedure more transparent, bringing glasnost to muddied waters. The paper applied a transparent econometric method to make a comparison between treated (i.e. open) and control (i.e. closed) countries while remaining within an acceptable statistical framework. They also employ the difference of (log) per capita GDP, as they are interested in the dynamic impact of trade openness over time, not only in its one-off effects on the individual income level. In doing so, they are able to identify an additional weakness of cross-country estimates: country comparisons that lie behind simple cross-sectional results which are often more than far-fetched. Cleaning the sample of countries outside the area of common support with respect to geographical areas and other important covariance's, they confirm a positive and significant association between openness and growth within selected regions and that after 1970. So, using an alternative measure of trade barriers, they find instead inconclusive evidence.

Sun (2010) also investigated the role of international trade in China's economic growth. Consideration was done on the evolution of China's international trade regime and the policy that China has adopted in favour of trade sectors; with an evaluation of the effects of international trade on China's economic growth through examining of improvement in productivity. Both econometric and non- parametric approaches were applied based on a 6-year balanced panel data of 31 provinces of China from 2002 to 2007. For the econometric approach, a stochastic frontier production function is estimated and province-specific determinants of inefficiency in trade were identified. For the non-parametric approach, the Divisia index of each province/region was calculated to be used as the benchmark. The study demonstrated that increasing participation in global trade helps China reap the static and dynamic benefits, and stimulating rapid national economic growth. Both international trade volume and home trade structure towards high-tech exports resulted in positive effects on China's regional trade and participation in international trade. Policy implications were accordingly drawn from the empirical results.

Usman (2011) also did well to investigate the workings of international trade on Nigeria economic growth for the period, 1970 to 2005. The researcher collected time series data from CBN statistical bulletin and used the econometric method of OLS to analyse the data. The result reveals that import, exchanged rate and export are all negatively related to real GDP. The study concluded that there is a need to re-examine Nigeria's trade policies and competitive products (commodities) should be produced by domestic industries.

According to Usman (2011), Egwaikhide (1999) carried out an investigation on the quantitative effects of export (non-oil) expansion on Nigeria's economic growth from 1960 to 1983 based on the experiment of simulation; the researcher discovered that a 75 per cent rise in non-oil export-led to a 1.4 per cent increase in real GDP. Therefore, concluded that there is a need to

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promote export in order to enhance GDP growth in Nigeria.

We see Iftikhar (2012) carried an empirical investigation over the causality relationship between trade liberalization and economic growth in Bangladesh by employing co-integration and Granger causality techniques of time series econometrics for the period of 1975-2010. The data collected on trade liberalization and economic growth was taken from the world development indicators. His empirical result revealed that there exist short run and long run co-integration and causality relationships among variables in the growth model; implying that trade openness policies may be feasible with sustained economic growth. Further findings revealed that causality runs from economic growth to trade liberalization. The results were therefore consistent with the growth theories and economic literature.

Ulasan (2012) revisited the empirical evidence on the relationship between trade openness and long-run economic growth over the period 1960-2000. In contrast to previous studies focusing mainly on the period 1970-1990, this study reassessed the openness-growth nexus over a much longer sample period, enabling policymakers for to better account for both trade policy stance and long-run growth dynamics. Ulasan carried out the empirical investigation by employing various openness measures suggested in the literature rather than relying on a few proxy variables. He also constructed three additional composite trade policy indexes directly measuring trade policy stance. He adopted the empirical framework of the augmented neo-classical growth model suggested by Mankiw et al (1992) for investigation openness-growth link. The empirical results indicated that many openness variables are positively and significantly correlated with long-run economic growth. However, in some cases, once fragility of the openness-growth association, the significance of openness variables disappears the moment other growth determinants, such as institutions, population heterogeneity, geography and macroeconomic stability were accounted in the study.

Alimi and Atanda (2011), and Ajayi and Atanda (2012) investigated the trade and capital flow channels of globalization on macroeconomic stability as proxy by real output growth rate in Nigeria between 1970 and 2009 in their research; using an autoregressive model which indicated that the first lag of real output growth rate had a significant positive effect on real current growth rate. Their empirical results revealed that trade and capital flow dimensions deteriorate in macroeconomic stability level in Nigeria. The existence of cointegration was established among the variables, which in the short run analysis using the error correction mechanism model established disequilibrium in the stability level but, the error correction term adjusted the disequilibrium at 97.5% divergence at the long-run.

Eravwoke and Imide (2013) equally examined international trade as an engine of growth in developing countries using Nigeria as a case study. The primary objective of the study was to test the impact of international trade on economic development in Nigeria. Data were collected mainly from the Central Bank of Nigeria (CBN) bulletin, National Bureau of Statistics, etc. as secondary sources. They used the regression analysis, specifically the unit root test, error correction model (ECM) and the co-integration analysis. The study revealed that export was statistically significant to international trade since it was significant at both levels 1 & 2 at first difference. They concluded that the government should consider exporting more goods and services in order to promote international trade which is a veritable tool for the economic growth of the Nigerian economy.

Alajekwu, Ezeabasili and Nzotta (2013) investigated the effect of trade openness on stock market development and economic growth of Nigeria. They employed annual time series data of 26 years (1986 – 2011). The ADF test revealed stationarity of the variables at the first difference. The Johansen multivariate cointegration test confirms a long-run co-integrating relationship among the variables at a 5% level of significance. In addition, the regression estimates showed that trade openness response to stock market development does not have a significant effect on economic growth. The Granger causality test indicated that there was no causal relationship between trade openness and economic growth on one hand, and trade openness and stock market development on the other hand. The study concluded that exposure to external economies (international trade) had no significant contribution to the development of the Nigerian stock market in particular and the economy in general.

Omoju (2013) examined the effect of trade on economic growth in Nigeria using data from 1980 to 2010. The econometric model is derived from a production function in which the level of a country's productivity depends on FDI, the total value of trade, exchange rate and government expenditure. The mathematical model was based on the methodology adopted by Jude and Pop- Silaghi (2008) for Romania, and that of Karbasi, Mohamadi and Ghofrani (2005) for 42 developing countries with some slight adjustments based on relevance to Nigeria and availability of data. The technique of analysis was the Ordinary Least Square (OLS) regression method. The empirical results revealed that international trade exerted a significant positive effect on economic growth in Nigeria, while FDI, government expenditure and exchange rate also positively but insignificantly impacted on the economic growth of Nigeria.

Adelowokan and Maku (2013) also examined the effect of trade and financial investment openness on economic growth in Nigeria between 1960 and 2011. The econometric model employed by Kim (2008) to investigate whether trade contributes to standards of living and long-run economic growth for selected developed and developing countries was adopted for this study. The Kim (2008) model was modified taking into consideration a single country scenario in the empirical analysis and the structure of the Nigerian economy in relation to trade flow dynamics. Estimates from the reported dynamic regression model indicated that trade openness and foreign investment exert a positive and negative effect on economic growth respectively. Also, the empirical results showed that the partial adjustment term, fiscal deficit, inflation and lending rate were growth increasing variables during the reviewed periods. Further tests carried out also indicated a long-run relationship between trade openness, foreign investment, and economic growth in Nigeria between 1960 and 2011.

Nduka (2013) was not left alone in empirically testing whether trade openness leads to economic growth in Nigeria. The Ordinary Least Squares (OLS) technique and data from 1970 – 2008 from CBN statistical bulletin were employed. GDP (Economic Growth) was the dependent variable, whereas the degree of openness, investment, government expenditure and lagged GDP were the independent variables. From the empirical results, it was revealed that the independent variables had a direct impact on the economic growth of Nigeria respectively. The results revealed that, a unit increase in the degree of openness holding other variables constant, led to about 5 per cent increase in GDP; 1 per cent increase in investment holding other variables constant, led to about 18 per cent increase in GDP; 1 per cent increase in government expenditure given other variables, led to about 9.7 per cent increase in GDP and 1 per cent increase in the previous GDP given other variables, led to about 100 per cent increase in the current GDP. It also shows adjusted R2 as 0.99 (99%). The unit root tests indicated that all the variables lagged and GDP was stationary only after first difference. The cointegration test showed that there existed a long-run equilibrium between economic growth, trade openness, investment, and government expenditure in Nigeria. The study revealed that openness impact significantly on economic growth in Nigeria.

Ulasan (2014) also examined the long-run relationship between trade openness and economic growth across countries over the period 1960-2000. Two strategies were followed in his empirical investigation. First, he extended the augmented neo-classical growth model with an openness variable and estimated it by using a battery of openness measures suggested in the literature. He also constructed three composite trade policy indexes consisting of weighted averages of tariff rates, non-tariff barriers and black market premium for the foreign exchange rate. Secondly, he implemented the Bayesian model averaging technique to deal with the model uncertainty, a fundamental problem which has been plaguing his previous work on the topic. His findings revealed that there is no robust link between trade openness and long-run economic growth.

The purpose of the study by Mogoe and Mongale (2014) was to examine the impact of foreign trade on economic growth in South Africa. The findings of this study were to determine the effects of international trade on economic growth to the policymakers. The study followed the Cointegrated vector autoregression approach which contained the following tests of Augmented Dickey-Fuller and Phillips-Perron models to test for stationarity. The model was also taken through the Johansen cointegration test and Vector error correction model. The findings of the stationarity tests indicated that all the variables had a unit root problem. The cointegration model emphasized the long run equilibrium relationship between dependent and independent variables. The empirical results of the Johansen cointegration test rejected the null hypothesis of no cointegration and suggested the presence of a long term economic relationship among all the variables. Empirical investigation revealed that inflation rate, export and exchange rates were positively related to GDP whilst import was negatively related to GDP. The conclusion drawn was that there is a correlation amongst GDP and its regressors and recommendations were postulated that, the policymakers should improve and strengthen the competitiveness of export sector with the aim of striving for a balance with the import sector.

The study by Nosakhare and Iyoha (2014) examined the nexus between foreign trade and economic growth in Nigeria using quarterly time-series data for 1981Q1 through 2010Q4. In order to fully account for feedbacks, a vector autoregressive model was utilized. The results showed that there was a stable, long-run relationship between foreign trade and economic growth. The variance decomposition results indicated that the predominant sources of Nigeria's economic growth variation were due largely to "own shocks" and foreign trade innovations. The study, therefore, recommended the adoption of trade expansion policies as a means of accelerating economic growth in Nigeria.

Dada and Aluko (2014) examined the effect of international trade on the economic growth of Nigeria in the 21st century. The model of the study specified economic growth measured by gross domestic product as dependent on international trade proxy by imports, exports, and trade openness. Annual time series data from 2000-2012 was sourced from CBN statistical bulletin and analysed using Ordinary Least Square (OLS) multiple estimation techniques. It was evidenced by the empirical results that international trade had a significant positive impact on economic growth. Imports, Exports, and Trade Openness had a significant effect on the economy. The study recommended that the government should reduce over-dependence on oil exports and increase as well as diversify its export base to earn more revenue

The study by Adeleye, Adeteye and Adewuyi (2015) examined the impact of international trade on economic growth in Nigeria, using net export (i.e total export less total import) and Balance of Payment as proxies for international trade while Gross Domestic Product represented economic growth. The study employed regression analysis as the method of analysis using co-integration and error correction modelling techniques to find the long-run relationship between economic performance and international trade. The result shows that only Total Export (TEX) remained positive and significant while others remained insignificant, thus concluding that Nigeria was running a monocultural economy where only oil acted as the sole support of the economy without tangible support from other sectors such as industrial/manufacturing and agriculture. They recommended that the government should, therefore, pursue aggressive diversification of the economy by putting in place policies and incentives that will boost non-oil export, the manufacturing sector and overall promotion of the industrial growth of Nigeria.

Yakubu and Akanegbu (2015) asserted that there has been a long-held belief that there is a positive relationship between economic growth and increased levels of international trade. Therefore, their paper aimed to empirically examine the impact of international trade on economic growth in Nigeria for the period 1981 to 2012. Using a degree of openness to proxy international trade, the ordinary least squares technique was employed to estimate the impact of international trade on Gross Domestic Product using time series data extracted from World Bank data and Central Bank of Nigeria Statistical Bulletin. The result of the analysis showed that all the variables except interest rate were statistically significant. Therefore, the study recommended that policymakers should adopt policies on trade liberalization such as reduction of non-tariff barriers, reducing tariffs, reducing or eliminating quotas that will enable the economy to grow at spectacular rates. The study supported the proposition that the degree of openness has a direct robust relationship with economic growth since the proxy variable is positive and statistically significant in the model.

Abdullahi, Safiyanu and Soja (2016) studies on the effects of international trade on economic growth have varying outcomes. Thus, their study analysed the relationship between international trade and economic growth in West Africa from 1991- 2011. Based on the panel data of 16 out of 17 countries in the region were analysed using multiple regression analysis. The study found that a one per cent rise in the export variable will lead to the growth of GDP by 5.11 per cent. Import, on the other hand, was positive but had an insignificant impact on GDP growth. Foreign exchange had a negative impact on GDP growth. Therefore, the study concluded that exports impact positively on the economic growth of the region and recommended that West African countries should encourage indigenous enterprise for export promotion and import substitution.

The main thrust of the study by Imoughele and Ehikioy (2016) was to examine the impact of international trade on Nigeria economic growth. The study employed regression analysis in examining the effect of international trade variables (openness of the economy, volume of import, export, foreign direct investment and exchange rate) on Nigeria's economic growth using time series data from 1985 to 2013. The Augmented Dickey-Fuller (ADF) test was used for the unit root test and Johansen's co-integration test was also conducted to establish short and long-run relationships between economic growth and international trade variables. The result shows two co-integrating equations which establish the existence of long-run relationship among the variables. The Ordinary Least Square statistical technique was used to assess the degree of influence which the variables have on each other. The results show that export, foreign direct investment and openness of the economy have a direct and significant impact on Nigeria's economic growth. The exchange rate has a direct but insignificant impact on the nation's economy while the volume of import has an inverse and insignificant impact on the Nigerian economy. From their findings, it was concluded that foreign trade variables of export, foreign direct investment and openness of the economy have the tendency to improve and sustain the nation's economic performance and stabilised the country's trade with other nations of the world. The study recommended among others that government should ensure that adequate macroeconomic policies that will open up the economy are put in place to encourage foreign direct investment inflow and expand Nigeria's exportation of goods and services for the established international market in view of the fact that exports are drivers of economic growth.

Abomaye-Nimenibo and Inimino (2017) carried out a study on international trade and economic growth in Nigeria from 1980 to 2014. Their broad objective was to examine the impact of international trade on economic growth in Nigeria using time series data on the gross domestic product (GDP), export (EPT) exchange rate (EXR) and Trade openness (TOP) which were sourced from CBN statistical bulletin. The econometric methods of Co-integration and Error Correction Mechanism (ECM) were employed as analytical tools. The result of the parsimonious ECM shows that the overall model is satisfactory given the coefficient of determination of 82 per cent and f-statistics of 8.958. Furthermore, it also reveals that there is a significant relationship between international trade and economic growth in Nigeria during the period of study, that is, international trade (proxied by the exchange rate, trade openness and export) has impacted on economic growth (proxied by GDP) during the period of study. In addition, the long run dynamic result reveals that there exists a long-run relationship or equilibrium among the variables. This is because the coefficient of ECM is negatively signed and statistically significant, meaning that, the short run dynamics adjusts to a long-run equilibrium relationship. It was therefore concluded that there is a need to maintain suitable or appropriate trade policy regimes regarding export, trade openness and the rate of exchange in order to foster economic growth in Nigeria.

III. Method of Study

a) Research Design

The design of this research is of the causal type. That is to measure what impact specific changes on selected macroeconomic variables (independent variables) will have on existing norms and assumptions of other macroeconomic variables (dependent variables). Specifically, the causal effect (nomothetic perspective) occurs when variation in one phenomenon, an independent variable, leads to, on the average, variations in other phenomena, the dependent variable. In this study, two causal relationships are put forth for our investigation. The first causal relationship which ascertains the differential impact of selected macroeconomic variables on international trade in Nigeria's oil and non-oil imports and exports and the second causal relationship investigated the impact of international trade variables on the growth rate of the Nigerian economy.

b) Models Specification

Our model for this study is specified as follows:

$$GDP = f\,(OEXP, NOEXP, OIMP, NOIMP, EXR,) \qquad (3.1)$$

Rewritten as:

$$LOG\,(GDP) = C_0 + C_1LOG\,(OEXP) + C_2LOG\,(NOEXP) + C_3LOG\,(OIMP) + C_4LOG\,(NOIMP) + C_5LOG\,(EXR) + u_t$$

Where,

GDP=Gross domestic product proxy for economic growth.

OEX P = Oil export.

NOEXP = Non-oil export.

OIMP = Oil import.

NOIM = Non-oil import.

EXR = Exchange rate.

Co = Intercept.

$C_1 – C_5$ = Parameters of the model.

International trade theories postulate that there is a positive relationship between international trade variables and economic growth assuming that all other things are constant. On the basis of these propositions, we expect positive signs for C_1, C_2, C_3, C_4 and C_5 i.e. $C_1 > 0$; $C_2 > 0$, $C_3 > 0$, $C_4 > 0$, $C_5 > 0$.

c) Model Estimation Technique

The model specified was estimated with the ordinary least squares (OLS) multiple regression techniques. This method was adopted because:

1. It is simple and intuitively appealing (Gujurati and Porter, 2008),
2. It minimizes the least squares residual which makes it an optimal technique on this criterion (Koutsouyianis, 1978),
3. It produces the best linear unbiased estimates (BLUE), and
4. There is readily available software that can be used to execute ordinary least squares regression analysis with any version of eviews.

d) Unit Root Test: Augmented Dickey-Fuller Test

Estimating regression models involving time series which may produce results that are spurious or of dubious value; which result may superficially look good but on further investigation, they look suspicious (Gujarati, 2006 and Osuala, 2015). For this reason, Gujarati (2006) stated that if we are dealing with time series data, we must make sure that the individual time series are either stationary or integrated of the same order. If this is not the case, the results may be considered spurious or just nonsense regression analysis. Gujarati and Porter (2009) stated that the problem associated with using non-stationary time series on one another yield spurious regression results which are analytically meaningless.

e) Statistical tests

The estimated model was evaluated on the criteria that:

1. R^2 was used to measure the goodness of fit of the estimated regression models.
2. *The t-test* was used to test the significance of the individual parameter estimates of the model.
3. *The F – test* was to test the overall significance of all the parameter estimates of the model and the validation of the stated hypotheses.
4. *Test for Autocorrelation:* Durbin-Watson test statistic was used.

f) Sources of Data

Annual data covering the period 1981 to 2015 were utilized for the statistical and econometric analyses. The data were obtained from the Central Bank of Nigeria Statistical Bulletin.

IV. Data Presentation and Analysis of Results

The data used in the study is analysed and the result presented and interpreted. The analysis starts with a unit root test followed by the estimation of the regression equation.

a) Unit Root Test

Here, the variables were tested for stationarity using the Augmented Dickey- Fuller (ADF) technique.

Table 4.1: Unit Root Test Result

Variables	ADF Statistic	5% Critical Level	Order of Integration
GDP	-4.3.163938	-1.9521	1(2)
OIMP	-4.246214	-2.9527	1(1)
OEXP	-3.174031	-1.9514	1(1)
NOEXP	-4.215383	-3.5514	1(1)
EXR	-5.268185	-3.5514	1(1)

The unit root test result on table 4.1 showed that all the variables (OIMP, OEXP NOEXP and EXR) are stationary at first difference except GDP which is stationary at the second difference. This is as a result of the various ADF statistical values that are greater than their 5 per cent critical values in absolute terms.

Table 4.2: Cointegration Test Result for the Model

Series: GDP OIMP NOIMP OEXP NOEXP EXR				
Lags interval: 1 to 1				
Eigen value	Likelihood Ratio	5 Percent Critical Value	1 Percent Critical Value	Hypothesized No. of CE(s)
0.957698	226.0891	94.15	103.18	None
0.792199	121.7126	68.52	76.07	At most 1
0.698104	69.86387	47.21	54.46	At most 2
0.379211	30.34062	29.68	35.65	At most 3
0.244327	14.60739	15.41	20.04	At most 4
0.149985	5.362552	3.76	6.65	At most 5

The LR test indicates 4 co-integrating equation at 5 per cent. This shows that all the variables in the first model (GDP, OIMP, NOIMP OEXP, NOEXP and EXR) have a long run relationship.

Table 4.3: Regression Result for the Model

Dependent Variable: LOG(GDP)				
Method: Least Squares				
Date: 04/18/19 Time: 21:21				
Sample: 1981 2015				
Included observations: 35				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.704083	0.391351	9.464853	0.0000
LOG(OIMP)	-0.180007	0.102068	-1.763599	0.0883
LOG(OEXP)	0.104919	0.179971	0.582976	0.5644
LOG(NOIM)	0.542911	0.160592	3.380678	0.0021
LOG(NOEX)	0.358825	0.093350	3.843861	0.0006
LOG(EXR)	0.106501	0.124927	0.852504	0.4009
R-squared	0.986082	Mean dependent var		8.268007
Adjusted R-squared	0.983682	S.D. dependent var		2.239233
S.E. of regression	0.286041	Akaike info criterion		0.489442
Sum squared resid	2.372764	Schwarz criterion		0.756073
Log likelihood	-2.565230	F-statistic		410.9265
Durbin-Watson stat	1.359075	Prob (F-statistic)		0.000000

The results as presented in Table 4.3 gave the R-squared value as 0.986082 which implies that about 98.61 per cent of the total variation in economic growth (GDP) within the period under-study was explained by changes in oil import (OIMP), oil export (OEXP), non-oil import (NOIMP), non-oil export (NOEXP) and exchange rate (EXR). The F-statistics of 410.9265 with the corresponding probability value of 0.0000 measured the adequacy of the regression model and the overall influence of OIMP, OEXP, NOIMP, NOEXP and EXR on GDP. Since the probability value of the F-statistics is less than 0.05, the model was a good fit and the explanatory variables jointly exerted a statistically significant effect on the dependent variable (GDP).

The Durbin- Watson statistics of 1.359075 showing that there was the presence of serial correlation among the variables. The coefficient of the constant term stood at 3.704083 implies that if all the explanatory variables (OIMP, OEXP, NOIMP, NOEXP and EXR) are held constant, GDP will remain at 3.704083. The coefficient of OIMP was -0.180007 while that of t-value is -1.763599 with the probability value of 0.0883. This shows that if all other explanatory variables in the model are held constant, a percentage in OIMP will cause a negative and insignificant effect on economic growth by 0.004476 percent. The coefficient of OEXP was 0.104919 with t-value of 0.582976 and probability value of 0.5644 implying that a percentage change in OEXP will cause a positive and insignificant effect on GDP by 0.104919 per cent. The coefficient of NOIMP was 0.542911 with t-value of 3.380678 and probability value of 0.0021, meaning that a percentage change in NOIMP will bring about a positive and significant change in GDP by 0.542911 per cent. The coefficient of NOEXP was 0.358825 with t-value of 3.843861 and probability value of 0.006 showing that a percentage change in NOEXP will cause a positive and significant change in GDP by 0.358825 per cent. The coefficient of the exchange rate was 0.106501 with t-value of 0.852504 and probability value of 0.4009 showing that a percentage change in EXR will cause a positive and insignificant change in GDP by 0.106501 per cent. The coefficient of EXR was 0.106501 with t-value of 0.852504 and probability value of 0.4009 showing that a percentage change in EXR will cause a positive and non-significant change in GDP by 0.106501 per cent.

V. Summary, Conclusion and Recommendations

a) *Summary of Major Findings*

In the course of the study, a plethora of findings emerged. However, the major findings include:

1. Oil import has a negative and insignificant impact on the economic growth in Nigeria. This implies that an increase or decrease in oil import will have an insignificant impact on the economic growth of Nigeria at least for the period under study.
2. Oil export has a positive and insignificant impact on the economic growth of Nigeria. This implies that an increase or decrease in oil export will have an insignificant impact on the economic growth of Nigeria at least for the period under study.
3. Non-oil import has a positive and significant impact on the economic growth of Nigeria. This implies that an increase or decrease in non-oil import will have a significant impact on the economic growth of Nigeria.
4. Non-oil export has a positive and significant impact on the economic growth of Nigeria. This implies that an increase or decrease in non-oil export will have a significant impact on the economic growth of Nigeria.
5. The exchange rate has a positive and insignificant impact on economic growth in Nigeria. This implies that an increase or decrease in the exchange rate will have an insignificant impact on economic growth.

b) *Conclusion*

Based on the summary of our major findings, the study concludes that there is a negative and insignificant relationship between oil import and economic growth in Nigeria; positive and insignificant relationship between oil export and economic growth in Nigeria; positive and significant relationship between non- oil import and economic growth in Nigeria, positive and significant relationship between non-oil export and economic growth in Nigeria.

c) *Recommendations*

In view of our findings and conclusions, the following policy recommendations have been postulated:

1. All the tiers of government should embark on holistic or all-around policies and approaches that will boost non-oil exports in Nigeria, especially those that have to do with manufacturing.
2. It is also our candid recommendation that there should be some incentive packages or allowances for policies that allow access to a wider base of technological knowledge, which will make technological diffusion easier, and such appreciation will motivate research and development.
3. The use of local content in all our industries should be vigorously pursued so that our BOP should be in surplus at all times.
4. LDCs should be open up to foreign investment with more advanced technology so that increases in the rate of innovation and in the economy's rate of growth could be recorded positively.
5. Nigeria's dependency on import goods both at domestic and industrial production level should be discouraged and the nation should aim at embarking on import substitution approach so as to bring about the need for economic development in Nigeria.
6. The government should partner with the private sector to carry out industrialized farming by purposefully shifting away from subsistence farming to make the export of these products to earn the nation good foreign reserve.
7. That, the agricultural sector of Nigeria should be paid more attention in order to increase the agricultural output as a non-oil product which will lead to increased consumption (demand), investment, employment, export and eventually economic growth.

8. The Government of Nigeria should make consorted efforts to acquire and make available farming implements, tractors; harvesters etc. and distribute to farmers at a subsidized rate to boost the non-oil exportation possible.
9. The Government of Nigeria should increase the output of agricultural products and make them available in the local market at reduced prices in order to improve the standard of living of the populace, in the face of exportation of these products to earn foreign reserve.
10. Nigerians and indeed Africans can begin to improve the quality of their products by moving from raw resource exportation to refining and packaging of primary goods such as refined petroleum products for export, rather than the crude oil for exportation in its natural form.
11. The Nigerian Monetary Authority should re-evaluate her interest rate policies to stimulate investment in both the manufacturing and agricultural sector and increase economic growth.

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Appendixes 1

Year	OIMP	NOIMP	OEXP	NOEXP	GDP	EXR
1981	0.1	12.7	10.7	0.3	144.83	0.61
1982	0.2	10.5	8	0.2	154.98	0.6729
1983	0.2	8.7	7.2	0.3	163	0.7241
1984	0.3	6.9	8.8	0.2	170.38	0.7649
1985	0.1	7.0	11.2	0.5	192.27	0.8938
1986	0.9	5.1	8.4	0.6	202.44	2.0206
1987	3.2	14.7	28.2	2.2	249.44	4.0179
1988	3.8	17.6	28.4	2.8	320.33	4.5367
1989	4.7	26.2	55	3	419.2	7.3916
1990	6.1	39.6	106.6	3.3	499.68	8.0378
1991	7.8	81.7	116.9	4.7	596.04	9.9095
1992	19.6	123.6	201.4	4.2	909.8	17.2984
1993	41.1	124.5	213.8	5	1259.07	22.0511

1994	42.3	120.4	200.7	5.3	1762.81	21.8861
1995	155.8	599.3	927.6	23.1	2895.2	21.8861
1996	162.2	400.4	1,286.20	23.3	3779.13	21.8861
1997	166.9	678.8	1,212.50	29.2	4111.64	21.8861
1998	175.9	661.6	717.8	34.1	4588.99	21.8861
1999	211.7	650.9	1,169.50	19.5	5307.36	92.6934
2000	220.8	764.2	1,920.90	24.8	6897.48	102.1052
2001	237.1	1,121.10	1,839.90	28	8134.14	111.9433
2002	361.7	1,151.00	1,649.40	94.7	11332.25	120.9702
2003	398.9	1,681.30	2,993.10	94.8	13301.56	129.3565
2004	318.1	1,668.90	4,489.50	113.3	17321.3	133.5004
2005	797.3	2,003.60	7,140.60	106	22269.98	132.147
2006	710.7	2,397.80	7,191.10	133.6	28662.47	128.6516
2007	768.2	3143.7	8110.5	199.3	32995.38	125.8331
2008	1315.5	4277.6	9861.8	525.9	39157.88	118.5669
2009	1068.7	4411.9	8105.5	500.9	44285.56	148.8802
2010	1757.1	6406.8	11300.5	711	54612.26	150.298
2011	3043.6	7952.3	14323.2	913.5	62980.4	153.8616
2012	3064.3	6702.3	14260	879.3	71713.94	157.4994
2013	2429.4	7010	14131.8	1130.2	80092.56	157.3112
2014	2215	8323.7	12007	953.5	89043.62	158.5526
2015	1725	9350.8	8184.5	660.7	94144.96	193.2792
2016	2384.4	7096	8178.8	656.8	101489.5	

Source: CBN Statistical Bulletin (1981-2016)

Appendixes 2

Table 4.1: Unit Root Test Result

VARIABLES	ADF STATISTIC	5% CRITICAL LEVEL	ORDER OF INTEGRATION
GDP	-4.3.163938	-1.9521	1(2)
OIMP	-4.246214	-2.9527	1(1)
OEXP	-3.174031	-1.9514	1(1)
NOEXP	-4.215383	-3.5514	1(1)
EXR	-5.268185	-3.5514	1(1)

Appendixes 3

Table 4.2: Cointegration Test Result for the Model

Series: GDP OIMP NOIMP OEXP NOEXP EXR
Lags interval: 1 to 1

Eigenvalue	Likelihood Ratio	5 Percent Critical Value	1 Percent Critical Value	Hypothesizec No. of CE(s)
0.957698	226.0891	94.15 68.52	103.18, 76.07	None ** At most 1 **
0.792199	121.7126			
0.698104	69.86387	47.21	54.46	At most 2**
0.379211	30.34062	' 29.68	35.65	At most 3 *
0.244327	14.60739	15.41	20.04	At most 4
0,149985	5.362552	3.76	6.65	At most 5 *

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Analysis of Comparison of Stock Prices before and after Announcement of Business-27 INDKS (Census on Companies in the Category of Business Index 27 in 2018)

By Jajan Badruzaman
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Abstract- This study is entitled Comparison Analysis of Stock Price Before and After Announcement of Business Index 27. The target population is 27 companies, operational variables taken is the stock price 20 days before and after the announcement of business index 27. Processing data is done using SPSS Version 22 Program, the results show there is no difference in stock prices before and after announcements of business index 27 means that the announcement does not affect stock prices, but the relationship between stock prices before and after is very strong.

Keywords: stock prices, business indices 27.

GJHSS-E Classification: FOR Code: 910199

ANALYSISOFCOMPARISONOFSTOCKPRICESBEFOREANDAFTERANNOUNCEMENTOFBUSINESS-27INDKSCENSUSONCOMPANIESINTHECATEGORYOFBUSINESSINDEX27IN2018

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I. Introduction

Investment in stocks is one of the most popular forms of investment. Because in addition to being safe but also very profitable, but the stock price itself is very fluctuating and can change because many factors influence it such as the condition of the issuer's fundamentals, management policies and news or rumors. All of that affects the investor's judgment in making his investment. News and rumors are one of the factors that investors consider in predicting how the company's prospects are going forward with the risks faced, whether it can be profitable or detrimental.

Lots of media are often used as sources of information by investors before investing. One of them is the publication of the Business Index -27. *Business Index*-27 is a stock price index publication media collaboration between the Indonesia Stock Exchange (BEI) by Bisnis Indonesia. As an independent party, Bisnis Indonesia daily can manage this index more independently and flexibly, where the selection of index constituents is based on the performance of the issuer with fundamental selection criteria, historical transaction data (technical) and accountability.

There are several criteria in setting a business index 27 (http://britama.com/index.php/indeks-saham-bei/indeks-bisnis-27/):

a) Fundamental Criteria

Fundamental criteria considered in the selection of stocks included in the calculation The Business Index-27 is Operating Profit, Net Profit, Return on Assets (ROA), Return on Equity (ROE) and DER. Especially for issuers in the Banking sector, the LDR and CAR factors will also be considered.

b) Technical Criteria or Liquidity Transactions

The technical criteria considered in the selection of shares included in the calculation of the Business-27 index are the value, volume and frequency of transactions and the number of transaction days and market capitalization.

c) Accountability and Corporate Governance

To improve the quality of the selection of shares included in the business index 27, an index committee was formed, with members consisting of experts in the capital market and academics. The members of the index committee provide opinions in terms of accountability, good corporate governance and stock performance.

Based on the explanation above, the researcher made the title of the comparative analysis of stock prices before and after the announcement of the Business Index -27 for the October 2018 period. In this case, how did the announcement of Business 27 Index affect stock prices.

II. Literature Review

Shares are a form of individual or entity capital participation in a company or limited liability company. So that the participation has the right to claim the company's profits, claims for company assets, and the right to attend the general meeting of shareholders of Darmadji and Fakhuddin (2012), SuadHusnan (2008) and Van Horne, James C. John M. Wachowicz, Jr. (2009)

The stock price determines shareholder wealth. Maximizing shareholder wealth translates into maximizing the company's stock price. The stock price at a given time will depend on the expected future cash flows by the investor (on average) if the investor buys the stock (Brigham and Houston, 2010: 7).

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Stock price that occurs on the stock market at a certain time is determined by the actor market, namely the demand and supply of shares in question in the capital market (Jogiyanto, 2015: 167). Thus the stock price is a price formed from the interaction of the sellers and buyers of shares which are motivated by their expectations of stock dividends.

There are several advantages to investing in stocks: (Irham, 2015: 85):

1. Obtain dividends to be given at the end of each year.
2. Obtain return on capital.
3. Have voting rights for ordinary shareholders.
4. The number of shares owned ownership can be used as an additional warranty or guarantee support.

Then the factors affecting the formation of stock prices (Ali Arifin, 2004: 30):

1. The condition of the issuer fundamental.
2. Law of demand and supply of.
3. Interest rate.
4. Foreign currency.
5. Stock Price Index.
6. News and rumors.

Event studies are studies that study/observe market reactions to an event *(event)* whose information is published as an announcement. *The event study* can be used to test *information content* from an announcement and can also be used to test the market efficiency of half-strong (Jogiyanto, 2017: 643).

Semi strong efficient markets if the said security prices fully reflect *(fully reflect)* all the information published *(all publicly available information)* includes information that is in the financial statements of the issuer company (Jogiyanto, 2017: 607). Information that is published, one of which can be in the form of published information that only affects the security prices of companies that publish the information. This published information is information in the form of announcements by listed companies. This information is generally related to events that occur in *corporate events.*

More specifically the study of events investigates the market response to the information content of an announcement or publication of a particular event. The content of information can be either *good news* or *bad news.* The efficient market hypothesis predicts that the market will give a positive market response to good news, and a negative response to bad news. The market response is reflected in *returns* positive abnormal (good news) and *returns* negative abnormal (bad news).

Market efficiency implies that market participants will move together to follow the changes that occur. The changes that occur are in the form of information that is absorbed or responded to by the market efficiently. Efficiently means that every market actor does not spend a lot of money to get information so that they can react quickly and precisely in forming a new price balance. This new price balance reflects information available on the market. If the market doubts the correctness of information, then a late or earlier response will occur because there are investors who are more daring to speculate and there are investors who prefer to wait until a certain time (Eduardus Tandelilin, 2010: 565).

According to Eduardus Tandelilin (2010: 566) the types of events that are often encountered in event studies are as follows:

1. *Study of Conventional Events Conventional:* Event studies study the market response to events that often occur and are publicly announced by issuers in the capital market. Some examples of conventional event study include: the earnings announcement, the payment of dividends, rights offerings for shares *(rights* issue), mergers and acquisitions, capital expenditure announcements, *stock* splits, and other similar forms.
2. *Cluster Event Study Cluster:* Event studies or groups study the market response to publicly announced events that occur at the same time and affect a particular group of companies (company clusters). An example of a cluster event is a government announcement that makes regulations on certain industries so that it is expected to have an impact on the company's cash flow in the industry concerned.
3. *Study of Unexpected Events:* The Study of unanticipated *events* is a variant of cluster event studies. This study studies the market response to an unexpected event. Research on unexpected events has not been carried out relatively much, apart from the fact that the nature of events is very rare, not all unexpected events are relevant to the study of events related to the capital market.
4. *Sequential Events Study (Sequental Events):* study of sequential events is also a variant of cluster event study. This study studies the market response to a series of events that occur sequentially in situations of high uncertainty. In this case the speed and accuracy of information is the key to market response.

III. Research Methods

In this study, the object of the research was the stock price before and after the announcement on the business index -27 company for the period October 2018. The operational variable consists of closing stock prices for 20 days before the announcement and 20 days after the announcement of the 27th business index. Then the research method used was descriptive comparative.

a) The target population

In this study, the target population is all companies in Categories *the reindexs business 27, 2018* published by the Indonesia Stock Exchange in October 2018 and in describing the table as follows:

Table 1: Population Targets

No.	Code	No.	Code
1	ASII	15	INTP
2	ADRO	16	ITMG
3	BBCA	17	KLBF
4	BBNI	18	MIKA
5	BBRI	19	MYOR
6	BDMN	20	PGS
7	BMRT	21	PTBA
8	BSDE	22	PCMA
9	CPIN	23	SMGR
10	HMSP	24	TKIM
11	ICBD	25	TKLM
12	INCO	26	TPIA
13	INDF	27	UNTR
14	INKP		

Source: Business Index 27 October 2018

b) Analysis of Data

Hypothesis Test

Ho: There is no difference in stock prices before and after the Business Index Announcement -27.

Ha: There are differences in stock prices before and after the Announcement of the Business Index-27.

The Statistical Hypothesis:

Ho: $\mu A = \mu B$

Ha: $\mu A \neq \mu B$

The formula is used:

$$t\ count\ = \frac{x1 - x2}{\sqrt{\frac{S1}{n1}^{2} + \frac{S2}{n2}^{2} - 2r\left(\frac{s1}{\sqrt{n1}}\right)\left(\frac{s2}{\sqrt{n2}}\right)}}$$

(Sugiyono, 2014: 122)

Accept Ho and Reject Ha: $-t\frac{1}{2}\alpha \leq t\ count\ \leq t\frac{1}{2}\alpha$

Reject Ho and Accept Ha:

$$-\ t\ count\ \leq\ -t\frac{1}{2}\alpha\ or\ t\ count\ \geq t\frac{1}{2}\alpha$$

IV. Discussion

Based on the results of data processing using the SPSS version 22 program on 27 companies included in the 27-business period of the October 2018 period described in Table 2 as follows:

Table 2: T test Results of Stock Prices Before and After Announcement of Business Index 27 October 2018 Period

Paired Samples Test								
	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair 1 Before – After	-23141.18519	101149.33841	19466.19925	63154.53081	16872.16044	-1.189	26	.245

Table 3: Coefisien Corelation

Paired Samples Correlations				
		N	Correlation	Sig.
Pair 1	Sebelum & Sesudah	27	.992	.000

Table 2 the Sig. (2-tailed) is worth 0.245> 0.05. This shows that "Ha rejected" and "Ho accepted" can be stated that the announcement of business index 27 dated October 28, 2018 does not affect the company's stock price. This is in accordance with research by Sutra Manik, et al (2017), Yoga SatyaPurnama and Khairunnisa (2015) RendiSatria and Supatmi (2013), Amirah (2015) AinunRidho et al (2017), Osama El A. And Mervat Hussein (2017)

Then when viewed coefficient of stock price correlation before and after the announcement of business index 27 shows positive and significant, meaning that the stock price that occurs after the announcement is inseparable from the stock price that occurred before the announcement, thus the price that occurs before the announcement is used as the basis for decision making to determine the price shares after the index 27 is announced. Investors remain stock prices before the announcement as a reference to determine the next share price.

Although in table 2 shows a real relationship between stock prices before and after the announcement of business index 27, but this does not result in differences. This indicates that there is no influence of business index announcements 27 on stock prices, and investors still take into account the returns and risks that may occur due to investments made.

V. Conclusion

Based on the results of research and data processing that has been carried out that the announcements that have been submitted by Indonesian business daily in collaboration with the IDX show no effect on stock prices. So statistically there is no difference in stock prices before and after the announcement of the business index 27. The announcement does not have an impact on stock prices in the company of business index 27 categories on the Indonesia Stock Exchange.

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Analysing the Factors Influencing Financial Records Keeping amongst Small and Medium Entreprises (SMEs) in Ilala Municipal Council

By Kochecha S. Herieli & Evod J. Rimisho

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Abstract- Globally SMEs have been known as engines of growth. However, the performance of SMEs has been seriously challenged, especially in developing countries such as Tanzania. This study aimed at analyzing the factors influencing financial records keeping amongst SMEs in Ilala municipality using mainly primary data from 130 respondents. Both descriptive analysis and regression analysis using a binary Probit model were employed. Descriptive analysis shows that, about 90% of the respondents were keeping financial records for their business and the commonly records kept by SMEs were cash books, debtors books, and sales day books while purchase day books, creditor's books, and petty cash book were rarely kept. The probit regression results indicate that, membership, age of the firm, location of the firm, the size of the firm (capital invested and number of employees) and years of schooling are significant factors that affect financial records keeping in SMEs. All in all, financial record keeping is still a major challenge for many SMEs in Tanzania, therefore measures such as awareness raising and provision of education and training on financial records keeping should be taken so as to improve the capacity and level of understanding on records keeping, use and report preparation. The Government and private sector should collaborate to improve and enhance the capacity of SMEs in record keeping, business management, accessing market and venturing into existing and new opportunities.

GJHSS-E Classification: FOR Code: 140299

ANALYSINGTHEFACTORSINFLUENCINGFINANCIALRECORDSKEEPINGAMONGSTSMALLANDMEDIUMENTREPRISESSMESINILALAMUNICIPALCOUNCIL

Strictly as per the compliance and regulations of:

Analysing the Factors Influencing Financial Records Keeping amongst Small and Medium Entreprises (SMEs) in Ilala Municipal Council

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Abstract- Globally SMEs have been known as engines of growth. However, the performance of SMEs has been seriously challenged, especially in developing countries such as Tanzania. This study aimed at analyzing the factors influencing financial records keeping amongst SMEs in Ilala municipality using mainly primary data from 130 respondents. Both descriptive analysis and regression analysis using a binary Probit model were employed. Descriptive analysis shows that, about 90% of the respondents were keeping financial records for their business and the commonly records kept by SMEs were cash books, debtors books, and sales day books while purchase day books, creditor's books, and petty cash book were rarely kept. The probit regression results indicate that, membership, age of the firm, location of the firm, the size of the firm (capital invested and number of employees) and years of schooling are significant factors that affect financial records keeping in SMEs. All in all, financial record keeping is still a major challenge for many SMEs in Tanzania, therefore measures such as awareness raising and provision of education and training on financial records keeping should be taken so as to improve the capacity and level of understanding on records keeping, use and report preparation. The Government and private sector should collaborate to improve and enhance the capacity of SMEs in record keeping, business management, accessing market and venturing into existing and new opportunities.

I. Introduction

a) *Background of the Problem*

Small and Medium Enterprises play a pivotal role in African countries economy through job creation, income generation which in turns leads to economic growth and development. They provide support to larger firms by providing inputs and other essential services. In a nutshell, SMEs are engine of growth (Fjose *et al.,* 2010). Globally, SMEs constitutes about 95% of all firms, contributes to 50% of GDP and accounts to 60%-70% of total employment (ITC, 2015).

Specifically, in Tanzania, recent survey report of MSMEs shows that MSMEs employs more than 5.2 million people and it contributes to 27 per cent of the national GDP (MIT, 2012). It is also indicated that, in households with MSMEs, small business generated income of about 62.7% and were the only source of income estimated to be 34.1% for the respective household. (MIT, 2012).

There has been significant increase of MSMEs in Tanzania. For instance, Mori (2014) indicated that, since 1990 to 2010, MSMEs have increased from 1.8 million in the 1990s (NISS, 1995) to 3.1 million in 2010 (MIT, 2012). However, it is also stressed that, graduation of micro enterprises into small and medium enterprises has been very small. (MIT, 2012; Olomi and Mori, 2015).

i. *Government Efforts to Improve SMEs in Tanzania*

The Government of United Republic of Tanzania, since independence (1961) has carried out various interventions to improve and enhance the performance and activities of SMEs in Tanzania aiming at SME's business growth promotion. These programs include, but not limited to the followings;

ii. *Sustainable Industrial Development Policy*

The *Sustainable Industrial Development Policy - SIDP* (1996 - 2020) which aims at supporting the existing and new institutions, taxation simplifications, licensing, registration and formalization of SMEs. The policy encourages the informal business activities and enterprises to grow and be formalized under the existing laws and regulations.

iii. *National Microfinance Policy*

The National Microfinance Policy (2000), aims at providing financial services to Small and Medium Enterprises in both urban and rural areas. It was specifically aimed at serving the low-income segment of the society through services such as savings, payments, credit and other financial services. The government considers Microfinance system as an integral part of the economy for easy and widespread access to financial services throughout the country. (URT-MOF, 2000).

iv. *National Development Policy-2003*

The National SMEs Development Policy (2003) which aims at revitalizing and creating a vibrant and dynamic SME sector through effective use of the available resources. It also envisions the growth of SMEs sector through improved infrastructure, enhanced service creation and provision of conducive legal and institutional framework. The Mineral Policy of 1997 which was later evaluated and revised in 2009. The policy aims at strengthening and integrating the mineral sector with other sectors of the economy value addition, improving

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and developing small scale miners and promotes the private sector investment in the mining sector. (URT- MEM, 2009).

On the other hand, the Government initiated various other institutions which in one way or another influence SMEs development. These include Tanzania Industrial Research Development Organization (TIRDO) which aims at supporting and enhancing local resources utilization, Centre for Agricultural Mechanization Rural Technology (CAMARTEC) aiming at smooth promotion of technology for rural agricultural development, Tanzania Engineering and Manufacturing Design Organization (TEMDO) aiming at machines or engines designing and Tanzania Bureau of Standards (TBS) aiming at strengthen the supporting institutional infrastructure for the industry and commerce sectors of the economy undertake measures for quality control of products of all descriptions (URT, 2003).

Along the same line, numerous funding mechanisms and schemes were initiated so as to address unemployment problems through SMEs promotions, these includes as stipulated in the SME Development Policy 2003; National Entrepreneurship Development Fund (NEDF), Youth Development Fund (YDF), Women Development Fund (WDF), Small Entrepreneurs Loan Facility (SELF), National Income Generating Programmes (NIGP), Presidential Trust Fund and Community Development Trust Fund.

v. *Mineral Development Policy*

The mineral development policy targets to support the large, medium and small scale mining operators and artisanal. The policy has numerous objectives as stipulated herein; promote economic environment and attract more investors both local and international, to invest in the mining sector, strengthening legal and regulatory framework in the mining sector, support the development of small scale miners, so as to integrate their activities into the mainstream economy, develop and assist small scale miners in accessing market through improving the marketing system both locally and internationally.

vi. *Small Industries Development Organization (SIDO)*

The small industries development organization was developed by the Government of United Republic of Tanzania in 1973 with the sole aim to support and develop the small industry sector. However, currently, SIDO supports the whole private sector in various undertakings, especially business and technical expertise development.

SIDO receives supports, including technical and funding from various international organizations and partners such as the World Bank, SIDA, Netherlands, India, Hungary and United States of America (USA). SIDO helps SMEs in business development training, technical trainings and marketing to mention a few.

vii. *Vocational Education and Training Authority (VETA)*

The authority, VETA was initiated through the vocational education and training act of 1994. The authority has created various training centers and branches all over Tanzania so as to develop, coordinate and roll out vocational trainings that cater the needs of the market. The agency through its activities supports social and economic development in Tanzania. The agency provides business trainings and short courses to SMEs in a bid to help them improve their modus operand on business matters.

b) *Challenges Faced by SMEs in Tanzania*

SMEs in Tanzania are faced with numerous challenges that hamper their smooth development, these include but not limited to limited access to finance, unfavorable legal and regulatory framework, poor infrastructural facilities, poor business development services, inadequate access to information and poor financial records keeping. (URT, 2003) Therefore, speaking of the roles that SMEs play in the entire economy, such as employment creation, income generation, provision of inputs to larger industries, equitable distribution of income and contribution to Gross Domestic Product (GDP) increase in general which leads to poverty reduction; it is important to note that SMEs ability depends largely on how they perform in their business activities (Musah and Ibrahim, 2014).

Ineffective and non-productive of numerous funding mechanism and schemes established affected the performance of SME's in Tanzania. Most of the SMEs produces competing with imported cheap, fake, dumped and poor quality products while no mechanism in place for control, incubate and mentoring these local producers.

c) *The Meaning and Essence of Financial Records Keeping*

The performance of SMEs can only be traced, monitored and evaluated through adequate financial records keeping. A financial record keeping involves capturing, organizing, classifying, maintaining and ensuring data quality of all financial related information of the business activities.

However, keeping financial records is not enough unless the information kept are communicated to the respective parties, namely managers, owners, government entities, shareholders or investors, and financial institutions. (Wood and Sangster, 2005). The financial records include; the sales day book, purchases day book, cashbook, petty cash book, general journal, nominal ledger, debtors' ledger, cheque payment book and creditors' ledger. Not all SMEs need to keep all these financial records. Every firm needs to choose which records to keep depending on its size, needs and regulatory requirements of the specific country. (Maseko and Manyani, 2011 and Ntim *et al.,* 2014).

Financial records' keeping is very important for easy management and growth of the firm. They assist the organization to know whether the business is worth or not by determining the profit or loss made, assets they owned, liabilities they owe and values of their debtors, names of creditors and how much cash they have. (Tulli and Lyanga, 2011). Financial records help to demonstrate the stewardship of the firm's management for resources entrusted to it. Generally, financial records provide the basis on which the management can make decisions regarding the firm's performance and operations. These decisions include decisions whether to borrow, open new branch, employ new staffs or retrench. Effective managers rely on the past and present financial records to predict the future and evaluate the financial activities of the firms (Ntim, 2014).

However, despite the stipulated reasons and essence of financial records keeping above, majority of SMEs in Tanzania are reported to have poor financial records keeping attitudes. The Tanzania development policy 2003 document didn't shed light on the poor financial records keeping practices amongst SMEs in Tanzania.

However, the policy review draft of 2012 recognized poor financial records keeping as a challenge amongst SMEs in Tanzania (UNIDO, 2012). On the other hand, various authors have hinted poor financial records keeping being among the serious challenges amongst SMEs in Tanzania (Danford *et al.,* 2014; Marwa N, 2014; Mashimba and Kühl 2014). Therefore, this study is set to identify factors influencing financial records keeping amongst SMES in Ilala municipality.

d) Statement of the Problem

The role played by SMEs in Tanzanian economy cannot be ignored, inter alia employment creation, income generation, provides support to larger firms by providing inputs and other essential services, poverty reduction and great contribution to economic growth and development. The National MSME reports indicate that SMEs employs more than 5.2 million people, contribute to 27% of the national GDP (MIT, 2012). The number of MSMEs in Tanzania has been increasing significantly. For instance, from 1990 to 2010 MSMEs have increased from 1.8 million to 3.1 respectively. (Mori, 2014). However, various researchers have repeatedly pinpointed about the small growth rate of micro enterprises into small and medium enterprises. (MIT, 2012; Olomi and Mori, 2015).

Small and Medium Enterprises are faced with numerous challenges which hinder them from exploiting the existing potentials to create employment, wealth and reduce the poverty trap to millions of Tanzania (Olomi, 2006). These challenges include; limited access to finance, unfavorable legal and regulatory framework, limited and poor business development services, poor infrastructural facilities, inadequate access to information and poor financial records keeping (URT, 2003; Olomi, 2006; Danford *et al.,* 2014; MIT, 2012).

However, out of all the above-mentioned challenges; poor financial records keeping amongst SMEs has attracted special attention to various researchers. Studies have been done in various parts of the world pertaining to financial records keeping and challenges involved amongst SMEs.

For instance, Amoako (2013) in their study in Sunyani Municipality, Ghana found that, majority of SMEs were not keeping records due to numeruous factors such as inadeqaute book keeping skills amongst owners and managers and high costs involved in adopting a good accounting system. Also, a study by, Haron *et al* (2013) in Malaysia, found that, lack of good track of financial records among SMEs is a major reason behind banks and other financial institutions reluctance to disburse funds to SMEs.

Specifically, in Tanzania, the MSME National Baseline Survey Report shows that only 44.7% of SMEs met were keeping financial records (MIT, 2012). On the other hand, Richard and Geoffrey (2012) in their study on SMES access to financial services, reports that most of SMEs in Tanzania have failed to access finance from various financial institutions due to poor financial records keeping among other things. Bank and securities wary to lend to SMEs as they perceive the sector be a risky investment because of poor accounting practices. (Kofi *et al.,* 2014).

SMEs have negative attitude towards keeping financial records. Most of SMEs believe that, financial record keeping using accounting standards does not add any value to their firm's operations. It largely results into unnecessary costs and time consuming (Danford *et al,* 2014). However elsewhere, it is emphasized that, Firms depend entirely on records kept so as to take decisions on various business matters (Abdul-Rahamon and Adejare, 2014).

Despite providing useful insights and information, past studies have some weaknesses which necessitate further empirical research. At first, studies of the likes conducted in Tanzania were conducted in small areas like the one conducted in Dodoma region at Madukani ward where there are limited volume of business composition and size compared to big cities such as Dar es Salaam and Mwanza. On the other hand, most of the studies didn't show how firms' characteristics such as age, capital, tangible assets and location influence financial records keeping amongst SMEs specifically on the Tanzanian context.

Therefore, taking to account that, poor and inadequate financial record keeping amongst SMEs in Tanzania has been critical, this study is set to analyze the factors influencing financial records keeping amongst SMES in Ilala municipality.

e) Research Objectives

i. *General Objectives*

The study analyzes the factors influencing financial records keeping amongst SMEs in Ilala municipality.

ii. *Specific Objectives*

- To find out the kinds of financial records kept by SMEs and what they are used for.
- To analyze the challenges faced by SMEs in financial records keeping.
- To examine how firms' characteristics such as age, capital and tangible assets influence financial records keeping amongst SMEs in Ilala Municipality.

f) Research Questions

- What are the types and the uses of financial records kept by SMEs in Ilala Municipality?
- What are the challenges faced by SMEs in financial records keeping in Ilala Municipality?
- How firm are characteristics such as age, capital and tangible assets influence financial records keeping amongst SMEs?

g) Scope of the Study

The study analyzed the factors influencing financial records keeping amongst SMEs with particular reference to Ilala Municipality. The study was conducted in Ilala Municipality in four wards namely, Gerezani, Kariakoo, Kimanga and Buguruni between the months of April to October, 2016.

The major reason behind the selection of Ilala Municipality is that, much of the commerce, banking, and national offices are located in the area, therefore it could be easy to access adequate and relevant data for the study. The study focused to both registered and non-registered SMEs in Ilala Municipality mainly Min supermarkets, Hardware, Agro shops, Phones and accessories shops so as to capture adequate and impartial information.

II. Literature Review

a) Introduction

This chapter discusses theoretical and empirical research relating with the factors influencing financial records keeping amongst SMEs in Ilala Municipality. This chapter involves the following sections; definition of SMEs, theoretical and empirical literature, the essence of training in accounting amongst SMEs, Customizing Financial Records and Report to Suit SMEs needs And Conceptual framework.

b) Definition of SMEs

There is no single and standard acceptable definition of the term SMEs (Dababneh and Tukan, 2007; Amoako 2013; Gibson and Van der Vaart, 2008). Countries and organizations all over the world set their specific definitions of the term SMEs according to their own objectives. However, in defining the term SMEs there are key yardsticks used everywhere, these include size, total number of employees or headcounts, sales turnover or assets and total investment (URT, 2003;Dababneh and Tukan, 2007; Amoako 2013; Gibson and Van der Vaart, 2008).

According to OECD (2004), SMEs are a heterogeneous group with diversity in the locality (urban and rural), country, nature and type, legality, skills, capital and sophistication. According to Dalberg (2011), the Inter American Development Bank defines SMEs as an enterprise with less than $3 million revenue and employs maximum of 100 employees, while Bank pinpoints SMEs as enterprise with $15 million assets and revenue and employs maximum of 300 people.

According to URT (2003), SMEs in Tanzania mean micro, small and medium enterprises and it covers nonfarm economic activities mainly activities such as services, commerce, mining and manufacturing.

The definition uses the same benchmarks (employees' number, total investment and sales turnover) as used in other countries. See the table below for details as shown in SMEs Development Policy of 2003.

Table 2.1: Categories of SMEs in Tanzania

Category	Employees	Capital Investment in Machinery (Tsh.)
Micro enterprise	1 – 4	Up to 5 mil.
Small enterprise	5 – 49	Above 5 mil to 200 mil.
Medium enterprise	50 – 99	Above 200mil to 800 mil.
Large enterprise	100 +	Above 800 mil.

Source: URT (2003)

i. *Record Keeping*

Record keeping and Bookkeeping are terms used interchangeably in most cases. The term bookkeeping or record keeping can be defined as an art and science of recording all the financial transactions taking place on a day to day basis in the business. Firms depend entirely on records kept so as to take decisions on various business matters (Abdul-Rahamon and Adejare, 2014). There are two types of book keeping methods, namely Single entry and double entry method as explained below;

ii. *Single Entry Book Keeping*

This is an informal accounting system or a method in which all business transactions are recorded once. It entails one sided entry of accounting transactions. It may include; cash, accounts payable, accounts receivable and taxes. The information obtained from single entry method allows the preparation of income statement only. This method is known worldwide due to its advantages, mainly simplicity in preparations and less costs involved (Wood F and Sangster A, 2005).

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On the other hand, the method is said to have various disadvantages mainly; it may lead inefficient decision making due to inadequate availability of data, losses of assets cannot be easily detected and inefficient management at large.

Other authors such as Eric and Gabriel (2012) explains that that, the single entry method is allowed in tax matters by all revenue authorities, however for the firms it does not provide with detailed financial and business information required for making various business decision hence posing challenges to the growth and operation of enterprises.

iii. *Double Entry Book Keeping*

Under this method every transaction of an account is recorded twice in the books of accounts. It is simply defined as an accounting method in which every transaction in the business is recorded twice in the books of accounts. It is known worldwide for its two major effects in the books of accounts, namely; one side of an account increases while the other side of an account decreases. Once the recording of transactions is done perfectly without any error, the credit side of an account and the debit side of an account will have the same aggregate balance.

Various authors such as Eric and Gabriel (2012) and (Wood F and Sangster A, 2005) have figured out a double entry method to be the best one to use for effective management of the business firms as explained below:

- ❖ At first, the double entry method is regarded as the complete method as it records both transactions and their associated aspects. It was further argued that apart from recording transactions and its aspects, it also records them systematically and in a more concrete chronological order.
- ❖ Double entry book keeping helps to detect and avoid arithmetic errors due to its golden principle of recording every transaction with its corresponding debit or credit entry. In line with this, accountants are required to ensure that, every credit entry has its corresponding credit entry with the same balance. Therefore, in case of any deviation, the transaction needs to be rechecked.
- ❖ The method helps to detect and identify frauds, errors or any embezzlement of the organization's funds. It provides detailed and precise information regarding the occurrence of transactions and how the money has been used including the disbursement.
- ❖ Since the double entry method allows the preparation of all accounting and financial reports such as income statement, statement of financial position, balance sheets and statement of equity, it is therefore the best method to ascertain the financial position of the business.
- ❖ The system is well known worldwide for providing detailed information that can be used in decision making in the organization of owners and managers. On the other hand, the information obtained through double entry system can be used by external people who have interest in the organization such as creditors and investors and other potential shareholders.
- ❖ The method follows and comply with Generally Accepted Accounting Principles (GAAP), Therefore the information and reports prepared can be used and well understood by anyone in the world without any problem.

c) *Theoretical Review*

Financial Records keeping amongst SMEs is mainly for providing information, which in the future is used as an aid to decision making basing on the facts and figures recorded. Decision making in this angle entails finding solutions to all problems facing the firm and arriving into conclusions efficiently and effectively. Therefore, taking that into account, the study reviews two theories, namely; Decision theory and information theory.

i. *Information Theory*

The central function of accounting and financial record keeping is communication. Accounting and financial records are used to relay information to managers, shareholders or business owners and external users of the financial aspects of the entities such as tax authorities and government. If data are measured and comply with the criterion of relevance, quantifiability, unbiased and verifiability they can be termed as accounting information (Holmes, S. & Nicholls, D., 1988). It is within this theory where information generation process is associated with costs. The costs increase with the increase in the volume of collecting information.

ii. *Decision Theory*

Financial records keeping provide a base for decision making to managers, accountants and SMEs owners. Various decisions in business are carried out basing on the past and current reports obtained from the respective firm's operations and transactions (Simon, 1978). Various ratios analysis measures are calculated so as to arrive into the best business decisions. These include but not limited to current ratio, liquidity ratio, profitability ratio and return on investment ratio Agbemava *et al.,* 2016).

d) *Empirical Review*

Numerous researches have been undertaken by scholars in the area of financial records keeping amongst SMEs. The key areas of focus have been understanding SMEs' financial records keeping practices, challenges encountered in preparing and maintaining financial records and the impact of financial records keeping with SMEs business performance. Mixed evidences have been presented as to whether SMEs are aware of financial records keeping, keep records and use them in their day to day business decision making for their growth.

For instance, Amoako *et al.* (2014) reports that about 63% of SMEs in Sunya Municipality in Ghana do not prepare any formal accounts with retail shops being the most in numbers. The main reasons figured out behind non-preparation of accounts were; high associated costs, inadequate accounting skills amongst proprietors, on the other hand owners needed privacy of their business undertakings and the last one was the fact that the owners didn't find the essence of keeping records and preparing accounts. The same findings were reported by Olukotun *et al.* (2012) where they found that 87% of SMEs do not keep proper written records in Ijumu Local Government Area of Kogi State in Nigeria. Along the same line, Mashimba and Kühl (2014) in their study on the Performance of Micro and Small-Scale Enterprises (MSMEs) in Tanzania reported that most of small holder businesses do not keep the business records of their firms.

It is obvious that poor record keeping is among the major reasons behind the failure of startup and existing firms (Yohannes, 2015). This is caused by number of factors ranging from inadequate business management skills, lack of education and training on financial records keeping and low attachment of prioritization on financial records keeping. The study found that most firms end up losing the tracks of their records, hence operating without knowing if they are making profit or not. However, it was recommended that, SMEs, owners, managers and other staffs should be trained on records management and if possible where and when necessary they should seek assistance from accounting professionals.

On the other hand, Chelimo and Sopia (2014) in their study at Kabarnet Town, Baringo County in Kenya found that 75% of SMEs surveyed maintained books of accounts. Along the same line Musah and Ibrahim (2014) pinpointed in their study in Tamale Metropolis of Ghana that about 65% of SMEs respondents met keep and maintain records for tracking their business progress.

Another interesting result was captured by Maseko and Manyani (2011) who asserted that SMEs do not prepare a complete set of financial statements and others do not even prepare a single statement.

They further pinpointed that even those SMEs with well-maintained books fail to prepare financial statements as the task requires thorough accounts skills and knowledge. However, despite the existing mixed evidences as to whether SMEs keeps records or not, it is quite true especially in the developing countries that not all SMEs are well equipped to keep and maintain financial records of their businesses.

SMEs are faced with numerous challenges in keeping financial records and these factors have made some SMEs to totally abandon keeping financial records. Several factors have been put forward to explain these challenges. Amoako *et al.* (2014) explain the major challenges faced by SMEs in keeping financial records to be cost constraints, inadequate accounting skills of SMEs manager and owners, involvement of family members in financial matters and inadequate availability of skilled personnel. This study recommends regular trainings to SMEs on financial record keeping, records keeping consultation services at reduced fees and control of family interference into business matters. Olukotun and Olore (2012) in Kogi State of Nigeria identified the factors to be limited knowledge, SMEs assume they can keep the records in their heads, limited awareness and time consuming.

Apart from financial records keeping being perceived to be time consuming, costly and requiring more staffs to be employed Agbemava *et al.* (2016) added one important point that SMEs avoid keeping financial records as it make their business firms pay more tax. Therefore, most SMEs abandon preparing financial records for a purpose of evading taxes.

Maseko and Manyani (2011) in their study in Zimbabwe, found that Lack of accounting knowledge, cost and time constraints and lack of guiding accounting rules to be the major challenges faced by SMEs in preparing and keeping financial records.

On the other hand, Okoli (2011) pointed out that most of small scale entrepreneurs fail to keep a good track of records due to beliefs and perceptions. He further argued that most of small scale entrepreneurs believe that financial records keeping is a time-consuming activity, tedious, costly and requiring high level of skills.

In line with this he figured out hat, SMEs are afraid of keeping records with the sole reason being the belief that, records keeping exposes the financial position of their firms.

Various researchers have recommended various techniques to address the above mentioned challenges facing SMEs in preparing and maintaining financial records as explained here below. Olukotun *et al.* (2012) in their study in Kogi, Nigeria recommended that for the challenges facing SMEs in financial records, preparation to be solved; SMEs should employ sales clerk for that task, all business should open a corporate account, seminars and training should be organized by the Government on financial records keeping and Microfinance institutions should work closely with small scale entrepreneurs and urge them to open accounts to keep their daily sales in the banks.

Maseko and Manyani (2011) in their study in Bindura, Zimbabwe recommended Book keeping training, having specific guidelines or regulations for accounts preparation and improvement, record keeping should be mandatory and hiring consultancy services to be the panacea to SMEs challenges towards financial records keeping and maintaining.

Danford *et al.* (2014) in their study in Dodoma suggested that the challenges faced by SMEs in financial record keeping can be addressed through the Government and respective stakeholders in the SMEs sector developing a special and simple step by step record keeping guidance for all SMEs. They further appealed for regular training programmes for SMEs owners and their staffs on financial records keeping. Along the same line Amoako *et al.* (2014) in their study in Sunyani Municipality Ghana appealed to Government, regulatory bodies and education and financial institutions to conduct periodic training and regulation of consultancy fees for easy access to consultancy services amongst SMEs.

According to Adom et al (2014) in their study conducted in Ghana, showed that the completion of VAT monthly returns form resulted into increased costs to traders compared to the use of invoice book.

However, on the other hand, the results depicted the best practice on record-based controls of VAT as quoted *"record-based controls of VAT significantly improved SME's record keeping skills and accounting system, albeit it is found to be stringent relative to other record keeping types kept by SME's".*

Most of literature reviews as shown above have insisted on education and training as the key panacea towards SMEs challenges in financial records keeping and maintaining (Dawuda and Azeko 2015; Danford *et al.,* 2014; Maseko and Manyani 2011; Amoako *et al.,* 2014; Musah and Ibrahim 2014). Despite such consensus amongst authors in various geographical areas, no single study has suggested on costs arrangement of the respective education and training programs to be offered to SMEs.

e) The Essence of Training in Accounting amongst SMEs

Training of accounting skills to Small and Medium Enterprises (SMEs) is an issue which cannot be ignored. Numerous studies call for training of accounting skills to SMEs especially in developing countries. For instance, according to (Schwarze, 2008) in their study in South Africa, found that most of micro ntreprise do not posses finanial management skills required and this is attributed by lack of accounting and book keeping skills.

Accoridng to Msoka (2013) in their study in Tanzania recommended that, SMEs should be given training speifically on four key areas namely; Business planning, marketing skills, and accounting knowledge and customer care skills to enable them conduct businesses more efficient and effectively. Accounting and book keeping skills help SMEs to be well equipped with the essential knowledge to effectively record and maintain their business records. It helps SMEs owners prepare their business budgets, pricing, proper record keeping, prepare financial statement and use them in making their own business decisions such as increasing or reducing the size of operations. It further provides an aid to SMEs in tracking their debtors and stock taking aspects (Amoako, 2014; URT, 2003; Msoka 2013)

f) Customizing Financial Records and Report To Suit SMEs needs

Various authors have hinted that, financial records keeping and reporting is paramount for SMEs performance and growth, however, they should be customized to suit to the needs and demands of SMEs. The study by the International Federation of Accountants (IFAC) indicated that there is a need to develop well suited International Financial Reporting Standards that conforms to the needs and demands of SMEs (IFAC，2006).

On the other hand, McMahon (1998) in his study on Australian Manufacturing firms stressed that there is a need to develop financial standards that suits the need of SMEs as the existing ones seems to be complicated to SMEs and irrelevant taking to account their level of understanding, operations and volume of business.

g) Summary

Despite the few existing literature in this area of study, review of literature has shown that, financial records keeping is vital towards SMEs decision making and growth. However most of the studies conducted especially in developing countries such as Ghana, Kenya, Zimbabwe, Nigeria and Malaysia shows that most of SMEs do not keep their financial records and some do not prepare a complete set of financial statements. The major identified reasons behind poor financial records keeping amongst SMEs includes, but not limited to costs associated issues, time consuming, Tax avoidance and lack of book keeping skills amongst SMEs owners and managers.

However, there are gaps which still need to be filled by this study. The important identified gaps in this study include; studies of the likes conducted in Tanzania were conducted in small areas like the one conducted in Dodoma region at Madukani ward where there are limited volume of business composition and size compared to cities such as Dar es Salaam and Mwanza. Most of the studies reviewed didn't show how firms' characteristics such as age, capital, tangible assets and location influence financial records keeping amongst SMEs specifically on the Tanzanian context. Therefore, this study is set to bridge the gap by analyzing these factors. On the other hand, other studies focused only to SMEs owners and neglected SMEs staffs during the data collection process. Along the same token, the study uses other methodological framework in its design

(Random Sampling) compared to those used by other researchers such as stratified sampling and snow balling techniques and purposive sampling and test if the results obtained are the same. With respect to recommendations, almost all studies suggested education and training as the key panacea towards SMEs challenges in financial records keeping and maintaining, however they didn't unfold on who bear the costs. Also, the studies have been carried out in developing countries context; therefore, there is a need to test if the results obtained comply with LDCs' environment, specifically Tanzania.

h) Conceptual Framework and Research Model

i. *Conceptual Framework*

A conceptual framework can be defined as a set of broad ideas and principles taken from relevant fields of enquiry and used to structure a subsequent presentation (Tromp, 2006). Following the empirical and theoretical literature reviews, it is possible to conceptualize and visualize diagrammatically how firms' characteristics such as age, capital and tangible assets influence financial record keeping in Ilala Municipality.

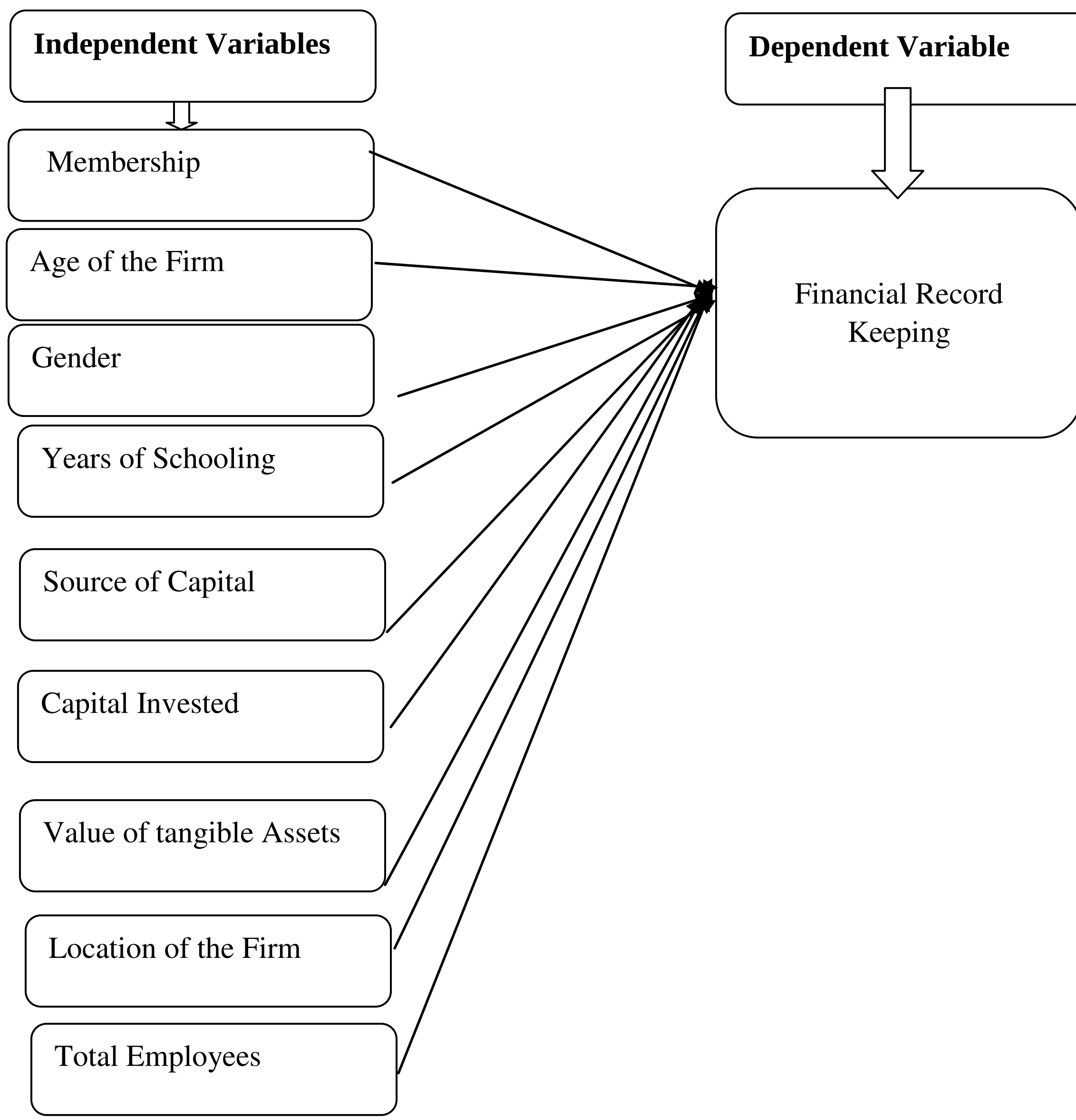


Figure 2.2: Conceptual framework

ii. *Explanation of Variables and Measurement*

The variables in ths study can be explained as follows (More variables are given in Chapter four, Table 4.5).

$$Yi = f(X_1, X_2, X_3, X_4, X_5)$$

Yi = Financial Records Keeping

This is a dependent variable in this study. It refers to probability on how firms characteristics such as age, capital and tangible assets influence financial records keeping amongst SMEs in Ilala Municipality.

X_1 = Size of the Firm

This was captured through the capital invested in the firm, operations, technology used and the human resources employed. This was continuous, measured by capital investments and human resources employed. Firms with huge capital were expected to keep proper records compared to others with little capital investment and human resources.

X_2 = Location of the Firm

This was captured through direct observation of the firm locality that is either at the city center or suburbs (sub streets). $X_{2=}$, 1 if a firm is located at the commercial area and 0, if otherwise. Firms located in commercial areas were expected to keep proper records compared to those in the suburbs.

X_3 = Age of the Firm

This involves the number of years the firm has been in operations since its establishment. This was gathered through asking the owners or staffs of the respective firms using administered questionnaires. Other supporting documents such as license certificate was used where and when necessary.

X_4 = Tangible Assets of the Firm

This variable was ascertained through the value of tangible assets owned by the respective firm. The information was collected through direct observation and administered questionnaires, taking note of the indicative value of the assets owned by the firm.

X_5 = Membership

Membership is the variable representing 1 if a respondent is a member of SACCOS, TCCIA or TPSF and 0 if the respondent is not a member. An enterprise is expected to keep financial records if the respondent is a member of SACCOS, TCCIA or TPSF compared to when he/she is not a member.

III. Methodology

a) Introduction

The purpose of this study was to analyze the factors influencing financial records keeping amongst SMEs with particular reference to Ilala Municipality. This chapter represents the blueprint or design of the research study. It entails the research design, sample size and selection techniques, data collection methods and analysis for obtaining the results.

b) Description of the Study Area

i. *Location*

The study was conducted in Ilala Municipal Council in four wards namely; Gerezani, Kariakoo, Buguruni and Kimanga. Ilala is one among the four municipal councils in Dar es Salaam region, others include Temeke, Dar es Salaam and Kinondoni Municipal Council. Ilala has a total area of 208sq.km and is located in between Longitude 39° and 40° East between 6° and 7° south of the Equator. On the Eastern part, it borders the Indian Ocean for a distance of 10 km. According to recent census of 2012, total population of the district is 1,220,611 which comprises of 595, 928 males and 624, 683 females. On the other hand, the population of the respective selected wards; Buguruni 70,585, Ilala 31,083 and Kariakoo 13,780 (NBS, 2014). The quest behind the selection of the Ilala Municipal council lies on the fact that the district has numerous SMEs and it is widely known due to commerce, banking, and presence of many national offices which enabled the researcher to collect reliable information and conduct triangulation where necessary.

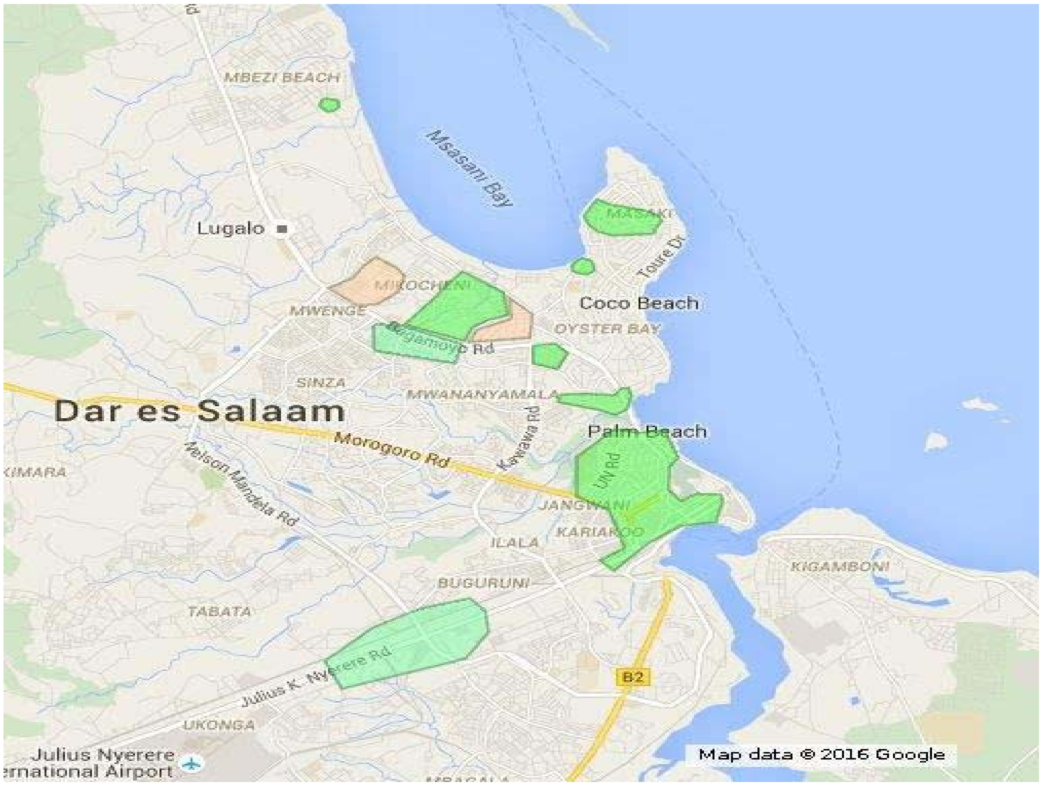


Figure 3.1: Map of Ilala Municipal Council-Dar Es Salaam

Source: *Google Map Data Source, 2016*

ii. *Socio Economic Activities*

Generally, in Tanzania, agriculture remains the backbone of the economy and in 2012 it contributed to about 22 percent of the Gross Domestic Product (GDP) (NBS, 2014). Despite being dominated by small scale Farmers it employs about three quarters of the Tanzanian households. The agricultural sector has an Inter-linkage with other sectors of the economy, thus increasing its contribution to the growth of the economy in general (NBS, 2014). However, in Dar es Salaam, Ilala inclusive most of residents are involved in non-farm activities such as trade and commerce due to limited land area for agriculture. The economic activities in Ilala Municipal council include the following;

a. *Livestock Keeping*

In Ilala Municipal council the major animals kept include dairy cattle, goats, chicken, ducks, sheep and pigs. According to NBS (2014), Ilala Municipal council livestock population as at 2012/13 was; Cattle 10,000, Goats 4,832, Sheep 218, Donkeys 50, Pigs 12,318, indigenous chicken 350,001 and broiler 1, 085,069. The animals are reared for both trade and domestic use. For instance, for cattle, hide and skins are used for exportation and as inputs to industrial sector.

b. *Fishing Activities*

Fishing is one of the key activities in Dar es Salaam region specifically in Ilala Municipality. It is one of the major sources of revenue to all the respective districts. Kivukoni market is the major fish market in Dar es Salaam where octopus, squid and kingfish are sold. Recent Fishery resources statistics in Ilala District as at 2013 shows; there are 2,125 fishing licenses, 6,000 fishermen, 222 registered fishing vehicles and fish production weight is 5,074,740 kg. This amount to Tzs 6,850,900,000/= (NBS, 2014)

c. *Beekeeping*

Statistics show that in 2013, there were 412 traditional and 170 modern beehives in Dar es Salaam region. Specifically, in Ilala Municipal Council, there were a total of 112 traditional beehives and 62 modern beehives as at 2013 (NBS, 2014).

c) *Research Design*

Research design is a framework that constitutes the blueprint for sample selection and sampling procedures, data collection, measurement and analysis of data collected. It aims at smooth facilitation of various research activities and operations yielding utmost information efficiently and effectively (Kothari, 2004). This study opts to use cross sectional research design to analyze the factors influencing financial records keeping amongst SMEs with particular reference to Ilala Municipality. The quest behind the selection of cross sectional research design lies on the fact that; generalizability of such studies is easy because they are representative of given populations, it is quick, cheap and less resources are utilized (Mann, 2003).

d) Targeted Population and Unit of Analysis

The study deployed SME's owners as the unit of analysis. SMEs owners being the operators of the entity are equipped with all the related information regarding business operations and activities. The study targeted population covers all the registered and non-registered SMEs in Ilala Municipality operating in Min supermarkets, Hardware, Agro shops, Phones and accessories shops.

e) Sample Size

The study deployed a sample size of 130 respondents randomly selected from; Kariakoo, Buguruni, Gerezani and Kimanga wards. This sample size was selected basing on the fact, the model used (Probit model) is more appropriate to small sample size even between 40 and 100 (Cakmakyapan and Goktas, 2013). Also, it is difficult to reach the whole population due to limited resources especially time, financial and human resources.

Along the same line, it is easy to manage the sample selected compared to studying the whole population. The study could not capture all the groups. Therefore, surveyed respondents were convenient enough to represent the entire population.

f) Sampling Methods

The study used both Probability and Non-Probability sampling techniques to select respondents operating in Min supermarkets, Hardware, Agro shops, Phones and accessories shops. Non-probability sampling was used to select four wards and owners of the enterprises for the study (SMEs). A sample of 130 Small and Medium Enterprises (SMEs) operating in Min supermarkets, Hardware and Phones and accessories shops were selected using probability and non-probability sampling. The probability sampling was used to select respondents to be included in the sample without considering their status or title in the respective business.

The targeted firms employed between 1 to 5 employees with capital investment ranging from Tsh. 500,000/= to Tsh. 80 million respectively.

g) Sampling Procedures

The research study was carried out in Ilala municipal council, Dar es Salaam region covering four wards namely; Gerezani, Kariakoo, Buguruni and Kimanga. A total of 130 respondents were interviewed in the entire research study, in which 54 were female and 76 were male. Out of 130 respondents interviewed, 54 respondents were from Gerezani which constituted 41.54%, 35 from Buguruni ward constituting 26.92%, 30 respondents from Kimanga ward constituting 23.08% and the remaining 11 respondents were from Kariakoo constituting 8.46%. A total of 75 firms in Min supermarkets, Agro shops Hardware and Phones and accessories shops that are directly supervised by owners themselves in each ward (Kariakoo, Buguruni and Ilala) were selected to ensure the unit of analysis is well captured and valid information is collected. The remaining 55 firms' respondents were randomly selected amongst SMEs staffs in Min supermarkets, Hardware, agroshops and Phones and accessories shops regardless of their positions or status.

h) Data Types and Collection Methods

The study deployed both Primary and Secondary data so as to ensure a thorough analysis of the facts collected which in turn lead to bold conclusion and recommendations. Primary data were collected directly from SMEs (Min supermarkets, Hardware. Agroshops, Phones and accessories shops owners and staffs in Kariakoo, Gerezani, Buguruni and Kimanga wards using structured and unstructured questionnaires with both open and closed ended questions.

The primary data, answers the question regarding the factors influencing financial records keeping amongst SMEs in Ilala Municipality. On the other hand, Secondary data, such as journal articles, newspapers, research journals and financial reports were used to supplement the information collected from primary sources. On the other hand, Observation and Interview methods were used to get some insights directly from the respondents.

Key information from secondary sources included but not limited to number of registered and non-registered SMEs in Ilala Municipality, experience of financial records keeping from other researchers and financial institutions reports shedding light on issues related to records keeping amongst SMEs.

Table 3.2: Research Objectives and Instrument Used

S/No.	Research Objective	Instrument used
1	To examine how firms' characteristics such as age, capital and tangible assets influence financial records keeping amongst SMEs in Ilala Municipality.	Questionnaires
2	To analyze the challenges faced by SMEs in financial records keeping.	Questionnaires and Interviews
3	To find out the kinds of financial records kept by SMEs and what they are used for.	Questionnaires

Source: Author (2016)

i) Model Specification

i. *Specification of Probit Model*

The study uses the Probit Model (PM) to analyze the factors influencing financial records keeping amongst SMEs in Ilala municipality. The probit model was chosen taking to account that, the dependent variable in the study was dichotomous in nature taking the value 1 or 0. The value 1 indicates that an SME keeps financial records and 0 indicates otherwise (SME is not keeping financial records). Also, the Probit model constrain the estimating probability to lie between 1 and 0. Cakmakyapan and Goktas (2013) pinpoints that, logit model is more appropriate to the larger sample size at least 150 while the Probit model is more appropriate to small sample size even between 40 and 100. In this study, the sample size was 130 and that lead the option of Probit model to be chosen.

Linear Probability Models (LPM) was not taken into account in this study due to its limitations, namely; it has the problem of generating predicted values which may fall outside 0,1 intervals, thereby violating the basic principle of probability (it has the defect that the conditional probability is not constrained to lie between zero and one). Another problem of LPM is heteroscedasticity; that is sub-populations may have different variabilities from others (Cameron and Trivedi, 2005). Linear Probability Model (LPM) is given by the following equation:

$$P_i = E(Y = 1|X_i) = B_1 + B_i X_i \qquad (1)$$

Where; Y= 1, If an SME keeps financial records and Y=0 if an SME does not keep financial records, Xi are explanatory variables and B's are parameters.

The response variable *Y* is *binary*, that it only takes two possible outcomes which we denote as 1 and 0. Y is 1 if an SME keeps financial records and Y=0 if an SME does not keep financial records. Xi are explanatory variables. Specifically, we assume that the model takes the form:

$$P_i = E(Y = 1|X_i) = B_1 + B_i X_i$$

Where Pr denotes probability that SME keeps financial records or not, and Φ is the Cumulative Distribution Function (CDF) of the standard normal distribution. The parameters β are typically estimated by maximum likelihood.

$$Y^* = X^T\beta + \varepsilon \qquad (2)$$

It is possible to motivate the probit model as a latent variable model. Suppose there exists an auxiliary random variable.

$$Y = \begin{cases} 1 \ if \ Y^* > 0 \ i.e. -\varepsilon < X^T\beta \\ 0 \ otherwise \end{cases} \qquad (3)$$

Where $\varepsilon \sim N$ (0, 1). Then *Y* which represents the SME influenced to keeps financial records or not can be viewed as an indicator for whether this latent variable is positive:

$$\Pr(Y = 1|X) = \Pr(Y^* > 0) = \Pr\,(X^T\beta + \varepsilon > 0 \qquad (4)$$

$$= \Pr\,(\varepsilon > -X^T\beta$$

$$= \Pr\,(\varepsilon < X^T\beta \ \ (by\ symmetry\ of\ the\ normal\ dist)$$

$$= \Phi(X^T\beta)$$

The use of the standard normal distribution causes no loss of generality compared with the use of an arbitrary mean and standard deviation because adding a fixed amount to the mean can be compensated by subtracting the same amount from the intercept, and multiplying the standard deviation by a fixed amount can be compensated by multiplying the weights by the same amount. Gouriéroux (2000) noted that for each explanatory variable, there are two types of marginal effects in binary dependent variables models. The first type of marginal effect is marginal Index effects which is the partial effects of each explanatory variable on the probit index function $x_i^T\beta$. If X_J is a continuous explanatory variable, marginal index effect of variable Xj is given by:

$$= \frac{\partial E(Y_i^*|X_i^T)}{\partial X_{ij}} = \frac{\partial X_i^T\beta}{\partial X_{ij}} \qquad (5)$$

X_J is a binary explanatory variable which is a Dummy or indicator variable. The marginal index effect of a binary explanatory variable equals to the value of the index function when $X_{1i}^T\beta = 1$ and the other regressors equal fixed values minus the value of the index function when $X_{0i}^T\beta = 1$ and the other regressors equal the same fixed values. The marginal index effect of the dummy variable X_J is marginal index effect of Xj

$$= X_{1i}^T\beta - X_{0i}^T\beta$$

The limitation of the Marginal index effects are difficult to interpret because it is difficult to interpret and impossible to measure the latent dependent variable Y_i^* which whether people might be influenced to keep records or not. The other effect is Marginal probability effects which are the partial effects of each explanatory variable on the probability that the observed dependent variable Y_i= 1, in probit models are given below:

$$\Pr(Y_i = 1) = \Phi(X_i^T\beta) = standard\ normal\ c.d.f.evaluated\ at\ X_i^T\beta.$$

If X_J is a continuous explanatory variable

$$Marginal\ Probabilty\ effect\ of\ Variable\ X_j = \frac{\partial \Pr(Y_i = 1)}{\partial X_{ij}} = \frac{\partial \Phi(X_i^T\beta)}{\partial X_{ij}}$$

Using the chain rule of differentiation, we can obtain a general expression for the marginal probability effect of a continuous explanatory variable:

$$Marginal\ Probabilty\ effect\ of\ X_j$$

$$= \frac{\partial \Phi(X_i^T\beta)}{\partial X_{ij}} = \frac{d\Phi(X_i^T\beta)}{d(X_i^T\beta)} \frac{\partial (X_i^T\beta)}{\partial X_{ij}} = \Phi(X_i^T\beta) \frac{\partial (X_i^T\beta)}{\partial X_{ij}}$$

Where;

$$\Phi(X_i^T\beta) = \frac{d\Phi(X_i^T\beta)}{d(X_i^T\beta)} = the\ value\ of\ standard\ normal\ p.d.f\ at\ X_i^T\beta.$$

$$\frac{\partial (X_i^T\beta)}{\partial X_{ij}} = the\ marginal\ index\ effect\ of\ X_j$$

If X_J is a binary explanatory variable (a dummy or indicator variable), the marginal probability effect of a binary explanatory variable equals to the value of $\Phi(X_i^T\beta)$ when X_{ij}= 1 and the other regressors equal fixed values minus the value of $\Phi(X_i^T\beta)$ when X_{ij}= 0 and the other regressors equal the same fixed values.

The marginal probability effect of the dummy variable X_J is

$$Marginal\ Probabilty\ effect\ of\ X_j = \Phi(X_{1i}^T\beta) - \Phi(X_{0i}^T\beta).$$

j) Data Analysis Techniques

This research study examines how SMEs firms 'characteristics influence financial record keeping in Ilala Municipal council. It entails to bridge the knowledge gap on the challenges faced by SMEs in financial records keeping; the different types of financial records used by SMEs, the importance of financial records and how do SME keep financial records in Ilala Municipal council.

Firms were asked about whether they keep financial records or not. For those who were keeping record were asked to figure out how they use the records kept, types of records they keep and the challenges they face and the respective solution. For those who were not keeping any record, were asked to stipulate the reasons behind.

Other key information collected from the respondents includes; the age of the firm, sales turnover, employees, value of tangible assets, location and capital invested.

Data analysis and processing involved data entry into the Statistical Package for Social Sciences (SPSS), data cleaning and verifications, transformation and analysis using figures, charts and tables.

Taking to account that, the influence was based on firms' socioeconomic characteristics, SMEs provided "Yes" and "No" answers which were analyzed using a Probit model. Data were coded using SPSS 16.0 then transferred into a STATA file for major analysis.

The final results were produced using Statistical Package for Social Sciences (SPSS) and STATA. Microsoft excel was used as an aid in drawing tables, figures and charts.

Descriptive statistics for the data are provided to show SMEs' characteristics. Descriptive analysis explains how firms'' characteristics influence financial record keeping amongst SMEs in Ilala municipal council. Relevant tests for the models and interpretation of results are provided. The Probit model was evaluated by performing model specification test, goodness of fit test, and multicollinearity test.

IV. Data Analysis and Presentation of Findings

a) Introduction

This chapter presents the analysis and discusses the results following the methodology outlined in chapter three. It is divided into two sections. The first section present and discusses the descriptive statistics, that includes the characteristics and features of the sample used. The subsequent section entails to present the econometric results.

b) Socio Economic Characteristics of the Respondents

The social-economic characteristics of the respondents include marital status, age, sex and level of education. These socio-economic characteristics have paramount implication towards financial record keeping amongst SMEs. Table 4.1 presents some of the descriptive statistics.

Table 4.3: Descriptive Statistics

Variable	Obs.	Mean	Std. Dev.	Min	Max
Financial Records Keeping	130	0.9	0.3011	0	1
Membership	130	0.492	.502	0	1
Age of the Respondent	130	32	7.44	19	50
Age of the Firm	130	7.127	5.262	0	26
Squared Age of the Firm	130	78.274	106.510	0	676
Gender	130	0.585	0.495	0	1
Years of Schooling	130	11.946	3.200	7	17
Source of Capital	130	0.315	0.466	0	1
Logarithm of Capital Invested	130	15.719	0.879	13.12236	18.19754
Total employees	130	2.385	0.943	1	5
Location of the Firm	130	0.808	0.396	0	1
Logarithm of Value of Tangible Assets	130	15.533	0.634	13.81551	17.21671
Sales Turnover	130	1.58E+07	9803512	1900000	7.00E+07
Value of Tangible Assets	130	6807692	4691318	1000000	3.00E+07
Capital Invested	130	1.01E+07	1.18E+07	500000	8.00E+07
Squared Age of the Respondent	130	1078.923	505.123	361	2500

Source: Author (2016)

i. *Age of the Respondents*

The analysis was carried out to ascertain the age of respondents (owners, managers, human resources officers and sellers). The results show that, the youngest respondent had an age of 19 years while the oldest had an age of 50 years and 32 years on average. The age at turning point is 30 years. This indicates that, the respondents who were taking part in the SMEs as owners, managers, sellers and human resources officers are matured enough and understand the essence of keeping records in the business.

ii. *Marital Status of the Respondent*

The results regarding the marital status of the respondents met shows that, 71% (n=92) of respondents were married and 29% (n=38) of respondents were not married. The married category constitutes the largest percentage over the single category. This implies that, family responsibility increases the seriousness of the people in handling various issues business stuffs inclusive so as to earn profit and avoid incurring losses. The study also corresponds to the recent national population census where marriage was cited as 62% (NBS, 2012).

iii. *Education of the Respondents*

Concerning the level of education, 42% (n=55) of respondents met attained secondary education, 22% (n=29) attained tertiary or college education, 18.46% (n=24) attained primary education and 16.92% (n=22) attained university level education. The dominance of secondary, tertiary level and university level education amongst respondents shows that, majority of respondent met at least had a clue on preparation and essence of keeping financial records. However, the only challenge with this is that each and every respondent was keeping financial records as per his or her wishes without following the set standards and guidelines. The same findings were reported by Richard (2003) that SMEs lack a clear and concrete guidance on financial records keeping.

iv. *Sex of Respondents*

The results show that, 58.46 % (n=76) of the respondents met were male, while

41.54 % (n=54) were female. This implicates that, there is higher male dominance in ownership and operation of business firms compared to female. The result corresponds to study conducted by Kuunibe (2012) which showed that male participation in Small and Medium Enterprises (SMEs) is higher compared to female. Therefore, the government in collaboration with other stakeholders should join hands to empower women so that they can equally participate in all sectors of the economy (SMEs inclusive) as men.

v. *Financial Records Trainings to SMEs*

It was noticed that the majority of respondents constituting about 71.54% (n=93) received training on financial records from various public and private institutions such as Small Industries Development Organization (SIDO), Savings and Credit Cooperative Society (SACCOS) and faith based organizations (FBOs). However, despite the fact that respondents received trainings from different agencies, time and location but they all stressed to have been trained on issues, inter alia; record keeping practices, tools, rules and regulation, tax matters and essence of records keeping to SMEs. On the other hand, the remaining 28.46% (n=37) of the respondent didn't receive any training related to financial records keeping. The findings conform to the study conducted by Chachage (2006) which stressed that education and trainings are essential for skills development in multifaceted arrays of life. Along the same line, Rugumyamheto et al (1997) stresses that, management skills and trainings, especially record keeping are essential for both formal and informal sector operators to venture and utilize the new opportunities.

Along the same line, descriptive statistics shows that, 78.7% of shareholders or owners received trainings on financial records keeping while only 21.3% didn't receive training, 76.9% of general managers received training on financial record keeping while the remaining percentage of about 23.1% didn't receive, for human resources it was 50% for those who received and those who didn't and for sellers 59.4% received training while 40.6% didn't receive any training on financial records keeping.

vi. *Title or Position of the Respondents in a Respective SME*

Approximately 57.69% (n=75) of respondents met were the owners and shareholders of the enterprises, 24.62% (n=32) were sellers, 10% (n=13) were general managers, 7.69% (n=10) were in the administrative department covering finance, accounts and human resources. The study shows that, higher percentage of the interviewees were the targeted population or unit of analysis (Owners and shareholders), therefore the findings obtained represent the real picture of records keeping situation in Ilala Municipality.

vii. *Sources and Amount of Capital Invested*

The minimum amount of capital invested by entrepreneurs met by the researcher was Ts.500, 000/= while maximum amount was Tsh.80, 000,000/= with average of Tsh.10, 100,000/= (see Table 4.1). The major source of finance or capital which amounts to 68.46% (n=89) amongst respondents interviewed was from their personal sources and grants. Respondents used their personal savings, grants and charities from their family members to earn enough capital for investments. On the other hand, 31.54% (n=41) of the respondents cited financial institutions such as Banks, SACCOS and VICOBA as the key sources of their capital base.

It was noted that, most of the respondents didn't prefer to ask for a loan from financial institutions due to high interest rate, lack of collateral securities and requirement of financial reports of at least three years past. The same results were highlighted by Calice et al (2012) and Padachi (2009) that SMEs fail to access finance due to limited availability of attractive and affordable finance. One of the respondent met dealing with agro-shop business hinted that, as quoted *"it is quietly cumbersome to wait for loan from financial institutions due to high interest rate, bureaucracy and unnecessary requirement such as collateral securities and financial reports"*

viii. *Sales Turnover of the Firm*

The researcher was interested to ascertain the sales turnover of the firms on annual basis and how it influences financial records keeping amongst SMEs in Ilala Municipality. The findings show that, the minimum sales turnover was Tsh.1, 900,000/= and the maximum sales turnover was Tsh.70, 000,000/=. The results show that, the sales turnover coefficient is positive as expected and statistically significant at 5 percent significance level. This implies that, the probability of an enterprise to keep financial records increases as the annual sales turnover increases.

ix. *Value of Tangible Assets Owned by the Firm*

Value of tangible assets of the firm was one among the independent variables in this study. All respondents interviewed were asked about the value of tangible assets they possess in their firms. All respondents met in this study possessed various assets all valued in Tanzanian shillings (Tsh.). Study findings show that the minimum value of the tangible asset owned by the firms is Tsh.1, 000,000/= and the maximum value is Tsh.30, 000,000/= and Tsh.6, 807,692/= on average.

x. *Temporary and Permanent Employees*

Regarding the number of employees, SMEs interviewed were found to have both permanent and temporary employees. The minimum number of employees found in the study was 1 while the maximum number of employees was 5 with mean and standard deviation of 2.384615 and 0.943231 respectively. The study corresponds to study conducted by the International Finance Company (IFC) of the World Bank (2012) which estimated that there are 2.7 million enterprises in Tanzania and the majority of them are micro entrepreneurs employing less than 5 people.

xi. *Form of Business Ownership*

Sole proprietorship was the dominant form of business ownership constituting about 83.08% (n=108) while partnership covered the remaining 16.92% (n=22). This was attributed by the fact that, sole proprietorship is easy to manage, easy in tax preparation and it does not require a lot of procedures to form and register compared to partnership and company.

xii. *Location of the Firm*

About 80.77% (n=105) of the respondents interviewed located their firms in the designated commercial areas such as Kariakoo market, Buguruni and Ilala area while 19.23% (n=25) located their firms in residential areas. When asked the reasons behind locating their firms in residential areas, firm owners stressed that, it is difficult to acquire plots in designated commercial areas due to high rent charges and municipal levies which affect their profit and operations. It was further narrated that, locating your firm in the residential areas is a strategy for winning the market. Therefore, for the sake of ensuring that, all SMEs owners locate their firms in designated commercial areas and undertake their business operations transparently including keeping proper financial records in compliance to laws, regulations and financial standards, the government and its respective authorities should create conducive business environment including lowering rental charges and other city levies so as to avoid affecting SMEs' profit margin to a great extent.

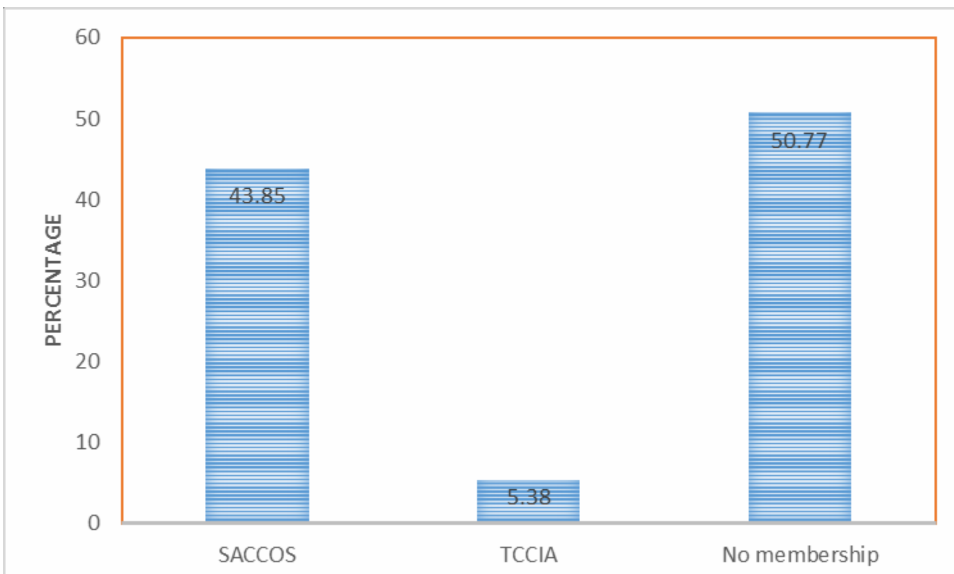
xiii. *Registration and Age of the Firm*

Out of 130 firms reached, 93.8% (n=122) firms were registered with Business Registration and Licensing Agency (BRELA) and only 6.15 % (n=8) were not registered. The reason behind failure to register their firms were highlighted to be fear of tax matters, costs in terms of time and money and limited knowledge on registration procedures. The youngest firm has an age of less than 6 months since in business operations while the oldest firm has an age of 26 years in operations.

The average age of all firms reached is 7.5 years while the age of the firm at turning point is 11.6 years. In line with this, firms interviewed were registered and started their operations between 1976 and 2016.

xiv. *SMEs' Membership Affiliation*

The study was also interested to ascertain the membership affiliation of the respective SMEs interviewed. It was found that, 43.85% of SMEs met were members in Savings and Credit Cooperatives Societies (SACCOS) and 5.38% were members of the Tanzania Chamber of Commerce Industry and Agriculture (TCCIA). However, the majority of SMEs about 50.8% had no any membership association and when asked the reasons behind, they asserted that most of membership associations do not deliver effective services as per their needs and challenges despite charging high membership fees and other related contributions.



Source: Field Data, 2016

Figure 4.3: SMEs' Membership or Affiliation

c) *Examination of the Types of Financial Records Kept by SMEs in Ilala Municipal Council*

Before presenting the types of financial records kept, the Researcher presents first the number of respondents who were keeping financial records and those who were not keeping any record and the reasons behind. About 90% (n=117) of the respondents met were keeping financial records for their business while 10% (n=13) of the respondents met were not keeping any financial record. Despite the fact that majority of SMEs were keeping records but their records were not complying with the national and international standards set rules and regulations including bookkeeping standard procedures.

They were just maintaining records as per their own wishes and understanding mainly to determine whether they are operating in loss or profit. Other researchers also shed light on this such as Chelimo (2014) who asserted that, even those SMEs claiming to keep records they do not keep proper records and skip following the standards and set procedures in records keeping. To identify the reasons for not keeping financial records, those 13 respondents who were not keeping cited various reasons. All 13 respondents were not keeping financial records on the opinion that it is a time-consuming endeavor. Other reasons cited by 12 respondents out of 13 were costs factor, limited knowledge and fear of tax assessment by tax officials.

Financial Records Kept	Frequency	Percentage*
Cash Book	80	68.4
Petty Cash Book	10	8.5
Sales Day Book	55	47.0
Purchase Day Book	24	20.5
Debtors Book	61	52.1
Creditors Book	17	14.5

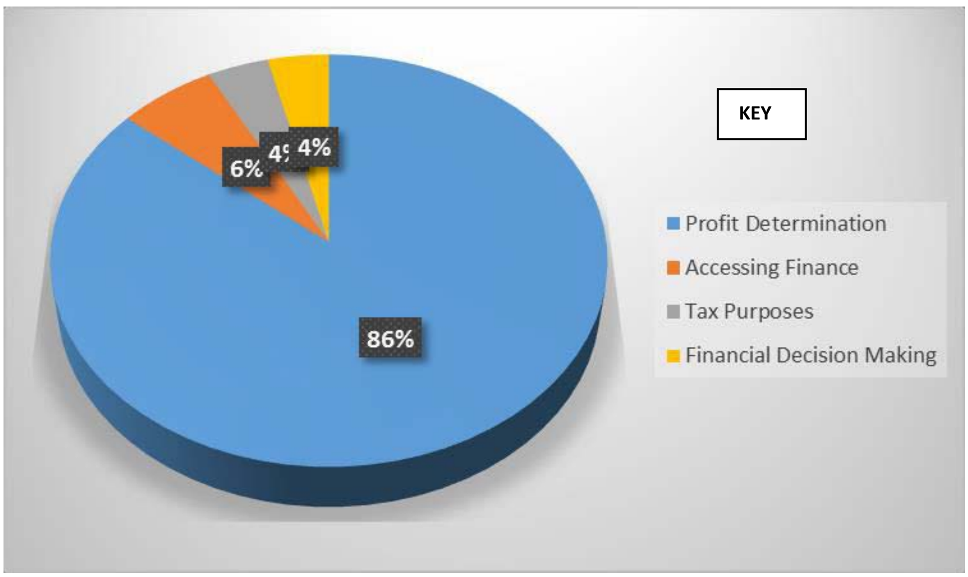
Figure 4.4: Financial Records Kept by SMEs in Ilala Municipal Council

*Note: * This is the number of respondents reporting a particular type of record they keep as a percentage of 117 respondents who were keeping records. Total percentage is greater than 100 because some of the respondents kept more than one type of financial record.*

Source: Field Data, 2016

i. *The Uses of Financial Records Kept*

This is one of the areas of interest for this study. It ascertains the importance and uses of financial records kept by SMEs in Ilala Municipal council. The majority of respondents, approximately 86% pinpointed to use financial records kept for profit determination, followed by accessing finance (6%), as a base for tax calculation purposes (4%) and lastly for financial decision making (4%). See Figure 4.5:



Source: Field Data, 2016

Figure 4.5: Uses of Financial Records Kept in an Enterprise

The Researcher also investigated which financial statements are prepared using the financial records that they keep. Table 4.4 below clearly shows the financial statements prepared by SMEs in Ilala Municipal. The majority of SMEs prepares income statement (96.9%) and very few respondents prepared cash flow statement (4.27%) and statement of financial position (2.56%).

Table 4.4: Financial Statement Prepared by the Firm

Financial Statement Prepared by the firm	Frequency	Percentage*
Income statement	113	96.6
Statement of Financial Position	3	2.56
Cash Flow Statement	5	4.27

*Note: * This is the number of respondents preparing a particular financial statement as a percentage of 117 respondents who were keeping records. Total percentage is greater than 100 because some of the respondents prepared more than one kind of financial statements.*

Source: Field Data, 2016

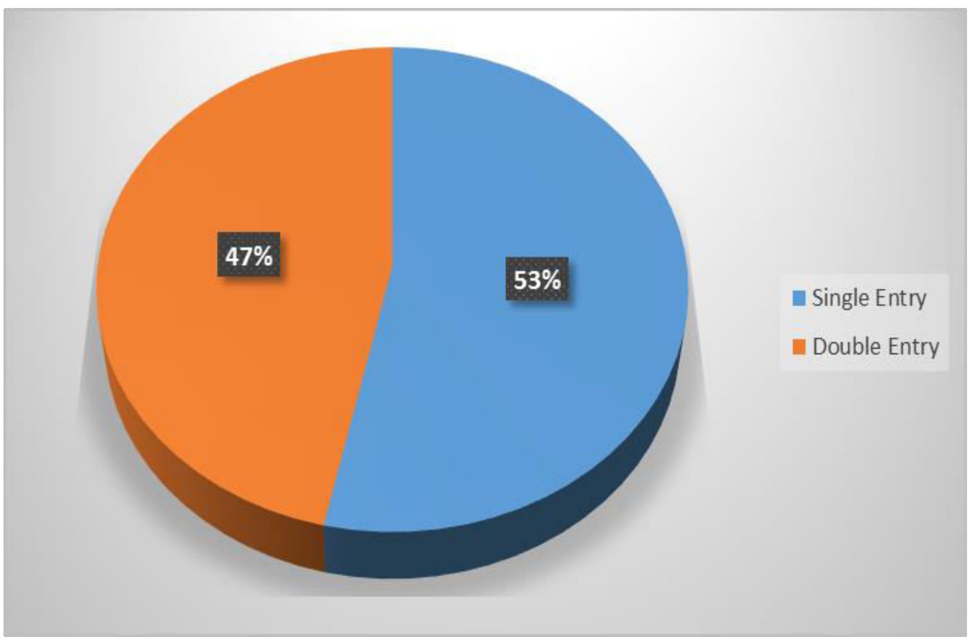
Finally, the Researcher explored more information regarding financial records keeping and financial reports preparation. The respondents were asked to state who prepare their financial reports if any. It was revealed that, 65.8% of respondents (n=77) were personally preparing financial reports such as income statement of their business firms. On the other hand, about 26.5% (n=31) were using hired consultants with professionalism in accounts preparation, which conforms to findings by Agbemava *et al.* (2016) who suggested that in some cases, SMEs hire professional people to prepare accounts on their behalf. Only 7.7% (n=9) of the 117 respondents who kept records, used their own employed accountants to prepare financial statements.

d) Analyzing the Importance of Financial Records Keeping and Exploring the Existing Methods Used for Recording and Settling Transactions

The second objective of this study is to analyze the importance of financial records keeping and to explore existing methods used for recording transaction and settling debts. The findings regarding this objective are presented below:

i. *Methods Used for Recording Transaction and Settling Debts*

Here the Researcher focused on exploring the use of single entry or double entry in preparation of financial records. About 53% (n=62) of respondents who were keeping records cited to use Single entry and the remaining 47% (n=55) were using double entry, where each financial business transaction is recorded twice in the books of accounts (see Figure 4.3). Single entry was the dominant method used by the majority of SMEs in their bookkeeping which is similar to the outcome that was also figured out by Chelimo (2014) in his study based in Kenya.



Source: Field Data, 2016

Figure 4.6: Method of Recording Financial Transaction

Further findings were based on how financial obligations were settled by consumers in the respective SMEs firms. It was found that, 97.69% of the respondents allowed settling transactions by Cash, 38.46% accepted transaction settling on credit and only 3.08% accepted the use of cheque[1].

e) Analyzing the Challenges Faced by SMEs in Financial Records Keeping

The third objective of this study was to analyze the challenges faced by SMEs in financial records keeping. As it applies in other areas in the world, SMEs in Ilala Municipal council face numerous challenges in financial records keeping. The most cited challenge in the course of this study was inadequate recording keeping skills (44.62%), cost constraints in terms of time and money (34.62%) and inadequate availability of skilled personnel such as accountants and cashiers (21.54%). One of the respondents at Gerezani ward

[1] Total percentage is greater than 100 because some SMEs settled financial obligations using more than one method.

contended that as quoted *"Record keeping and financial statement preparation requires your enterprise to have enough staff, time and money and it's difficult for a person like me who is just standard seven leaver (primary school) to prepare records on my own. Big enterprises are the ones to keep records and prepare financial statement"*. The findings of this study conform to the findings of Agbemava *et al.* (2016) and Amoako *et al.* (2014,) who stressed that when it comes to bookkeeping and preparation of financial statements, SMEs are faced with several challenges namely; costs, time and inadequate staffs.

Table 4.5: Challenges in Financial Records Keeping

Challenge Encountered	Frequency	Percentage
Inadequate skills	58	44.62
Inadequate availability of skilled personnel	28	21.54
Cost Constraints	45	34.62

Note: Total percentage is greater than 100 because some of the respondents cited more than one challenge.

Source: Field Data, 2016

When SMEs were asked about the solutions to above mentioned challenges facing them in financial records keeping, respondents argued the provision of accounting trainings specifically on financial records keeping and management (58.46%) and reduction of financial report preparation consultancy fees (40.77%).

f) Challenges Faced by SMEs in Ilala Municipal Council

This section extends from the above section to cover the challenges facing SMEs in Ilala District. Various reports show that, SMEs face numerous challenges in their day to day operations, inter alia, inadequate access to finance, limited entrepreneurial knowledge and education and access to markets. However, the most cited impending challenges facing SMEs in Ilala Municipal council were heavy taxes and levies constituting about 65.38% (n=85), inadequate access to finance 26.15% (n=34) and difficulties in financial records keeping constituting about 16.15% (n=21) as shown in figure 4.4 in subsequent chapters.

Regarding taxes and levies it was asserted that, apart from tax collected by the Tanzania Revenue Authority (TRA), the Dar es Salaam city imposes other charges such as cleanness, security, development and market charges on a daily basis which results into increased costs. The same results were figured out by Fjose (2010) who stressed that getting rid of inefficient taxes levied upon SMEs may encourage them to enter into formal sector and operate legally. Respondents claimed that sometimes the city subject them into penalties in case of any delay in paying the respective levies.

With respect to difficulties in accessing finance, high interest rates, strict conditions and requirements by financial institutions such as collateral security were cited as the key causes towards SMEs failure to access finance. The same results were also found by Fjose (2010) who stressed that SMEs in Africa have huge opportunities for growth, however they are hindered by inadequate access to finance and power shortage especially electricity.

On the hand, the study by Calice et al (2012) with African development bank conducted in Kenya, Tanzania, Uganda and Zambia figured the same results that hinder SMEs access to finance inter alia; SME must be a client for at least three years before requesting loan, SME must be accessing deposit and build a good track record before loan aplication.

On the other hand, SMEs perceived financial record keeping as a challenge due to the fact that, they have inadequate skills and knowledge on records keeping and use of the records kept and consultancy fees for preparation of financial statement is very high coupled with inadequate availability of accounting professionals. The chart below shows the challenges.

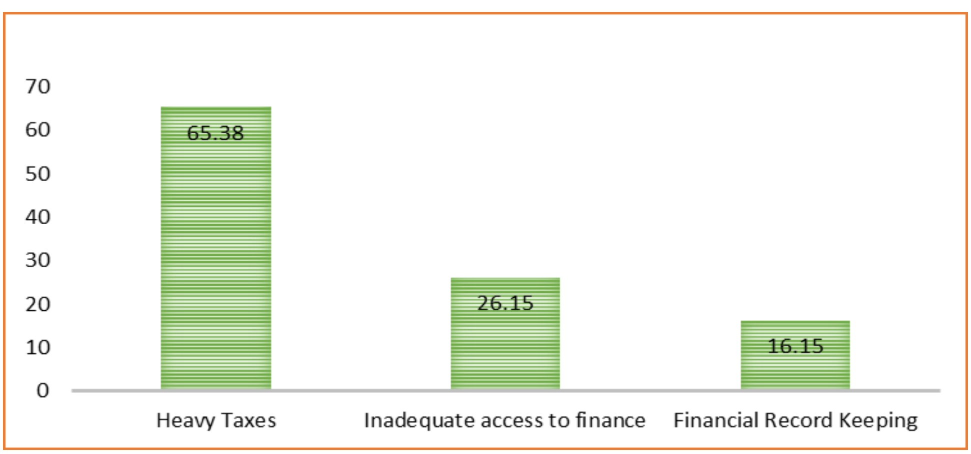


Figure 4.7: Challenges Faced by SMEs

Source: Field Data, 2016

Note: Total percentage is greater than 100 because some of the respondents cited more than one challenge.

g) Evaluation of Probit Model

This section shows how data were evaluated to see their validity and reliability if applied to probit regression. We first provide the independent variables in Table 4.5 that were used in the model in investigating the factors affecting Financial Records Keeping in SMEs followed by probit regression diagnostic tests.

Table 4.6: Definition of Variables Used in the Model

Variable	Units	Description	Expected Sign
Membership	1 or 0	1=Member of SACCOS/TCCIA/TPSF, 0=Otherwise	+
Age of the Firm	Years	Age of the Firm	+/-
Gender	1 or 0	1=Male, 0=Female	+/-
Years of Schooling	Years	Number of years in School	+
Source of Capital	1 or 0	1= Financial Institutions, 0= Personal Source/Grants	+
Capital Invested	Log	Logarithm of Capital Invested	
Total employees	Number	Number of employees	+
Location of the Firm	1 or 0	1=Commercial area, 0=Residential area	+
Value of Tangible Assets	Log	Logarithm of Value of Tangible Assets	+

Source: Author (2016)

Our model went through various diagnostic tests to avoid making invalid statistical inferences if the assumptions of probit regression are not met. The probit regression requires no omission of important variables; no inclusion of irrelevant variables; the independent variables are measured without error; the observations are independent, and the independent variables are not linear combinations of each other. The following tests were conducted to check the reliability of the estimates.

i. *Multicollinearity Test*

Multicollinearity is a linear combination of two or more explanatory variables in the model and can have different effects on the model depending on the degree of multicollinearity. For example, it is impossible to find a unique estimate of regression coefficients with all the explanatory variables in the model when perfect multicollinearity occurs. Any correlation among the explanatory variables is a sign of multicollinearity; however moderate multicollinearity is not a problem. Severe multicollinearity causes the standard errors for the coefficients to be very large (inflated), and the estimated probit regression coefficients are likely to be unreliable.

The Researcher conducted a correlation analysis to identify if there is moderate or severe multicollinearity. The correlation of 0.8 or above between two explanatory variables is an indication of severe multicollinearity. The results from Table 4.7 show that there is no severe multicollinearity since the correlation is less than 0.8. Therefore, this implicate that, the standard errors for the coefficients are not inflated and the probit regressions in this study are reliable.

ii. *Model Specification Test*

The Researcher tested whether the model has all the relevant variables and if the linear combination of them is sufficient. To detect a specification error, the test uses the linear predicted value (*_hat*) and their squares (*_hatsq*). The variable *_hat* has to be statistically significant predictor, since it is the predicted value from the model while variable *_hatsq* should be insignificant for the model to be correctly specified. If *_hatsq* is significant, then either relevant variable(s) are omitted or the link function is not correctly specified. Table 4.6 shows the result of model specification test.

Table 4.7: Model Specification Test

Financial Records Keeping	Coefficient	Std. Err.	z	P>|z|	[95% Conf. Interval]	
_hat	0.9067	0.2535	3.58	0.000	0.4098	1.4035
_hatsq	0.1871	0.2497	0.75	0.454	-0.3023	0.6765
_cons	-0.1977	0.3844	-0.51	0.607	-0.9511	0.5557
Probit regression		Number of observations			=	130
		LR chi2(2)			=	50.91
		Prob > chi2			=	0.000
Log likelihood = -16.805		Pseudo R2			=	0.6023

Source: Author's Computation from Field Data, 2016

From Table 4.6, it is shown that the model is correctly specified since *_hat* is statistically significant at 1% significance level as reflected by a probability value of 0.00 and the variable *_hatsq* is statistically insignificant with probability of 0.454.

iii. *Goodness of Fit Test*

Goodness of fit of the model shows how well the model fits the data. There are numerous goodness-of-fit measures such as percent correctly predicted, pseudo R- square, and other.

The log likelihood chi-square is an omnibus test that tells if the model as a whole is statistically significant. It matches the current model with an intercept model. The results show that, the model is statistically different from the intercept model as reflected by the probability of 0.0004 and hence the model as a whole is statistically significant.

The Hosmer and Lemeshow's goodness-of-fit test can be used to test model fit under the null hypothesis that, there is no difference between the observed and predicted values of the outcome variable. The Hosmer and Lemeshow test results ($\chi^2 = 0.58$, 8 degrees of freedom, $P = 0.9998$) indicate that the goodness of fit is adequate.

A Classification table gives the predictive accuracy of a probit regression model. It involves cross classifying the dependent variable with the categorical variable coming from the fitted probabilities. The overall correct percentage was 94.62 percent, which shows that, the model's overall explanatory strength is good.

The discrimination of a model indicates how well the model distinguishes respondents who keep financial records and those who do not keep. This can be examined using the Area under the Receiver Operating Characteristic Curve (AUROC). The value of the AUROC is the probability that a respondent who keeps financial records has a higher predicted probability than the one who do not keep. We calculated the AUROC and got a value of 0.9658, indicating that the model discriminates well.

Given the above tests of goodness of fit, it is generally observed that the model fits the data well.

Table 4.8: Correlation Analysis

	SACCOS Membership	Age of the Firm	Gender	Years of Schooling	Source of Capital	Logarithm of Capital Invested	Total employees	Location of the Firm	Logarithm of Value of Tangible Assets
SACCOS Membership	1								
Age of the Firm	-0.070	1							
Gender	0.018	-0.273	1						
Years of Schooling	0.041	0.076	0.118	1					
Source of Capital	0.060	0.162	0.068	0.173	1				
Logarithm of Capital Invested	0.049	0.109	0.064	0.218	0.255	1			
Total employees	-0.223	-0.033	-0.054	0.189	-0.049	0.074	1		
Location of the Firm	0.129	0.139	-0.134	0.108	0.163	0.282	0.034	1	
Logarithm of Value of Tangible Assets	0.156	0.309	-0.123	0.112	0.326	0.355	-0.110	0.420	1

Source: Author's Computation from Field Data, 2016

The Researcher also examined Tolerance and Variance Inflation Factor (VIF), which are the two regularly used measures of the strength of the interrelationships among the variables. Tolerance is an indicator of the extent of multicollinearity that a regression analysis can tolerate and VIF is an indicator of the extent of the inflation of the standard error which might be caused by multicollinearity. If all of the explanatory variables are completely uncorrelated with each other, then both the tolerance and VIF are 1. If a variable is very closely related to another variable or variables, the tolerance approaches to 0, and the VIF is very large. From the result presented in Table 4.8, the tolerance is close to 1 and the mean VIF is 1.22 which is very small indicating no multicollinearity problem.

Table 4.9: VIF and Tolerance

Variable	VIF	Tolerance
Membership	1.11	0.9043
Age of the Firm	1.22	0.8203
Gender	1.16	0.8634
Years of Schooling	1.14	0.8797
Source of Capital	1.18	0.8442
Logarithm of Capital Invested	1.26	0.7953
Total employees	1.14	0.8759
Location of the Firm	1.28	0.7822
Logarithm of Value of Tangible Assets	1.54	0.6487
Mean VIF	1.22	

Source: Author's Computation (2016)

h) Interpretation of the Results from Probit Model

The coefficients and marginal effects of the Probit Model are given in Table 4.9. The Probit model is used to assess the factors affecting financial records keeping in SMEs.

Table 4.10: Results for enterprise financial records keeping

Explanatory Variables	Coefficient	Marginal Effects (dF/dx)
Constant	-12.629	
	[9.370]	
Membership#	2.015***	0.036***
	[0.642]	[0.030]
Age of the Firm	0.126**	0.001**
	[0.054]	[0.001]
Gender#	0.408	0.004
	[0.394]	[0.006]
Years of Schooling	-0.221**	-0.002**
	[0.087]	[0.002]
Source of Capital#	0.547	0.004
	[0.525]	[0.006]
Capital Invested	0.554**	0.004**
	[0.283]	[0.005]
Total employees	0.861***	0.007***
	[0.292]	[0.008]
Location of the Firm#	1.913***	0.105***
	[0.548]	[0.081]
Value of Tangible Assets	0.222	0.002
	[0.479]	[0.004]
Number of observations	*130*	
Wald chi2(9)	*30.55*	
Prob > chi2	*0.0004*	
Pseudo R2	*0.5943*	
obs. P	*0.900*	
pred. P	*0.997*	*(at x-bar)*

Note: Robust standard errors in brackets
**** significant at 1%, **significant at 5% * significant at 10% level*
(#) dy/dx is for discrete change of dummy variable from 0 to 1

Source: Author's Computation (2016)

The results of the probit model suggest that the probability of an SME to keep financial records increases with membership in SACCOS; the age of the firm; location of the firm; capital invested, and number of employees. The results also suggest that the probability of an SME to keep financial records decreases with years of schooling.

The probit model parameters are estimable up to a scaling factor. The coefficients of the probit model give the change in the mean of the probability distribution of the dependent variable associated with the change in one of the explanatory variables, but these effects are usually not of primary interest. The marginal effects on the probability of possessing the characteristic can be of more use. The marginal effects vary across individuals and, in this case, indicate by how much the probability of an SME to keep financial records alters with changes in the explanatory variables.

i. *Membership*

The marginal effect results for membership is 3.6%. This implies that an enterprise that is a member of SACCOS, TCCIA or TPSF has a 3.6 percent higher probability to keep financial records above the base case. This implies that lack of access to credit and membership in trade unions are significant constraints preventing some enterprises from keeping financial records. Financial institutions such as SACCOS and VICOBA and member based organizations or trade unions such as TCCIA or TPSF are therefore potentially effective institutions in empowering enterprises to reduce the impact of not keeping financial records.

ii. *Size of the Firm*

Here the Researcher considers two factors, namely, Capital Invested and Number of employees. These factors are interpreted below: -

a. *Capital Invested:* The results show that, the coefficient of the Logarithm of Capital Invested is positive as expected and statistically significant at 5% significance level. This suggests that, the probability of keeping financial records increases as capital invested increases. A unit percentage increase in capital invested increases the probability of keeping records by 0.4 percent, keeping other factors at their mean. This implies that, lack of access to adequate capital is a significant constraint preventing some enterprises from keeping financial records. Therefore, financial institutions such as banks, SACCOS and VICOBA should create a conducive lending environment so as to improve accessibility of capital to SMEs.

b. *Number of Employees:* The results show that, the coefficient of the logarithm of number of employees is positive as expected and statistically significant at 1% significance level. This implies that, the probability of keeping financial records increases as numbers of employees' increase. The probability of keeping financial records increases by 0.7 percent when employees increase by one person, keeping other factors at their mean. This suggests that, inadequate human resources in the enterprise is a significant constraint preventing some enterprises from keeping financial records. Therefore, SMEs are urged to employ adequate human resources relative to the size and operations of their enterprises for ease of record keeping.

iii. *Location of the Firm*

The marginal effect for location of the firm is 10.5%. This implies that an enterprise located in a commercial designated area has 10.5% higher probability to keep financial records compared to those located in residential areas. This shows that, enterprises located in designated commercial areas can easily be reached with awareness campaigns and trainings provided by both public and private institutions regarding record keeping hence improved record keeping practices compared to those located in residential areas where it is difficult to reach or trace their where about and provide capacity building regarding record keeping. Therefore, locating firms in designated commercial areas is an effective mechanism or strategy towards improved record keeping amongst SMEs.

iv. *Age of the Firm*

The marginal effect for age of the firm or enterprise is 0.1%. This shows that, the probability of keeping financial records for an enterprise increases by 0.1% when the age of the firm increases by one year, keeping other factors at their mean. This appeals that, the probability of keeping financial records increases as the age of the firm increases. Enterprises' lack of business experience is a significant hurdle preventing some firms, especially new ones from keeping financial records. Therefore, new firms should learn the tips and essence of record keeping from the experienced (older) firms as they have already encountered a lot of challenges other factors being constant.

v. *Years of Schooling*

The results show that, the coefficient of Years of Schooling is negative and statistically significant at 5% significance level. This implies that, the probability of keeping financial records decreases as years of schooling of the respondent increases. The probability of keeping financial records decrease by 0.2 percent when the respondent achieves one extra year of schooling, keeping other factors at their mean.

This suggests that, most of enterprises do not find the real and practical implications of the records they keep using the existing guidelines in relation to the operations and growth of their enterprises'. Therefore, there is a need for the ministry of industry, trade and investment (MIT) in collaboration with other stakeholders such as SIDO, TCCIA and TPSF to develop and design a more consolidated, simple and practical record keeping guideline (tailor made) that will add value to SMEs operations and business performance at large.

In a nutshell, the Probit model examines the factors affecting financial records keeping in SMEs. The goodness of fit test indicates that the model is correctly specified. The model fits the data well as various tests of goodness of fit such as the log likelihood chi-square, Hosmer and Lemeshow's test, Classification table and AUROC suggest. The correlation analysis, VIF and tolerance measures, suggest that the independent variables are free from multicollinearity problem. The probit regression results indicate that, membership, age of the firm, location of the firm, the size of the firm in term of capital invested and number of employees, and years of schooling are significant factors that affect financial records keeping amongst SMEs in Ilala Municipality.

V. Summary, Conclusion, Policy Implications and Recommendations

a) *Introduction*

This chapter presents the summary of the study, policy implications and recommendations, and areas for further research. Section 5.2 gives a summary of findings and conclusion, section 5.3 points out policy implications and recommendations based on the findings, and lastly, section 5.4 presents areas for further research.

b) *Summary of the Findings and Conclusion*

The performance of SMEs can only be traced, monitored and evaluated through adequate financial records keeping. A financial record keeping involves capturing, organizing, classifying, maintaining and ensuring data quality of all financial related information of the business activities. This study aimed at analyzing the factors influencing financial records keeping amongst SMEs in Ilala municipality. Specifically, the study intended to examine the types of financial records kept by SMEs, to analyze the importance of financial records keeping and to explore existing methods used for recording transaction and settling debts, to analyze the challenges faced by SMEs in financial records keeping, and to examine how firms' characteristics such as age, capital and tangible assets influence financial records keeping amongst SMEs in Ilala Municipality.

To achieve these objectives the study used mainly primary data from 130 respondents selected using both purposive and non-purposive sampling techniques. The study employed both descriptive analysis and regression analysis. A binary Probit model was used to examine how firms' characteristics such as age, location, capital invested, human resources and other factors influence financial records keeping amongst SMEs in Ilala municipal council.

Descriptive analysis shows that, about 90% of the respondents met were keeping financial records for their business while 10% of the respondents met were not keeping any financial record. Despite the fact that majority of SMEs were keeping records, but their records were not complying with the accepted standards set, rules and regulations including bookkeeping standard procedures. They were just maintaining records as per their own wishes and understanding mainly to determine whether they are operating in loss or profit. To identify the reasons for not keeping financial records, those 13 respondents who were not keeping records cited various reasons.

The 13 respondents were not keeping financial records on the opinion that it is a time-consuming endeavor. Other reasons cited by 12 respondents out of 13 were costs factor, limited knowledge and fear of tax assessment by tax officials. In identifying the types of financial records kept by SMEs in Ilala Municipal Council, the results indicated that the commonly records kept by SMEs were cash books, debtors books, and sales day books while purchase day books, creditors books, and petty cash book were rarely kept. It was further found that the majority prepares income statement (96.9%) and very few respondents prepared cash flow statement and statement of financial position. Regarding financial report preparation, it was revealed that, about 65.8% of respondents were personally preparing financial reports such as income statement of their business firms, 26.5% were using hired consultants with professionalism in accounts preparation, and the remaining 7.7% of 117 respondents who kept records, used their own employed accountants to prepare financial statements.

In assessing the importance of keeping financial records it was revealed that the majorities of respondents, approximately 86% pinpointed to use financial records for profit determination, followed by accessing finance (6%), as a base for tax calculation purposes (4%) and lastly for financial decision making (4%). About 53% of respondents who were keeping records claimed to use Single entry and the remaining 47% were using double entry. Single entry was the dominant method used by the majority of SMEs in their bookkeeping.

Further findings were based on how financial obligations were settled by consumers in the respective SMEs firms. It was found that, 97.69% of the respondents allowed settling transactions by Cash, followed by credit and very few accepted the use of cheque.

The most cited challenge faced by SMEs in financial records keeping in the course of this study was inadequate recording keeping skills (44.62%), cost constraints in terms of time and money (34.62%) and inadequate availability of skilled personnel such as accountants and cashiers (21.54%). Generally, the most impending challenges facing SMEs in Ilala Municipal council were heavy taxes and levies reported by 65.38% of respondents, inadequate access to finance by 26.15% and difficulties in financial records keeping claimed by 16.15% of the respondents. When asked about the solutions to the mentioned challenges facing SMEs in financial records keeping, respondents argued the provision of accounting trainings specifically on financial records keeping and management (58.46%) and reduction of financial report preparation consultancy fees (40.77%).

The probit regression results indicate that, membership, age of the firm, location of the firm, size of the firm in term of capital invested and number of employees, and years of schooling are significant factors that affect financial records keeping in SMEs.

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The probability of an enterprise to keep financial records is higher by 3.6% if the respondent is a member of SACCOS, TCCIA or TPSF compared to when the respondent has no membership. A unit percentage increase in capital invested increases the probability of keeping records by 0.4%. The probability of keeping financial records increases as numbers of employees' increase. The probability of keeping financial records increases by 0.7% when employees increase by one person. Also, an enterprise located in a commercial area is more likely to keep financial records than the one located in a residential area. An enterprise located in a commercial area has a higher probability of keeping financial records by 10.5% than the one located in a residential area. The probability of keeping financial records increases as the age of the firm increase. The probability of keeping financial records increase by 0.1% when the age of the firm increases by one year.

Finally, it was found that the probability of keeping financial records decreases as years of schooling of the respondent increases.

Financial records keeping is the heart and engine of the business as it provides the direction and foundation for taking decision on various matters, including business expansion or narrowing down the size of operations. The government requires SMEs to keep records for tax matters while financial institutions such as Banks accept lending to SMEs after assessing the worthiness and viability of the business through its financial records. In a nutshell, financial record keeping is still a major challenge to many SMEs in Tanzania, therefore measures such as awareness raising and provision of education and training on financial records keeping should be taken so as to improve the capacity and level of understanding on records keeping use and reports preparation. The Government and private sector should collaborate to improve and enhance the capacity of SMEs in record keeping, business management, accessing market and venturing into existing and new opportunities.

c) Policy Implications and Recommendations

The study shows that, SMEs in Ilala Municipal council are faced with numerous challenges, however high taxes, levies and other city charges were mentioned to be the most impending ones. In line with this, the study suggests the following policy recommendation so as to improve the performance of SMEs in general, recording keeping inclusive.

Government and other related stakeholders such as Non-Government Organizations should join hands to collaboratively initiate various training programs on business management and administration including proper records keeping and use. This will help both business owners and respective employees to improve their capacity, skills and knowledge in running enterprises efficiently and effectively.

Taking to account that, taxes and levies imposed by the city council on SMEs has been figured out as the major challenge, Tanzania Revenue Authority (TRA), Business Registration and Licensing Agency (BRELA) and the city council should harmonize the charges so as to reduce the burden and continuously create an awareness campaign through trainings and media campaigns to reach the entire business community.

Member based organizations (MBOs) such as Savings and Credit Cooperative Societies (SACCOS), Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA), Tanzania Private Sector Foundation (TPSF) and Confederation of Tanzania Industries (CTI) should expand their network and develop tailor made products and services that match to the demand and needs of micro enterprises such as records keeping, accessing to finance so as to improve their performance and capacities. This involves charging affordable membership fees.

The government of United Republic of Tanzania with involvement of other key stakeholders such as members based organizations, financial institutions and the business community at large should review the SMEs development policy and align it with recent and future opportunities, including development in science and technology. Taking to account that, SMEs sector is not well researched and there is still some missing information, the National Bureau of Statistics (NBS) should enhance its research and documentation on SME sector so as to help the government, financial institutions, policy makers and other actors have thorough information to guide them in making informed decisions.

d) Recommendations for Further Research

The study was conducted at the right time taking to account that the fifth phase government under President *John Pombe Magufuli* is undertaking various fiscal measures in a bid to improve the performance of the economy and expand the Tax base of the nation which for a long time has been claimed to be very narrow.

Therefore, if the government needs to improve its tax base, there is a need to invest much of its efforts and focus on ensuring that every business firms keep proper records. In line with this the government, academicians and other stakeholders in the SMEs sector should investigate the following issues which the study didn't capture detailed information and call for further studies;

- ❖ The study recommended on provision of financial records training, however it didn't shed light on how the trainings will be organized and mode of delivery including costs. Therefore, there is a need to undertake research on designing and developing the best framework and programs on provision of records keeping and business management education and training to SMEs.

- ❖ Designing effective financial reporting standards that suit the needs of Micro enterprises. This includes designing a tailor made and simple national guideline in Swahili language that will be easily understood by small entrepreneurs.
- ❖ Perceptions of SMEs towards joining Member based organizations such as Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA), Confederation of Tanzania Industries (CTI) and Tanzania Private Sector Foundation (TPSF).

List of abbreviations and acronyms

AUROC	Area under the Receiver Operating Characteristic Curve
CAMARTEC	Centre for Agricultural Mechanization Rural Technology
GDP	Gross Domestic Product
LPM	Linear Probability Model
MBO	Member Based Organizations
MIT	Ministry of Industry and Trade
MLE	Maximum Likelihood Estimation
MOF	Ministry of Finance
MSME	Micro, Small and Medium Enterprises
NBAA	National Board of Accountant and Auditors
NBS	National Bureau of Statistics
NEDF	National Entrepreneurship Development Fund
NIGP	National Income Generating Programs
NISS	National Informal Sector Survey
P	Probability
SACCOS	Saving and Credit Cooperative Societies
SELF	Small Entrepreneurs Loan Facility
SME	Small and Medium Entreprises
TBS	Tanzania Bureau of Standards
TCCIA	Tanzania Chamber of Commerce, Industry and Agriculture
TEMDO	Tanzania Engineering and Manufacturing Design Organization
TIRDO	Tanzania Industrial Research Development Organization
TPSF	Tanzania Private Sector Foundation
Tsh	Tanzanian Shillings
UNIDO	United Nations Industrial Developemnt Organizations
VAT	Vaue Added Tax
WDF	Women Development Fund
YDF	Youth Development Fund

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APPENDICES

QUESTIONNAIRE

Questionnaire

No…………..Enumerator……..…………………….....Date……../……/2016

Tittle: Analyzing the factors Influencing Financial Records Keeping amongst SMEs in Ilala Municipality.

Introduction

I am ***Kochecha Herieli***, a Master student from Mzumbe University. I am conducting an academic research on factors influencing financial records keeping amongst SMEs in Ilala Municipality, particularly Kariakoo, Buguruni and Ilala ward. The information collected in this study is purposely for academic purposes and not otherwise. To this end, you will be appreciated for devoting your time and share information by filling the set of questions stipulated herein. Attempt to answer all questions as honestly as possible.

SECTION 1: BACKGROUND INFORMATION

District:………………………………Location/Ward…………………………..….

1.1 Sex (Apply tick) Male ( ) Female ( )

1.2 What is your age? (Years)………………

1.3 Marital status (Apply tick) a) Married………b) Single……..c) Divorced……….d) Widow..

1.4 What is your highest level of education (Apply Tick?)

a) None ( )
b) Primary Education ( )
c) Secondary Education ( )
d) College Level/Tertiary Education ( )

e) University Level (   )

1.5 Do you have any knowledge or training on financial records keeping?

a) Yes (   )
b) No (   )

1.6 What is your title/position in this enterprise?

a) Owner/ Shareholder (   )
b) General Manager (   )
c) Human Resources/Finance/Accounts (   )
d) Others Specify (   )

1.6 Registration date of your firm………………………? If not Registered, Why?………………………………………………………………………………… ………………………………………………………………………………… …………………………..

2.0 INFORMATIN ON FIRMS CHARACTERISTICS AND ITS INFULENCE ON FINANCIAL RECORDS KEEPING

2.1 What is the amount of capital invested in your firm?

………………………………………………………………………..

2.2 What was the source of your capital?

a) Personal Sources/Grants (   )
b) Financial Institutions (   )

2.2 How many employees/Human Resources do you have (Numbers)?

a) Temporary Workers Male (   ) Female (   )
b) Permanent Labors Male (   ) Female (   )

2.3 What is the level of Education of your Human Resources?

S/No	Level of Education	Number of Persons
1	Non	
2	Primary Level	
3	Secondary Level	
4	College/Tertiary Level	
5	University Level	

2.4 What type of ownership is this?

a) Sole proprietorship ( )
b) Partnership ( )
c) Family owned ( )
d) Others, specify ( )

2.5 Where is the locality of your firm?

a) Commercial Area ( )
b) Residential Area ( )

2.5 How many years your firm has been active in operations………….?

2.6 What are the most impending challenges facing your firm?

a) High level of taxes, levies and other District charges ( )
b) Inadequate access to finance ( )
c) Financial Records Keeping ( )
d) Others, specify ( )

2.7 Do you keep financial records of your business?

Yes ( ) No ( )

2.8 Who prepares the financial statements of your business?

a) Employed Accountant ( )

b) Hired Accountant (Consultant) ( )

c) Others, specify ( )

2.9 If No, Why?

S/No.	Reasons	Ranking
1	Time Consuming	
2	Increases Costs to the Firm	
3	Limited knowledge on records keeping	
4	Fear of Tax assessment	
5	Others, Specify	

2.10 If Yes, how do you use the financial records kept in your business?

a) Profit Determination ( )

b) Accessing Finance ( )

c) Tax Purposes ( )

d) Decision Making ( )

e) Others, Specify ( )

2.11 What are the importance of financial records and what are existing methods of keeping financial records in your business?

……………………………………………………………………………………………

……………………………………………………………………………………………

…………………………

2.12 What is the method used by your business in keeping records?

a) Single Entry ( )

b) Double Entry ( )

3.0 NATURE OF FINANCIAL RECORDS KEPT AND CHALLENGES FACED

3.1 How do customers settle their obligations in your firm? (Tick all applicable)

a) On Credit ( )
b) By Cash ( )
c) By Cheque ( )
d) Others, specify ( )

3.2 Which of the following financial records do you keep?

a) Cash book ( )
b) Petty cash book ( )
c) Sales day book ( )
d) Purchases day book ( )
e) Debtors book ( )
f) Creditors book ( )

3.3 What are the annual financial statement prepared by your firm?

a) Income Statement ( )
b) Statement of Financial Position ( )
c) Cash flow statement ( )
d) Others, specify ( )

3.4 What challenges do you face when recording and preparing financial statements?

a) Inadequate accounting skills ( )
b) Inadequate availability of skilled personnel ( )
c) Costs constraints ( )
d) Others, specify ( )

3.5 What should be done to minimize the above mentioned challenges?

a) Provision of accounting trainings ( )
b) Reduction of consultancy fees ( )
c) Others, specify ( )

3.6 Do you have membership/affiliation with any of the following?

a) SACCOS ( )
b) Tanzania Private Sector Foundation (TPSF) ( )
c) Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA) ( )
d) Others, specify ( )

Thank you for your Cooperation in filling this questionnaire.

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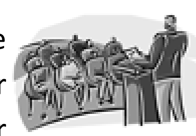

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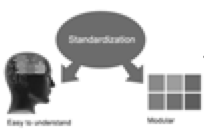

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MARSHS accrediting is an honor. It authenticates your research activities. Afterbecoming MARSHS, you can add 'MARSHS' title with your name as you use this recognition as additional suffix to your status. This will definitely enhance and add more value and repute to your name. You may use it on your professional Counseling Materials such as CV, Resume, Visiting Card and Name Plate etc.

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The MARSHS member can apply for approval, grading and certification of standards of their educational and Institutional Degrees to Open Association of Research, Society U.S.A.

Once you are designated as MARSHS, you may send us a scanned copy of all of your credentials. OARS will verify, grade and certify them. This will be based on your academic records, quality of research papers published by you, and some more criteria.

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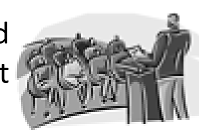

The Global Journals Incorporation (USA) at its discretion can also refer double blind peer reviewed paper at their end to the board for the verification and to get recommendation for final stage of acceptance of publication.

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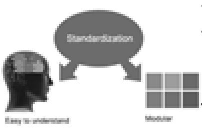

After nomination of your institution as “Institutional Fellow” and constantly functioning successfully for one year, we can consider giving recognition to your institute to function as Regional/Zonal office on our behalf.

The board can also take up the additional allied activities for betterment after our consultation.

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- • This individual has learned the basic methods of applying those concepts and techniques to common challenging situations. This individual has further demonstrated an in–depth understanding of the application of suitable techniques to a particular area of research practice.

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4. Manuscript to be submitted must include keywords, an abstract, a paper title, co-author(s') names and details (email address, name, phone number, and institution), figures and illustrations in vector format including appropriate captions, tables, including titles and footnotes, a conclusion, results, acknowledgments and references.
5. Authors should submit paper in a ZIP archive if any supplementary files are required along with the paper.
6. Proper permissions must be acquired for the use of any copyrighted material.
7. Manuscript submitted *must not have been submitted or published elsewhere* and all authors must be aware of the submission.

Declaration of Conflicts of Interest

It is required for authors to declare all financial, institutional, and personal relationships with other individuals and organizations that could influence (bias) their research.

Policy on Plagiarism

Plagiarism is not acceptable in Global Journals submissions at all.

Plagiarized content will not be considered for publication. We reserve the right to inform authors' institutions about plagiarism detected either before or after publication. If plagiarism is identified, we will follow COPE guidelines:

Authors are solely responsible for all the plagiarism that is found. The author must not fabricate, falsify or plagiarize existing research data. The following, if copied, will be considered plagiarism:

- Words (language)
- Ideas
- Findings
- Writings
- Diagrams
- Graphs
- Illustrations
- Lectures

- Printed material
- Graphic representations
- Computer programs
- Electronic material
- Any other original work

Authorship Policies

Global Journals follows the definition of authorship set up by the Open Association of Research Society, USA. According to its guidelines, authorship criteria must be based on:

1. Substantial contributions to the conception and acquisition of data, analysis, and interpretation of findings.
2. Drafting the paper and revising it critically regarding important academic content.
3. Final approval of the version of the paper to be published.

Changes in Authorship

The corresponding author should mention the name and complete details of all co-authors during submission and in manuscript. We support addition, rearrangement, manipulation, and deletions in authors list till the early view publication of the journal. We expect that corresponding author will notify all co-authors of submission. We follow COPE guidelines for changes in authorship.

Copyright

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Appealing Decisions

Unless specified in the notification, the Editorial Board's decision on publication of the paper is final and cannot be appealed before making the major change in the manuscript.

Acknowledgments

Contributors to the research other than authors credited should be mentioned in Acknowledgments. The source of funding for the research can be included. Suppliers of resources may be mentioned along with their addresses.

Declaration of funding sources

Global Journals is in partnership with various universities, laboratories, and other institutions worldwide in the research domain. Authors are requested to disclose their source of funding during every stage of their research, such as making analysis, performing laboratory operations, computing data, and using institutional resources, from writing an article to its submission. This will also help authors to get reimbursements by requesting an open access publication letter from Global Journals and submitting to the respective funding source.

Preparing your Manuscript

Authors can submit papers and articles in an acceptable file format: MS Word (doc, docx), LaTeX (.tex, .zip or .rar including all of your files), Adobe PDF (.pdf), rich text format (.rtf), simple text document (.txt), Open Document Text (.odt), and Apple Pages (.pages). Our professional layout editors will format the entire paper according to our official guidelines. This is one of the highlights of publishing with Global Journals—authors should not be concerned about the formatting of their paper. Global Journals accepts articles and manuscripts in every major language, be it Spanish, Chinese, Japanese, Portuguese, Russian, French, German, Dutch, Italian, Greek, or any other national language, but the title, subtitle, and abstract should be in English. This will facilitate indexing and the pre-peer review process.

The following is the official style and template developed for publication of a research paper. Authors are not required to follow this style during the submission of the paper. It is just for reference purposes.

Manuscript Style Instruction (Optional)

- Microsoft Word Document Setting Instructions.
- Font type of all text should be Swis721 Lt BT.
- Page size: 8.27" x 11'", left margin: 0.65, right margin: 0.65, bottom margin: 0.75.
- Paper title should be in one column of font size 24.
- Author name in font size of 11 in one column.
- Abstract: font size 9 with the word “Abstract” in bold italics.
- Main text: font size 10 with two justified columns.
- Two columns with equal column width of 3.38 and spacing of 0.2.
- First character must be three lines drop-capped.
- The paragraph before spacing of 1 pt and after of 0 pt.
- Line spacing of 1 pt.
- Large images must be in one column.
- The names of first main headings (Heading 1) must be in Roman font, capital letters, and font size of 10.
- The names of second main headings (Heading 2) must not include numbers and must be in italics with a font size of 10.

Structure and Format of Manuscript

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

A research paper must include:

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

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

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

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

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

Format Structure

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

All manuscripts submitted to Global Journals should include:

Title

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

Author details

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

Abstract

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

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

Keywords

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

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

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

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

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

Numerical Methods

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

Abbreviations

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

Formulas and equations

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

Tables, Figures, and Figure Legends

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

Figures

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

Preparation of Eletronic Figures for Publication

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

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

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

Tips for writing a good quality Social Science Research Paper

Techniques for writing a good quality homan social science research paper:

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

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

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

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

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

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

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

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

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

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

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

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

13. Use good grammar: Always use good grammar and words that will have a positive impact on the evaluator; use of good vocabulary does not mean using tough words which the evaluator has to find in a dictionary. Do not fragment sentences. Eliminate one-word sentences. Do not ever use a big word when a smaller one would suffice.

Verbs have to be in agreement with their subjects. In a research paper, do not start sentences with conjunctions or finish them with prepositions. When writing formally, it is advisable to never split an infinitive because someone will (wrongly) complain. Avoid clichés like a disease. Always shun irritating alliteration. Use language which is simple and straightforward. Put together a neat summary.

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

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

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

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

18. Go to seminars: Attend seminars if the topic is relevant to your research area. Utilize all your resources.
Refresh your mind after intervals: Try to give your mind a rest by listening to soft music or sleeping in intervals. This will also improve your memory. Acquire colleagues: Always try to acquire colleagues. No matter how sharp you are, if you acquire colleagues, they can give you ideas which will be helpful to your research.

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

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

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

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

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Informal Guidelines of Research Paper Writing

Key points to remember:

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

Final points:

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

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

The discussion section:

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

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

General style:

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

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

Mistakes to avoid:

- Insertion of a title at the foot of a page with subsequent text on the next page.
- Separating a table, chart, or figure—confine each to a single page.
- Submitting a manuscript with pages out of sequence.
- In every section of your document, use standard writing style, including articles ("a" and "the").
- Keep paying attention to the topic of the paper.
- Use paragraphs to split each significant point (excluding the abstract).
- Align the primary line of each section.
- Present your points in sound order.
- Use present tense to report well-accepted matters.
- Use past tense to describe specific results.
- Do not use familiar wording; don't address the reviewer directly. Don't use slang or superlatives.
- Avoid use of extra pictures—include only those figures essential to presenting results.

Title page:

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

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

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

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

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

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

Approach:

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

Introduction:

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

The following approach can create a valuable beginning:

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

Approach:

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

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

Procedures (methods and materials):

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

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

Materials:

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

Methods:

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

Approach:

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

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

What to keep away from:

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

Results:

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

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

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

Content:

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

What to stay away from:

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

Approach:

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

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

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

Figures and tables:

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

Discussion:

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

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

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

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

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

Approach:

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

Describe generally acknowledged facts and main beliefs in present tense.

The Administration Rules

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

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

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

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

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

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

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

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