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The Role of Microfinance on Women's Economic Empowerment in Southwest Ethiopia: In the Case of Four Woredas around Gilgel-Gibe Hydroelectric Power Dam

By Fikadu Gutu & Wondaferahu Mulugeta

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Abstract- In Ethiopia, microfinance programs are currently being promoted by the government as well as nongovernmental organizations (NGOs) as a solution strategy for simultaneously addressing both poverty alleviation and women's empowerment. However, only a limited number of researches attempted to explore the relationship between women's participation in micro-credit programs and their empowerment by using empirical data. To fill this gap, we conduct a cross-sectional study with overall aim of assessing the role of Micro finance institutions (MFI's) on women's empowerment. We employed a multi-stage sampling approach and a total of 374 women's, 182 (Micro finance institution) MFI clients and 192 non-clients were included in to study. Using a structured questionnaire adopted from the 2011 Ethiopian demographic health survey, we collected data on background characteristics of women's and their household and characteristics specific to women's empowerment.

Keywords: *women empowerment, MFIs, binary logistic model.*

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Keywords: *women empowerment, MFIs, binary logistic model.*

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I. INTRODUCTION

a) *Background of the study*

The term microfinance, according to Robinson (2009) refers, to the large scale profitable provision of financial services like small savings and loans, to economically active poor people by sustainable financial institutions. Since the 1980s microfinance has become an important component of development, poverty reduction, agent of livelihood diversification and economic regeneration strategies around the world. It has become a vast global industry involving large numbers of governments, banks, aid agencies, non-governmental organizations (NGOs), cooperatives and consultancy firms and directly employing hundreds of thousands of branch-level staff. As a result, most governments advocate the sector based on the assumption that the poor possess the capacity to implement income generating economic activities but are limited by lack of access to and inadequate provision of savings, credit and insurance facilities (Hulme, 2009; Morduch and Haley, 2002).

Study conducted on economic empowerment of women by gendernet (2011), reveals that, the economic empowerment of women is a precondition for continuous development and for the poor of poor growth. Gender equality and empowered women are catalysts for multiplying development efforts. Investments in gender equality give up the highest returns of all development investments. Women usually invest the more part of their earnings in their families and communities than others. A study conducted in Brazil showed that the likelihood of a child's survival increased by 20% when the mother controlled household income. In addition, increasing the role of women in the economy is part of the solution to the financial and economic crises and critical for economic pliability (spirit) and growth.

However, at the same time, we need to be mindful that women are in some contexts bearing the costs of recovering from the crisis, they become unemployment, un-attractive working atmosphere and

increasing instability according to gendernet in 2011 study result.

Higher female earnings and bargaining power translate into greater investment in children's education, health and nutrition, which is road to economic growth in the long-term. The share of women payment in waged/and salaried work increases from 42% in 1997 to 46% in 2007. In India, Growth Domestic Product (GDP) could rise by 8% if the female/male ratio of workers grew up by 10%. Total agricultural outputs in Africa could increase by up to 20% if women's access to agricultural inputs was equal to men's. Women-owned businesses comprise up to 38% of all registered small businesses worldwide. The number of business owned women's in Africa, Asia, Eastern Europe and Latin America is rising rapidly and, with that growth, come direct roles on job creation and eradicating poverty (United Kingdom Department for International Development, 2010).

b) *Statement of the Problem*

Accepting the philosophy of micro finance is appropriate and a critical interference to use economically active human power for developing countries. Study conducted by African development bank (2006), also emphasized that, Microfinance plays a critical role to enhancing development effectiveness by contributing to poverty reduction, increased political, social, and economic development, social empowerment, socially involving, school attendance of children, and Economic prosperity especially for women.

However in Ethiopia, because of challenges, such as un-participatory policies, cultural problems, and lack of awareness, Women's continue to suffer with back-breaking domestic tasks and unimproved weighty agricultural activities for long periods of time in a day. Women in Ethiopia, especially in rural area, have no exposure to economic opportunities that would support them to practice alternative income-generating activities to change standard of their own life as well as family. Lack of alternative income sources is a major challenge which makes women's to be very much dependent on their husbands as well as on their relatives and leads to low participation in household decision-making.

In addition, the studies which assess the role of micro-finance on women's economic empowerment so far limited in urban or not done enough in rural part of the country. This is due to the fact that, both micro-finance institutions development and priority attention to women's empowerment (economic empowerment) were new while comparing with other countries.

Therefore, this study recognized those gaps and tried to find evidentiary information about the role of micro-finance on women's economic empowerment in south west Ethiopia, based in the case study of women's in four woredas around Gilgel-Gibe Hydroelectric Power Dam.

c) *Objective of the Study*

The main and general objective this study was, to assess the role of microfinance program on women economic empowerment and how it improving women's source and level of income.

II. REVIEW OF RELATED LITERATURE

a) *Why women's empowerment matters?*

Women have now gained an international reputation for their excellent credit performance, making them a priority for poverty-oriented credit programs. For the majority of women borrowers, credit is much more than access to money: it is about women lifting themselves out of poverty, and achieving economic and political empowerment within their homes, their villages, and their countries. For example; 40 per cent of poverty reduction in rural Bangladesh has been attributed to the role of microcredit (Khandker et al, 2005).

Economic empowerment is the capacity of women and men to take part in, contribute and advantageous from growth progress in a ways which recognize the value of their contributions, respecting their dignity and make it feasible to negotiate a fair distribution of the benefits from growth. Economic empowerment increases women's access to economic resources and opportunities including jobs, financial services, material goods and other productive resources, skills improvement and market information (Gendernet, 2011).

Increasing the role of women in the economy is part of the solution to the financial and economic crises and critical for economic pliability and growth. However, at the same time, we need to be mindful that women are in some contexts bearing the costs of recovering from the crisis, with the loss of their jobs, un attractive working atmosphere and increasing instability on them (Ibid, 2011).

b) *Micro-finance and Women Empowerment*

They are many definition of empowerment by many scholars, Sen in (1993) define empowerment is reflected in a person's capability set. The 'capability' of a person depends on a different of factors, including personal characteristics and social provision. Empowerment is the ability to fulfill this capability (ability) and not just the choice to do so. According to him, the focus should be on certain universally valued functioning's, which relate to the basic fundamentals of survival and well-being regardless of context. This contains better nourishment, good health and shelter for family. If there are systematic gender differences in these very basic working achievements, they can be taken as evidence of inequalities in the underlying capabilities rather than as differences in preferences as he stated.

Also Mayoux (1998), states empowerment as, Empowerment is also related to the process of internal

change and to the capacity and right to make decisions. According to Kabeer (2001), it consists of *change*, *choice* and *power to define empowerment*. It is a progression of change by which individuals or groups with little or no power gain the ability to make choices that affect their lives.

Generally, poverty is the end position implying lack of entitlement emerging from insufficient assets and capabilities for the fulfillment of basic livelihood needs. This results in the social and economic exclusion of a certain class and category of people and their consequent disempowerment. Hence, the idea of 'empowerment' has influenced development practitioners, development agencies (government and non-government), theoreticians and almost all donor agencies in the last decade (Padma and Getachew, 2004). Women's economic empowerment is the process, and the outcome of the process, by which women achieve greater control over assets and intellectual resources, and becomes independent on external forces.

III. METHODOLOGY OF THE STUDY

a) Study Area

The study was conducted in south west Ethiopia, in the case of woredas around Gilgel-Gibe Hydroelectric Power Dam. The study area was found in Jimma zone, Oromiya regional National State, in Southwest of Ethiopia. Oromiya Regional National State is the largest state of the country, Ethiopia. Specifically study area which was four weredas around Gilgel-Gibe Hydroelectric Power Dam, which found in Southwest part of Ethiopia, which is located 55 Km away from Jimma town, with an approximate latitude of 7° 48' to 7° 50' North and longitude 37° 17' to 37° 20' East. The area extends over 1,607 Km², with an altitude of about 1760 m.a.s.l. The study area is administratively structured into 4 districts (locally known as *woreda*).

b) Sample Size Determination and Sampling Techniques

To select two woredas namely Omo Nada and Sokoru the researchers used lottery method from four woredas around Gilgel-Gibe Hydroelectric Power Dam. Additionally sample kebeles purposively grouped in to two groups depending on their distance from woredas main town. In first group which are far less than or equal to 15km and in the second group kebeles which are far for more than 15km. Finally, twelve kebeles from two selected woredas of the study areas were taken for this study. Finally 374 samples have been collected based on the simplified formula developed by (Noel, et al, and 2012). The sample size needed to obtain an approximate 100(1- α)% confidence interval for the population proportion of decision making women's (P) of length at most 2d, was determined by the following formula (Noel, et al, 2012).

$$n \geq \frac{N}{1+(N-1)(\frac{2d}{z})^2} \approx \frac{N}{1+Nd^2} = 374 \dots \dots \dots (\text{Equation 1})$$

Where, $N = 5824$ is the total population, n is the required sample size, $d = 0.05$ margin of error, $z = 1.96 \approx 2$ for $\alpha = 0.05$ is the confidence level.

After determining the total sample size n , a stratified sampling technique used to select households from each kebeles. Partition of the study sample to each study kebeles was based on proportional allocation. Then, study households from each kebele were identified through systematic random sampling of every fourth house until the allocated sample size reached. Single women from each household were then included to study.

c) Method of Data Collection

A cross sectional survey method was employed by using semi-structured questionnaire among selected representative households in the study area. The primary data was collected via structured interview questioner in February 2015. Among others, the structured questioner comprises three main parts. The first part deal with basic household and respondent characteristics and the second part deal with household and respondent participation in bank, credit association, and micro finance institution. And the third part deal with women's decision making, especially, which are indicator of empowerment. And which are considered to be important variables that affect the behavior of women empowerment on a priori theoretical grounds.

d) Study Methodology and Data Analysis

i. Study Methodology

For the study, methodology used by Amin et al (1998) and, Schuler and Hashemi (1994) to evaluate impact of microfinance on women's economic empowerment was used with some modification.

ii. Data Analysis

Data was analyzed using STATA software package version 11.0 (Stata Corp 4905 Lake way Drive College Station, Texas 77845 USA) for regression analysis. The empirical analysis of the study conducted using both descriptive statistics and logistic regression analysis. Various tables generated to describe characteristics of respondents. Household and individual-level comparison would be made in terms of socio-demographic and socio-economic characteristics between client and non-client of micro finance as well as decision making and non-decision making women's using chi-square test for categorical variables.

e) Estimates of the Model

Assessing the role of microfinance on women's decision making participation at household level of respondents at the participant level requires adjustments to control for differences between clients and non-clients. The role of MFIs on respondents was

assessed based on the dependent variables indicated below. The variables used in regression are respondent age, marital status, educational level, Households headship status, type of occupation, type of payment/earning, employment status and membership of microfinance status. The functional relationship

between the probability of decision making and explanatory variables is specified as:

Let Y_{ij} be the i^{th} women's decision making status (a binary outcome, 1= alone, 0=otherwise) living in the j^{th} kebele_s.

$$Y_{ij} \sim \text{Bernoulli}(P_j)$$

$$\log \frac{P_j}{1-P_j} = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \dots + \beta_k X_k \quad \dots\dots\dots \text{(Equation 2)}$$

Where, P_j is population proportion of decision making women in the j^{th} kebele, X_1, X_2, \dots, X_k individual level characteristics of study subjects and $\beta_0, \beta_1, \dots, \beta_k$ are their associated regression coefficients or study parameter.

The explanatory variables that affect the decision making status of the women's are expressed both qualitatively and quantitatively. According to Maddalain 1999, where the dependent variable is dichotomous, many studies show that Probit and Logit models are appropriate. Since the Logit model is simpler in estimation than Probit model. So, Logit model is preferred to the Probit model for this study. In addition, Logit model is a more realistic pattern of change in the probability compared to other qualitative dependent variable models like the Probit, for two main reasons. First, the odds ratio, which is a measure of the strength and direction of relationship between the two variables, has a special property of not requiring variables to be normally distributed. Second, mathematical transformation of the odds ratio is the Logit model. This mathematical transformation removes the problem of asymmetry existing in the odds ratio and in turn makes this a superior method (Peng et al, 2005).

The question of decision-making in household level is expressed in dichotomous form. Thus, a "women made decision" is assigned a value of 1, otherwise 0.

Women Economic Empowerment function of the study defined as:

$$DM = f(MFIM, AG, ME, EL, HHH, ES, TOJ, TOP)$$

Where,

- DM = Decision making
- MFIM= Micro Finance Institution Membership status
- AG = Age
- ME = Marital Status
- EL = Educational Level
- HHH = Household Headship
- ES = Employment Status
- TOJ = Type of job Occupation
- TOP = Type of payments

IV. RESULT AND DISCUSSION

a) Demographic and Social Characteristics of Respondents

Among interviewed respondents 15(4%) were between the age of 18-24, 215(57.5%) between 25-32, 111(29.7%) between 33-39 and 33(8.8%) were between 40-47 respectively. In addition 273(73%) respondents were married or live with their husband, 70(18.7%) divorced, 30(8%) widowed and only 1(0.3%) were single. 59(15.8%) of respondents reported that they were living in suburban and 315(74.2%) live in rural area. Also, from total respondents, 253(67.6%) had no education or didn't read and write, 109(29.1%) primary education and only 12(8%) were at secondary and higher education level.

b) Socioeconomic Characteristics of the Households Heads

Among 374 of households, 274(73.3%) were male headed and 100(26.7) are female headed. The average household size, 276(73.8%) were less than or equal to 5 membership and 98(26.7%) are greater than 5 household member size. As expected, from household headed by male 190 (67.6%) no education, 75(29.1%) primary education and 9(3.2%) secondary and higher education. In addition, age of household headed by male 18 -24, 1(0.4%), 25-32, 110(40.1%), 33-39, 87(31.8%), 40-47, 74(27%) 48-54, 1(0.4%) and greater than 54, 1(0.4%), respectively. This indicates, households in the study area were predominantly male headed, which is the same as study country and also a common feature of most African countries. Almost around one in four households are headed by women with the proportion of female-headed households much higher in urban than in rural areas. The result of the study shows that family sizes in rural areas are higher than urban.

i. Asset Ownership of Respondents Household

The survey result shows that, 335(89.6%) of respondents household own house with less than or equal to 3 rooms while 39(10.4) respondents household own greater than three rooms house. Meanwhile 312(83.4%) of respondents indicated the floor of their house is natural floor, while 45(12%) rudimentary floor

and 17(4.5%) indicated their houses having finished floor respectively. Concerning the main construction material for their home, 211(56.4%) of the respondents used natural roof, 8(2.1%) rudimentary roof and 155(41.1%) finished roof. In addition 228(61%) of respondent used natural wall, 134(35.8%) rudimentary wall and only 12(3.2%) have finished wall. However, only 105(28.1%) of respondents indicated that they have electricity while the majorities 269(71.9%) do not have electricity in their home.

Regarding to household effect, the majority 285(76.2%) of households have radio and 89(23.8%) do not have. However, only 70(18.8%) households have television at home. The majority of respondents (about 269 or 71.9%) have personal mobile phone. Even among the respondents from rural areas about 67% of them have mobile phone. Only 58(15.5%) of household respondents have fixed line phone and 316(84.5%) of respondents do not have. Among the households in rural areas, 11(3.5%) of them do not own agricultural land. This indicates that, households in rural Ethiopia are much less likely to possess consumer items like televisions, telephones, radios and electricity.

ii. *Employment Status, Occupation and Earning type of the Respondents*

Employment is one aspect of social life in which gender roles and relationships emerge. For this, respondent were asked a number of questions regarding their employment status, including whether they were working in the seven days preceding the survey and, if not, whether they had worked in the 12 months before the survey. Then, we classified respondents as currently employed, not currently employed and not employed. Currently employed is defined as having done work in the last seven days and includes women's who did not work in the last seven days but who are regularly employed and were absent from work for leave, illness, vacation, or any other such reason. We say a woman is not currently employed if she had worked in the past 12 months before the survey but not working in the seven days preceding the survey. At the time of the survey, about 44.1% women's were currently employed and an additional 50.26 percent were not currently employed but had worked sometime during the past 12 months.

Employment increases with increasing age, with those in the age group 40-47 much more likely to be currently employed. About 96 % of women are who have no education and all women's with secondary and higher education had been working in the past 12 month preceding the survey. There is notable variations in the proportion of employment by place of residence and membership in MFI's status. Rural women are more likely to be employed than Sub-urban women (95.56 percent compared with 88.14 percent). This is probably because of the survey data collection took place during

the agricultural season when most women in rural areas are likely to be engaged in farm work. The proportion of employed women is higher among MFI members than non members.

Most employed women's are engaged in the agricultural sector. Specifically, more than three forth (75.67 percent) of employed women's employed women are engaged in agricultural jobs. Sales and service is an important occupation category, employing 13.3 percent of the women.

An overwhelming majority (58 percent) of women engaged in agricultural work are unpaid workers most likely (84.5%) employed by family members. Women are more likely to be paid in cash if they are employed in the sales and services sector; about 60.9% of the women employed in this sector are paid in cash. Overall, about half (45.19 percent) of employed women are not paid at all and more than half (63.9%) of employed women's work for a family member.

iii. *Awareness and Membership Status of Respondents in MFIs (Financial institution)*

The study survey show that, of respondents 88.8 percent heard about MFIs and only 11.2 percent of them were reported they don't have information about MFIs services. In addition, 48.7 percent of respondents reported they were member of MFIs. The result indicates that microfinance institutions outreach is still so low. In contrast to the result, in the first step in the Government's Sustainable Development and Poverty Reduction Program (2002) is to encourage the further spread of modern financial services in the country. So this is what needs attention from government, policy makers and development association those work on women's empowerment.

c) *Determinant Factors of Women's Participation in Household Decision making*

Since we had not adjusted our analysis to other covariates the observed difference in women's participation in decision may explain by other factors beside membership status. For this, we consider age, marital status, educational level, residence, number of household members, owner ship of agricultural land, ownership of live stock, employment status, sector of employment, type of earning, and saving habit in addition to MFI membership status as a candidate factor that may affect the odds of women's participation in decision making.

We had information on women's participation in four types of household decisions: respondent's own health care, making large household purchases; making household purchases for daily needs; and visits to family or relatives. For each type of household decisions, Women are considered to participate in decision making if they make decisions alone or jointly with their husband or someone else.

For each type of household decisions, Women are considered to participate in decision making if they make decisions alone or jointly with their husband or someone else. This leads us to four response variable. Namely,

1. *Owenhealthcare*

$$Y_{1i} = \begin{cases} 1 & \text{Ifawomenparticipateindecisionabouttherownhealthcare} \\ 0 & \text{Ifawomendidnotparticipateindecisionabouttherownhealthcare} \end{cases}$$

2. *Major household purchase*

$$Y_{2i} = \begin{cases} 1 & \text{Ifawomenparticipateindecisionaboutmajorhouseholdpurchase} \\ 0 & \text{Ifawomendidnotparticipateindecisionaboutmajorhouseholdpurchase} \end{cases}$$

3. *Daily household purchase*

$$Y_{3i} = \begin{cases} 1 & \text{Ifawomenparticipateindecisionaboutdailyhouseholdpurchase} \\ 0 & \text{Ifawomendidnotparticipateindecisionaboutdailyhouseholdpurchase} \end{cases}$$

4. *Family/relative visit*

$$Y_{4i} = \begin{cases} 1 & \text{Ifawomenparticipateindecisionaboutfamilyvisit} \\ 0 & \text{Ifawomendidnotparticipateindecisionaboutfamilyvisit} \end{cases}$$

5. *Participation in Decision in general (women's are considered to participate in household decision in general if they participate at least in 3 of the 4 decision types)*

$$Y_{5i} = \begin{cases} 1 & \text{if } Y_{1i} + Y_{2i} + Y_{3i} + Y_{4i} \geq 3 \\ 0 & \text{if } Y_{1i} + Y_{2i} + Y_{3i} + Y_{4i} < 3 \end{cases}$$

For each of the five responses we fit a multiple binary logistic regression where factors that are significant at 20% significance level in the univariate analysis are included in to the model. The regression result in table 1 shows that, the probability of the

decision making shows direct relationships with explanatory variables and the entire coefficient have the expected sign. However, the extent to which these variables relate with the dependent variable is different.

Table 1 : Mult-Variates logistic Result (n=374)

Characteristics	Health care		Major house hold Purchasing		Daily Household Purchasing		Family Visit		decision making	
	OR	P-value	OR	P-value	OR	P-value	OR	P-value	OR	P-value
MFI-membership										
Member	1.00		1.00				1.00		1.00	
Non-member	0.550	0.015	0.757	0.219			0.512	0.022	0.391	0.001
Age										
18-24	1.00		1.00				1.00		1.00	
25-32	1.08	0.899	0.783	0.713			2.220	0.244	1.373	0.690
33-40	1.918	0.314	0.270	0.055			0.718	0.633	0.354	0.193
40-47	1.01	0.984	1.109	0.896			2.952	0.228	1.972	0.490
Marital status										
Single	1.00		1.00				1.00		1.00	
Married	5.73	0.98	1.68	0.99			3.78	0.98	1.43	0.99
Divorced	2.50	0.98	7.72	0.99			0.00	0.99	3.96	0.99
Widowed	1.97	0.98	6.59	0.98			0.00	0.99	8.68	0.99
Educational level										
No-education	1.00		1.00				1.00		1.00	
Primary education	1.71	0.05	3.70	0.00			1.35	0.34	2.06	0.03

Secondary & above			1.11	0.86						
HH headship										
Male	1.00		1.00				1.00		1.00	
Female	2.48	0.00	0.57	0.04			0.33	0.00	0.68	0.24
Employment status										
Employed	1.00		1.00				1.00		1.00	
Unemployed	1.68	0.36	0.48	0.11			0.94	0.91	0.62	0.36
Occupation type										
Agriculture	1.00		1.00		1.00		1.00		1.00	
Government and NGOs employed	0.64	0.15	0.60	0.07			1.69	0.22	0.65	0.22
Trade	*									
Daily laborer	**									
Others	1.56	0.43	0.44	0.08	0.04	0.01	1.02	0.97	0.58	0.30
Type of payment										
In cash	1.00		1.00				1.00		1.00	
In kind	1.64	0.19	2.44	0.01			0.48	0.26	2.71	0.02
In cash and kind	0.54	0.68	**							
Not payment at all	2.00	0.06	3.57	0.00			0.31	0.06	1.61	0.24

Source: Data collected from respondents 2015

The result in table 1 above also shows that, Participations of women's in decision making is statistically significant with membership of MFIs, educational level and type of payment. The odd ratio of non-client women participation in general decision making is 0.39 as compared to client women. That is, the level of participation of client women in general decision making is higher by 69% as compared to no client. Women who are in the third category of educational level (secondary and higher) group did not have a statistically significant difference from that of women in the first group of educational level (no education) participation in general decision making.

However, women in the second (primary education) category of educational level are statistically significance with compared of the first category of educational level (no education). That is, adjusting to other covariates, the odd ratio of participation in general decision making for women in the second educational level category is 2.05 as compared to women's in the first educational category. In other word, the level of participation of women in first educational categories/no education in general decision making is lower by 1.05% as compared to primary educational level. In addition, Women who are in the third (in kind only) and forth (not paid) type of payment group did not have a statistically significant difference from that of women in the first group of (in cash only) interims of participation in general decision making. However women in the second (in cash and kind) type of payment are statistically significance with compared to the first type/category. That is, adjusting to other covariates, the odd ratio of participation in general decision making for women in the second category is 2.71as compared to

women's in the first payment category. In other word, the level of participation of women in second type of payment categories in general decision making is lower by 1.71% as compared in first type of payment category.

d) Discussion of the Study

From result of the study, client of MFIs women's source and level of income increases more likely than non-clients of MFIs. This result indicates that micro finance have positive role to increase/improve women's source and level of income. Also when we compare within client women; Matured clients source and level of income increased than incoming clients. This statement indicate that, duration of becoming micro finance membership have positive role on source and level of income increased yearly.

Since Production process can be increased due to the possibility of having access to more stable sources of finance through the sustainable provision of loans and/or savings facilities. This, in turn, allows for a steady and more predictable supply of inputs and enhances provident business management strategies; It enhances social intermediation strategies such as group formation increase knowledge and information about new business opportunities, resources, and markets, and improves management practices; additionally, if the program implements complementary training programs, the technical and managerial skills acquired may accelerate women benefit from MFIs program.

From result of the study, when we can generalized the significance intervention of microfinance services, promises both to combat poverty and to develop the institutional capacity of financial systems through finding ways to cost-effectively lend money to

poor households. Poor households are typically excluded from the formal banking system for lack of collateral, but the microfinance movement exploits new contractual structures and organizational forms that reduce the riskiness and costs of making small and uncollateralized loans.

Types of job occupation, employment status and type of earning also have remarkable variation on saving habit of women. Specifically women those are working in agriculture were save more likely than women in non-agriculture. The viability of enterprises is increased by providing safe and accessible saving facilities in which clients can accumulate start-up capital. This is particularly important for poor people who start enterprises with savings. With credit, new enterprises can be financed within households that dispose of supplementary income sources to cover loan repayment. Generally, micro finance program have prior significance effect to increase women's saving habit.

Decision making can be a complex process and the ability of women to make decisions that affect the circumstances of their own lives is essential for their empowerment. From indicator of women decision making, women's participation in four types of household decisions: namely respondent's own health care, making large household purchases; making household purchases for daily needs; and visits to family or relatives were selected. Women are considered to participate in decision making if they make decisions alone or jointly with their husband.

Participation of women's about their own health care is statistically significant with MFIs membership, educational level and household headship. Participation of client women in decision making about their own health care is higher than non-client by 45 percent. From this difference we can say that, women those have access to finance are more care for their health. When there is Healthy mother → healthy child → healthy people → healthy economy. When there is healthy economy it is possible to eradicate poverty. In addition to eradicating poverty, decreasing child mortality and mother's death is the main goal of growth and transformation plan of the study country. To achieve the goal of growth and transformation plan of the study country; politicians, policy makers and development associations should be focus to reach poor women with better services of MFIs than today.

The result of regression analysis shows that, participation of women's in decision making; which is the indicator of women's economic empowerment is statistically significant with membership, educational level and type of payment. The level of participation of client women in decision making is higher by 69 percent as compared to no client. As expected educational level of women were also positively related with general decision making. As educational level of women

increase participation in decision making is also increase. In other word, the level of participation of illiterate (no education) women in decision making is lower by 1.05 percent as compared to primary educational level.

Type of payment has remarkable variation on women decision making. Women those are took payment in kind only and not paid at all have low participation in decision making when we compared with who receive in cash and kind. In addition, women those are receive their payment in cash only more participate in decision making when compared with the other type of payment. In other word, women those receive in cash only have higher by 1.71 percent participation in decision making when compared with women receive payment in cash and kind. Generally, from all independent variables statistically significant in this study micro finance had the lion share on women's economic empowerment.

V. CONCLUSIONS

This study result indicates that, micro finance program have positive role on improving women's source and level of income. In addition, even if there is not big gap between clients of MFIs, duration of micro finance membership have also positive role on the source and level of income rate to be increased yearly. Matured clients source and level of income increased than incoming clients.

The role of micro finance institutions on saving habit of women's also positive; MFIs client women's saving habit were more likely higher than comparing to non-clients. As improvement on women's source and level of income, duration of micro finance membership have also positive role to improve saving habit. But in the case of saving habit the gap between matured and incoming clients less than improving the source and level of income.

Also micro finance program improved women's control and access to asset and decision making power at household level; by providing independent sources of income outside home, micro finance helps to reduce women dependency regarding socio-economic on their husbands/partner comparing with non-clients. In other word, MFIs have positive role to improve women's control and access to asset, and decision making power by providing control over material resources, as well as, improve women's status in the eyes of husbands/partners.

Generally, from empirical analysis of the study, the researchers noted that MFIs should focus on how to reach all women those have interest for credit and preferences by reducing the bureaucracy mentioned by women and other stockholders at the time of discussion. Availing microfinance services with prior service for poor women's had significant role on

economic empowerment of the women; which is acknowledged by study findings. In addition, economic empowerment of women is about producing society believed on justice and impartial societies. Also believes that, woman economic empowerment issue is not only about equality, it is about right, humanity, and it is global issue to eradicate poverty.

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Impact of International Remittances on Poverty Reduction in South-West Ethiopian: Evidence from Jimma Zone

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GJMBR - B Classification : *JEL Code : I30*



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1. INTRODUCTION

Recently, there is huge mobility of factors of production across the world mainly due to globalization and open policies. The movement of people from one country to other country is the common feature of current world. Over last decades the world faces an alarmingly growing of migrant peoples mainly from developing countries to developed countries due to various reasons such as food insecurity, political instability, overpopulation and for better job opportunity. According to World Bank statistics, about 30 million which was 10.2 percent of global migrants were hailed from Africa (WB, 2011). As a result countries in the migrants' origin in general and millions of households in particular have been affected by the many millions of migrants through remittances inflows to the migrants' origin countries.

Remittances are the main source of foreign income for developing countries. The flow of remittances to developing countries has been increasing dramatically over recent decades. The remittances receipts had reached \$350 billion in 2011 as compared to only \$0.3 billion in 1971 (World Bank, 2011). It is likely

that billions more were transferred through unofficial ones. The current report and evidence have indicate that the inflow of remittances to developing countries exceeds the amount of official aid and is the second largest source of external finance after foreign direct investment both in the absolute terms and as a proportion of GDP (Anderson, 2012). According to Barajas et al (2009) over recent years remittances flows amounted on average about one third of export earning, twice of private capital flows, almost ten times of official capital flows and more than twelve times of official transfers to developing countries.

Therefore, given large size of total remittance flows into developing countries, they should be expected to have significant economic effects both at macro and micro levels on the economies that receive them. Remittances are serving as source of investment (enables country to invest more on human and physical capital) and consumption which in turn boosting economic growth (Beyene 2011, Ratha 2007). They have also potential to become an important tool for economic development through loosen production and investment constraints and finance investment in new production technologies and input (Anderson, 2012). According to Das and Serieux (2010) significant portion of remittance flows to developing countries are used to serve debt, and increases foreign exchange reserves.

The importance of remittances has been increasing not only at macro-economic level but also at the micro-economic level. Remittances are largely personal income transfers from relative migrants to their families. Hence, they have the potential and ability to reduce poverty and to promote human development (Ratha, 2007). Moreover, remittances have been associated with increased household investment on education, health and entrepreneurship that could result in high social return. By affecting consumption and income of households, the inflow of remittances could affect the household welfare, poverty and income inequality of migrants' origin country ((Beyene, 2011). They have the prospective effects on asset accumulations through investment on asset goods such as housing, durable consumer goods and non-land assets (Anderson, 2012).

Ethiopia is one of the developing countries in the world experiencing a substantial outflow of people

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(particularly, working age labor force that includes skilled, semi-skilled and even unskilled peoples). This massive outflow of factors of production could have a significant impact on Ethiopia's development. As mentioned earlier, remittances are one of the main channels through which huge outflow of man-power affects Ethiopia's economy. During recent decades inflow of remittances to Ethiopia has grown dramatically, from \$134 million which was 7% of export earnings and 1.3% of GDP in 2004 to \$389 million (15% of export earnings and 1.5% of GDP) in 2010 (WB, 2011) which make Ethiopia one of the top 10 sub-Saharan African countries in terms of remittance receiving. Yet their true size, including unrecorded flows through formal and informal channels, is much higher. The figure surpassed \$1 billion if we include informal inflow of remittances to the country (Alemayehu et al, 2011). Therefore, it is very important to scrutinize the effect of large inflow of remittances on poverty status of the households. Particularly, this study is limited to examine the poverty effect of international remittances in Jimma zone of south west Ethiopia. This study will contribute to the understanding of status and impact of remittances on poverty. The results of the study can also provides important information for all concerned bodies such as government, policy makers and other institutions to exercise well-articulated remittance management as it can aid growth and development by providing much needed foreign exchange and additional source of income for households.

II. LITERATURE REVIEW: EMPIRICAL EVIDENCE

In recent time, sustainable economic growth and poverty reduction are the top agenda of many developing countries. This require all concerned body to understand factors that influence the overall economic situation and hence poverty status of the country. With alarming increasing of migration mainly from developing countries to developed countries, it is very vital to summarize information regarding the impact of remittances on economic situation of receipt countries. Various studies have been conducted across the world to assess the effect of international remittances on the economy of migrants' origin countries both at macro and micro level. The extent and direction of its impact depend on who receive it, how it is measured, its volume, risk and uncertainty situations in both host and origin countries and motives behind transfers (for investment that considered as productive activities or consumption that is counter-productive) (Beyene 2011, Sharm 2009).

Siddiqui and Mahmood (2005) investigated the impact of workers' remittances on economic growth using time-series data. The study concluded that economic growth is positively associated with the inflow of workers' remittances as they had helped in reducing

current account deficit, external debt burden as well as improving debt servicing ability. The same result was obtained by Feeny et al. Much evidence points to the fact that remittances are less volatile to economic downturns as compared to FDI or other official development assistances and hence helped receipt countries in case of economic insecurity.

Barajas et al. (2009) in their analysis of 'Do Workers' Remittances Affect Economic Growth in Pakistan' concludes that remittances have insignificant economic impacts at their best. This might be associated with appreciation of real exchange rate and reduction of labor supply as a result of remittances flow. Apart from macro impact, several studies have examined the micro-economic effect of income transfers from international migrants. Adams (1991) examines the effect of international remittances on poverty in rural Egypt. After he predicts factors that affect decision to work, including household indicators such as education level, number of males of working age, land ownership, estimates the impact of remittances on poverty using predicted income equations. He finds that remittances significantly reduce incidence of poverty in rural Egypt.

Adams and Page (2005) used a counterfactual methodology and instrumenting for the endogeneity problem of remittances, based on a household survey of 71 developing countries, to examine the impact of international remittances. Controlling for the level of income, income inequality, and geographical region, they find that remittances have a significant effect on reducing poverty in the developing countries. They found that a 10 percent increase in the share of remittances to GDP in a given country would lead to a 1.6 percent decline in the share of people living in poverty. Qayyum, Javid and Arif (2008) estimate the impact of remittances on growth and poverty in Pakistan by using auto-regressive distributive lag model. They find that an international remittance has a strong and statistically significant impact on economic growth and poverty reduction in Pakistan.

Ahmed et al (2010) using a general equilibrium framework and micro-econometric analysis estimates macro and micro-economic impact of remittances in Pakistan. In general equilibrium analysis he simulates the impact of reduction in remittances on main macro-economic indicators. The finding of the study has shown that gross domestic product, investment and household consumption declines as a result of fall in income transfer from abroad economy. Moreover, the result of micro-econometric analysis revealed that remittances significantly reduce the probability of households becoming poor.

Chukwuone et.al (2012) presented the impact of internal and international remittances on poverty in Nigeria using propensity score matching approach and multinomial logit model with instrumental variables. The result revealed that the probability of households' falling

into poverty significantly reduced when household receive remittances from either internal or international sources though the impact is more in case of international remittances.

Using decomposition techniques Taylor et al (2005) study the effect of remittances on poverty and inequality based on rural survey data collected from 14 Mexican states. They find that remittances reduce overall poverty though the magnitude differs across states. The study estimates that poverty headcount and poverty gap indices would decline by 0.77 and 0.53 respectively with 10 per cent increase in international remittances. However, the inequality situations in the country worsen as a result of outside income inflow. The observed differences in the impact of remittances on poverty and inequality across regions is depends on the migration level in the regions. The highest effect is registered for the highest migration region while the lowest effect is observed for the lowest migration region. Ratha (2007) using household survey data evaluates the impact of remittances in Uganda, Bangladesh and Ghana. The results have shown that poverty situations in each country is significantly improved, where 11%, 6% and 5% of the percentage of population below poverty line lifted out as a result of income receipt from abroad in Uganda, Bangladesh and Ghana respectively.

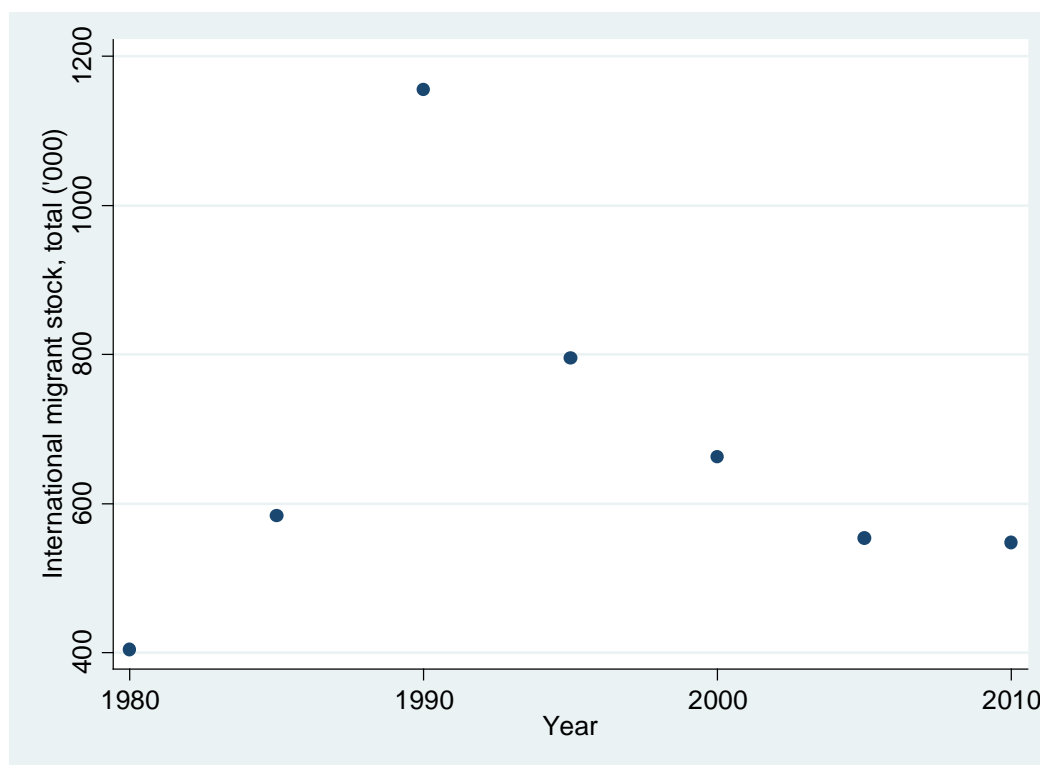
Beyene (2011) estimates the effect of international remittances on poverty and inequality in

Ethiopia using 2004 urban household survey. The study was used counterfactual estimation method in which counterfactual consumption is estimated to compare households with and without remittances. He finds that remittances significantly reduces the probability of being poor they have worsened inequality situation in the country though the magnitude is negligible.

Andersson (2012) using propensity score matching approach analyzes the impact of remittances on household welfare of rural Ethiopian. He finds that remittances have a considerable effect on welfare of society. They have a significant positive impact on household well-being measured subjectively while the effect on households' asset accumulation and asset holding is ambiguous.

III. OVERVIEW OF MIGRATION AND REMITTANCES IN ETHIOPIA

A noticeable degree of out-migration in Ethiopia started in 1970s that was limited to the urban elite mainly due to revolution and political unrest which was later on followed by more economically oriented in the country (Alemayehu et al, 2011 and Andersson, 2012). The major factors driving Ethiopian migrants over the years were political, economic and environmental issues (Fransen and Kuschminder, 2009).



Source: World Development Indicators, 2014

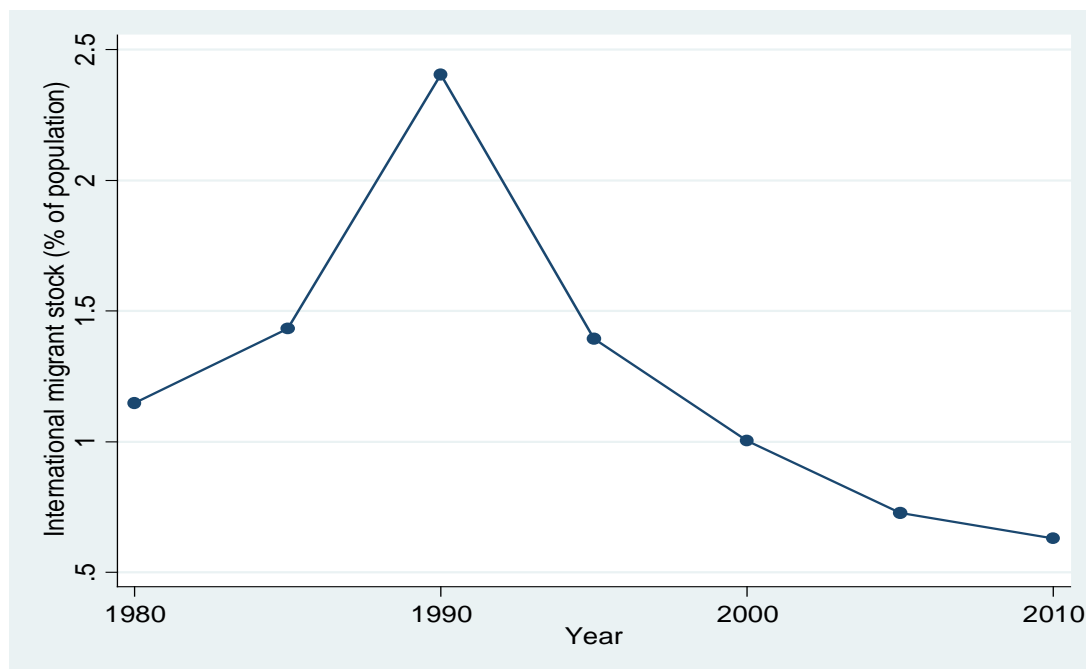
Figure 3.1 : Total stock of international migration in Ethiopia (between 1980 and 2010)

As indicated in figure 3.1, the total number of Ethiopian people migrates to abroad increases at high rate in 1980s and reaches its peak at 1990. This is mainly due to the fact of political unrest that forces people to migrate from origin place to escape conflict in the country. Over the same period of time, the total stock of Ethiopian emigrants living abroad as a percent of total population also rises, even in 1990/91 it approaches to 2.5 percent of the total population of the country as shown in figure 3.2.

However, after the downfall of the Derg regime in 1991, the total numbers of migrant Ethiopian people

decreases, mainly up to mid-2000s because of relatively better stability in the country. As indicated in figure 3.2, the total stock of migrants' people as percent of total population has been continuously decline since 1990/91.

However, over the last decade once again we have observed slight rises of migration in Ethiopian which become an ambition of both rural and urban people, especially for economic reasons as we have witnessed currently large number of peoples, particularly rural female's departure to abroad country especially to the Middle East countries.



Source: World Development Indicators, 2014

Figure 3.2 : International migration stock as percentage of total population in Ethiopia (between 1980 and 2010)

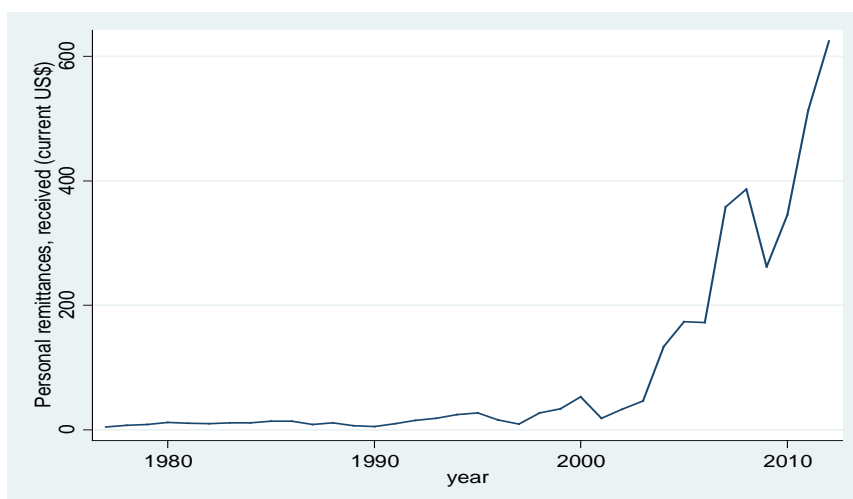
The total stock of Ethiopian emigrants living abroad in 2009 was 0.6 million people which was 0.7 percent of the total population of 82 million in the same year (WB, 2010). The Ethiopian migrants who send back remittances to their origin households reside in different parts of the world. According to 2009 UN report Asia, North America and Europe were the major destination of the Ethiopian emigrants hosting 38%, 31% and 21% of the total emigrants respectively. From Asia, Middle East is the most important destination particularly for young women due to the nature of labor market and its geographical proximity. It is particularly common for young women to go to the Middle East to work mainly as domestic workers (Kebede, 2002; Fransen & Kuschminder, 2009). The top emigration destination countries for Ethiopian migrants are Sudan, the United States of America, Israel, Djibouti, Kenya, Saudi Arabia, Canada, Germany, Italy, and Sweden (Andersson, 2012).

World Bank (2010) report shows that, using a survey of 2004, 39% of the Ethiopian households had a family members or relatives living in abroad. Like migrants from all developing countries, Ethiopian migrants send money to their families back home. The World Bank's ranks Ethiopia to be the 8th largest remittance receiver in Sub-Saharan Africa in 2010, reaching 387 million USD as compared with 100 million USD of net foreign direct investment inflows (Andersson, 2012). However, the estimates of the exact value of remittances that come into the country vary substantial. For instance, according to MoFED remittance flows averaged 307 million USD per year between 1997 and 2006 in contrary to just 70 million USD according to World Bank (Alemayehu et al, 2011). The United Nations Development Program (UNDP) estimated the total inflow of remittances for Ethiopia in 2007 at US\$359 million (UNDP, 2009 cited in Fransen and Kuschminder, 2009). On the other hand, the national bank of Ethiopia

estimated the inflow of remittances at US\$636.2 million in 2007.

However, all data source reveals the same trend in that the inflow of international remittances into the country increases at large. The trend of total remittance flows to Ethiopia since 1980 is shown in figure 3.3 while figure 3.4, shows total remittances as a percentage of real GDP. Though the inflow of international remittances slightly increases since 1970's, it does not show significant changes up to 2000. However, the volume of remittances has been increased sharply since 2000/01.

In 2001, the total flow of remittances was only 18 Million USD. In 2004 it reached 134 Million USD and was 7% of export earnings and 1.3% of GDP which in turn increases to 387 Million USD in 2008 that was 15% of export earnings and 1.5% of GDP and makes Ethiopia the 8th highest international remittances earning countries in Sub Saharan Africa (SSA). In 2009, it decreased both in volumes and as percent of GDP due the global financial crisis. After that, it has shown significant increment as the figure reached to 624.4 million USD in 2012 which is 1.5% of GDP.

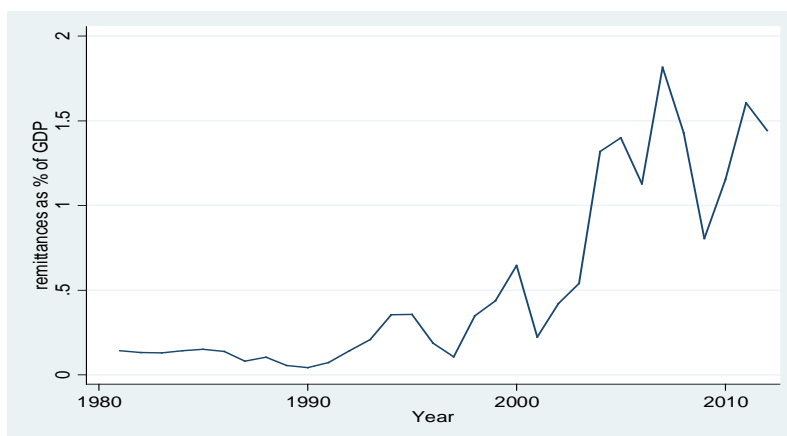


Source: World Development Indicators, 2014

Figure 3.3 : Remittance Flows to Ethiopia (1980-2010)

Unlike the volume, the international net inflow of remittances as a percentage of GDP is low in general and did not grow much. This is may be due to the fact of

high economic growth recorded in the country in the recent years.



Source: World Development Indicators, 2014

Figure 3.4 : Remittance Flows to Ethiopia as Percentage of GDP (1980-2010)

According to the UN (2009) report, North America is the most important source of remittances to Ethiopia with 41% of the total flow followed by Europe with 29% and Asia with 24%. The reason why the highest amounts of remittances come from North America and Europe while Asia has the highest stock of Ethiopian

emigrants may be because migrants earn higher income in North America and Europe compared to Asia. In general, the real financial flow of international remittances is much higher than formally recorded when the informal flow one is included. In Sub-Saharan Africa 45 to 60 percent of formal remittances is estimated to be

come in through informal channels (Freund and Spatafora, 2005 cited in Fransen and Kuschminder, 2009). According to Alemayehu et al (2011) in sub-Saharan Africa 73% of total remittances are unrecorded remittances, which are transferred through informal channels.

IV. DATA TYPE AND METHODOLOGY

This study was conducted in Jimma zone of Ethiopia. The field survey data that covered 371 household heads living in the study area in the year 2014 was used. The relevant information was collected through structured questionnaire that contains detailed information about the households' demographic characteristics, socio-economic characteristics, income and flow of international remittances.

The study used both descriptive statistical inferences and micro-econometric model, in the assessment. The descriptive analysis was made to examine the demographic and socio-economic features of respondent. Descriptive statistics like percentages, ratios, mean values, and frequencies were used. The micro-econometric technique, called binary logistic model, was applied to analyze the impact of international remittances on poverty alleviation using SPSS 17 and STATA 12 software.

The empirical evidence shows that poverty can be measured objectively (monetary or non-monetary approaches) or subjectively. However, most of studies on poverty are based on money metric approaches either using income level or consumption expenditure of households. According to money metric approaches an individual is considered poor if his or her consumption or income level falls below some minimum level necessary to meet basic needs.

Recently, definition of poverty goes beyond lack of sufficient income. Even if the people possess adequate incomes, they can still suffer acute deprivation in many aspects of life. Thus, many thinking on poverty argues that poverty should be viewed in terms of an inadequate standard of living, whereas the other considered poverty as lack of minimum level of education, nutrition, literacy and social exclusion and powerlessness in addition to insufficient level of income. The adherent of this approaches concluded that poverty should be looked from angle of nutrition status, Life expectancy and health index that together give a unit index.

The poverty can be defined in relative way or in absolute way. Relative poverty refers to lacking a usual or socially acceptable level of resources or income as compared with others within a society or country where as absolute poverty refers to the set of resources a person must acquire to maintain a minimum standard of living for survival. It defines the threshold that distinguishes the poor from the non-poor and examines

the income or consumption levels of people in reference to that threshold. Recently, these income or consumption based absolute poverty lines have become a norm in almost all developing countries.

Having defined the welfare of household using aggregate income, consumption or non-monetary measure, the next step is to define poverty line which demarcates the poor from non-poor. The poverty line can vary in time and place; different countries can use different poverty line considering their level of development, societal norms and values. This studies uses income per adult equivalence to distinguish poor from the non-poor households. Particularly, the study used 2010/11 poverty line employed by Ethiopian government as we didn't get any update national poverty line. The absolute poverty line of Ethiopian Birr 3,781 per year per adult equivalence was employed as demarcation of poor households from non-poor (MOFED, 2012).

To characterize the poor in the study area, the researcher was used a probability model in which the chances of falling below the poverty line are linked to the flow of international remittances, demographic and socio-economic characteristics household. Hence, the binary logit model is adopted to analyze impacts of remittance and other demographic and socio-economic variables on poverty status of household. The binary logit model is defined as:

$$P_i = E(Y = 1/R_i) = \alpha + \beta R_i$$

Where, P_i is the *dependent variable* which indicates the probability of being poor. It is dichotomous or dummy variable: where it represents (1) when the household is poor and (0) when the household is non-poor.

R_i : represents vector of independent (explanatory) variables that include both qualitative and quantitative data in nature. The explanatory variables included in the model are:

- Sex of households: discrete variable
- Age of households: continuous variable
- Household size: continuous variable
- Educational status of household head: discrete variable
- Total land holding: continuous variable
- Distance from nearest local market: continuous variable
- Amount of livestock ownership (measured in tropical livestock unit): continuous variable
- Remittances: discrete variable

V. RESULTS AND DISCUSSION

a) Demographic and Socio-economic Characteristics of the Respondents

Out of the total surveyed households, 27.9% of them are beneficiary of international remittances. The receiver of remittance will have either close relationship

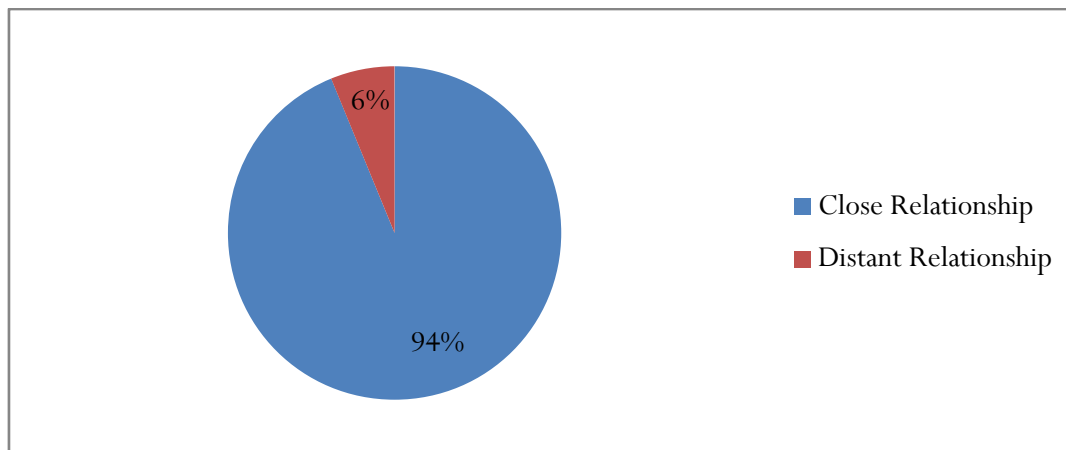
or distance relationship with the migrants who send back money to them. The survey result showed that 94% of beneficiaries' households received remittances from close relative whereas the remaining 6% of households

received from the distant relatives. This showed that majority of Ethiopian migrants who send back money to origin nation have a close and blood relationship with the beneficiary.

Table 1 : Percentage of beneficiary and non-beneficiary of international remittances

Households type	Proportions
Non-beneficiary	72.1
Beneficiary	27.9

Source: Own Computation, 2014

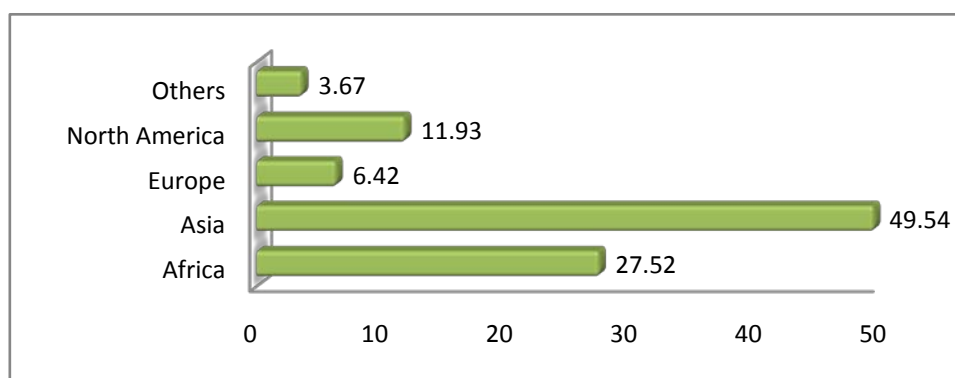


Source: Own Survey and Computation, 2014

Chart 1 : Distribution of Beneficiaries' Relationship with Migrants

The Ethiopian who migrate from their home country and send money back to their families lives in different part of the world. Chart 2 reported the

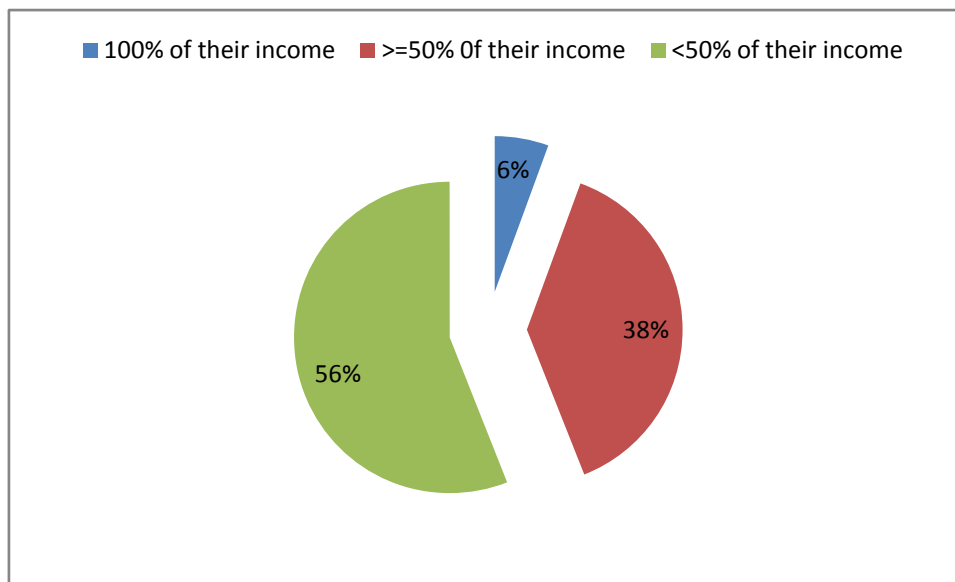
distribution of Migrants who send back money to their origin country.



Source: Own Survey and Computation, 2014

Chart 2 : Distribution of Migrants who send back money to their Origin

The study find that majority of households receives remittances from migrants who live in Middle East (52.6%) followed by Africa, North America, and Europe. This is not surprising as we can recently observed that large number of Ethiopians particularly female from rural areas migrate to Middle East countries mainly Saudi Arabia, united Arab emirate and Kuwait.



Source: Own Survey and Computation, 2014

Chart 3 : The importance of Remittances in the Households Total Income

The survey also covered questions of how important international remittances are for the households' total income. As depicted in chart 3, 6% of households state that international remittances accounts for 100% of their income and 38% of households respond that remittances from abroad account for 50% or more of their income. This implies that income received from abroad contribute significant to the total income of households.

Table 2, 3 and 4 summarize the demographic and socio-economic characteristics of sampled households by their remittance status. In general we find households without remittance have relatively higher education level, total land holding, livestock, per capita income and work experience as compared to households with remittances. Table 2 reported some selected demographic characteristics of households

group (households with remittance and with remittances). When the sex of household heads is compared, the result unsurprisingly shows that majority of respondents either beneficiary or non-beneficiary are male headed household. So there is little difference between the two groups as male headship dominance is the feature of many developing countries, mainly in rural areas. Regarding the education level of household head, majority of respondents are illiterate though the illiteracy of beneficiary households (74.4%) is higher than that of non- beneficiary (67.6%). The survey also compared the marital status of households who receive remittance and don't receive. The result implies that there is no significant between the two groups regarding the marital status. Out of the total respondents, more than 94% are married.

Table 2 : Distribution of households by some selected demographic Features (in Percentage)

Variables Description		Beneficiary of Remittances	Non-beneficiary of Remittances
Sex	Male	71.8	74.7
	Female	28.2	25.3
Educational status	Illiterate	74.4	67.6
	Literate	25.6	32.4
Marital status	Single	3.8	1.8
	Married	94.9	94.2
	Divorced/ Widowed	1.3	4.2

Source: Own Survey and Computation, 2014

Table 3 summarized the mean value of age, family size, work experience and distance from the local market of the two groups (beneficiary and non-beneficiary households). The mean age of the two

groups is very similar but slightly an average age of non-beneficiary households (45.8 years) is higher than the average age of beneficiary households (44.0 years). When we compared the family size of two groups, both

receiver and non-receiver households have relatively higher family size on average as most of them living in rural areas don't use family planning. The average work experience of beneficiary and no-beneficiary households

is 22.5 and 23.8 years respectively. Moreover, the households who receive remittances on average live in a slightly far distance from local market (10.6 KM) than the one who don't receive remittances (9.6 KM).

Table 3 : Some selected characteristics of Households with Remittance and without Remittances

Household characteristics	Beneficiary of Remittances (Mean value)	Non-beneficiary of Remittances (Mean value)
Age	44.0	45.8
Family size	6.5	6.3
work experience (in years)	22.5	23.8
Distance from Local market (in KM)	10.6	9.8

Source: Own Survey and Computation, 2014

Table 4 reported summary of asset ownerships of both groups of households. The resulted revealed that households who receive remittances have relatively lower average land holding (1.5 ha) as compared to non-beneficiary one (1.9 ha). In the same way the households without remittances have higher total livestock unit than households with remittances. As a result of these, households without remittances have

higher average per adult income (5893.7 ETB) than household with remittances (4750.6ETB). These suggest that the household who sent one or more of their families to abroad and receive remittances are relatively poorer. The household with more asset ownership become relatively non-poor and they don't want to send their families abroad.

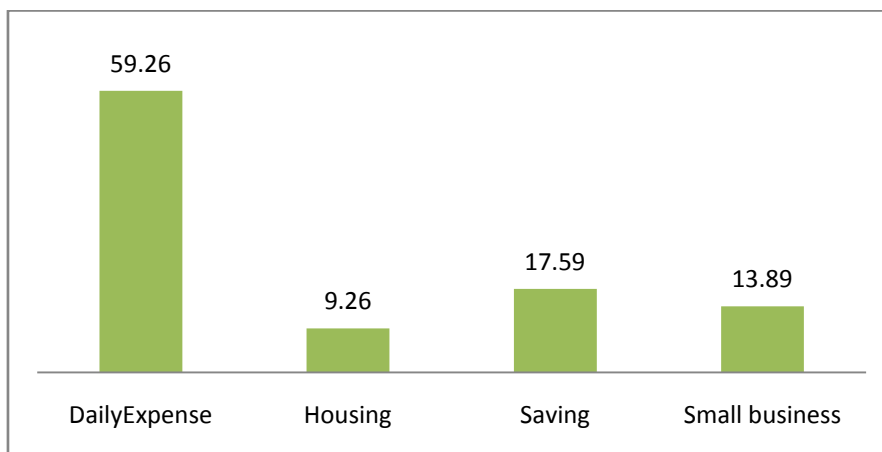
Table 4 : Resource Ownerships of Households with Remittances and without Remittances

Variables	Beneficiary of Remittances	Non-beneficiary of Remittances
Total land (in hectare)	1.5	1.9
TLU	3.0	3.3
Income Per adult equivalence	4750.6	5893.7

Source: Own Survey and Computation, 2014

The study also tried to address the questions of for what purposes the households uses the amount of remittance they received from abroad. Chart 4 showed the distribution of the inflow of remittances in regard to

final usage. Majority of households are used remittances for daily expenses (59.26%) such as food followed by saving account, small business and housing respectively.



Source: Own Survey and Computation, 2014

Chart 4 : Purposes of Remittances

b) Impact of Remittances on Poverty

As we mentioned in the methodological part, the binary logistic model was employed to investigate the impact of remittances on poverty. Before interpreting

the results of regression, it is very important to check for the adequacy of the model, and goodness of fitness of the model. The estimated logistic regression model is given in table 5.

The likelihood ratio with chi square distribution used to check for the adequacy of the model. It tests the null hypothesis that none of the independent variables are linearly related to the log odds of the dependent

variable. The result is statistically significant and hence we reject the null hypothesis of the independent variables are not related to the log odds of probability of being poor.

Table 5 : The Maximum likelihood estimates of the Logit model

Dependent Variable: the Probability of being poor (1 if the household is poor and 0 otherwise)				
Explanatory Variables	Coefficient	P-value	Odds Ratio	Marginal effect
Rem	-1.795	0.000	0.166	0.292
Sex	-0.142	0.674	0.868	-0.029
Age	0.031	0.167	1.032	0.006
Family size	0.862	0.024	2.369	0.174
Headeduc	-0.060	0.629	0.670	-0.007
Totaland	-0.044	0.005	0.957	-0.187
Tlu	-0.538	0.000	0.584	-0.112
Localmkt	0.126	0.000	1.134	0.024
_cons	-0.355	0.676	-	-
Log likelihood	-144.5			
LR chi ²	99.80 (P-Value = 0.00)			
H-L chi ²	309.45 (P-Value= 0.1629)			
Sensitivity	84.4%			
Specificity	75.6%			

Source: Own Survey and Computation, 2014

The model goodness of fit was checked using the Hosmer-Lemeshow (H-L) test. The H-L test is used to test the null hypothesis of there is a linear relationship between the predictor variables and the log odds of the measure variable. The result showed that chi-square was statistically insignificant and hence we fail to reject the null hypothesis. The sensitivity and specificity analysis showed 84.4 % and 75.6 %, respectively. Therefore, we concluded that the model fits the data very well. So, we can proceed to discussion and interpretation of the significant explanatory variables in the model.

In general, the output of regression showed that remittances from abroad, households family size, total land holding, total livestock unit, and distance from the nearest local market are significantly determine the poverty situation of households.

According to the finding given in table 5, an international remittance was significant determinant of households' poverty status. As expected, the availability of remittances was negatively and significantly associated with household poverty status. The result showed households who receive remittances are less likely to be poor. Other things remain constant; the odds ratio in favor of being poor reduces by a factor of 0.166 as the remittances inflow from abroad increases by one birr. This suggests that households who received remittances are endowed with additional income and hence less likely to be falling into poverty.

The coefficient of households' family size was statistically significant at 5% probability level and positively related with poverty status of households. The household with more family size are more likely to trap in

to poverty. The increases of family size by one unit the chance of being trapped in to poverty increases by a factor of 2.369. This may be due to the fact that the additional household member becomes more dependent that puts extra pressure on consumption expenditure than contribution to extra production.

Regarding the total land holding size, the model result reveals that the variable coefficient is statistically significant at 1% significance level and negatively influences the household probability of being poor. This implies that as household farm size increases the probability of households trapped into poverty reduces. The odd ratio of land size implies that as farm land size of households' increases by one hectare the probability of households being poor reduces by a factor of 0.957. The possibly reason is that in rural parts of Ethiopia Land are main asset and resource of households. As land size increases the household production and hence consumption increases which helps them to move out of poverty.

The total amount of livestock owned by households measured in total livestock unit is another important determinant of households' poverty. The variable is significant at 1% probability level and negatively affects the households' poverty status. The result indicates that, other things held constant, the odds ratio in favor of being poor decreases by a factor of 0.584 as the total livestock holding increase by one unit. The reason can be household with more livestock will get more livestock production (such as milk, meat, etc.), and hence give them the better chance to get more income from product sells and/or consume more.

In addition to this, livestock is another important agricultural input for production in rural parts of Ethiopia. As expected, the coefficient of household distance from nearest local market (measured in KM) is positively correlated with households' likelihood of falling in to poverty. Its coefficient is statistically significant at 1% significance level. The result reveals that the probability of being poor increases as household far away from local market.

VI. CONCLUSION AND POLICY IMPLICATION

Migration is the common phenomena of today world. Like other countries, Ethiopia also experienced large number of people migrating to different parts of world for various reasons mainly to get better job. Those migrants send back money to their relatives or friends of origin country. Recently, the amount of international remittances inflow into the country has shown increment at large which expected to affect the Ethiopian economic situation at macro and micro level. Therefore, using binary logistic model this study attempted to scrutinize the impact of international remittances on poverty status of the household.

The logistic regression result showed that remittances from abroad, household family size, total land holding, total livestock unit, and distance from the local market are the main determinants of household poverty status in the area under consideration. On the other hand, sex, age, and educational level of households were statistically insignificant. Finally, the study suggests that concerned body mainly the government should give due attention to the flow of international remittances as it can be used as one tool to fight poverty in Ethiopia. That means the government should develop policies that encourage the inflow of remittances; such as providing better and relatively cheap means of transferring remittance, and developing an appropriate regulatory framework and monitoring mechanism of flow of remittances.

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Relationship between Oil Prices and Stock Market Index: A Case of Pak, India & China

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Abstract- Cost of oil affects the profit and loss of the organization as oil is immediate or circuitous expense of operation. In this way, the ascent in crude oil costs will be relied upon to bring about the decline in income, which brought about a decrease of prompt stock market index. The goal of the examination is to get precise answers of exploration inquiries said in particular settings of Pakistan, India and China. This paper utilized regression, Durbin Watson test and correlation analysis to discover the answers of exploration inquiries and goals. The time of study is 21 years (From Jan 1995 to June 2015 on the bases of month to month variations) of dependent and predictor variables. It could be seen that the model is superbly fitted to the regression. In all instances of these three stock trades there is sure relationship between oil costs and stock exchange 100 index.

Keywords: oil prices, emerging market, stock market index, stock market return.

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Relationship between Oil Prices and Stock Market Index: A Case of Pak, India & China

Hafiz AbuBakar Usman^α, Muhammad Nadeem Iqbal^σ & Muhammad Khizar Hayat^ρ

Abstract- Cost of oil affects the profit and loss of the organization as oil is immediate or circuitous expense of operation. In this way, the ascent in crude oil costs will be relied upon to bring about the decline in income, which brought about a decrease of prompt stock market index. The goal of the examination is to get precise answers of exploration inquiries said in particular settings of Pakistan, India and China. This paper utilized regression, Durbin Watson test and correlation analysis to discover the answers of exploration inquiries and goals. The time of study is 21 years (From Jan 1995 to June 2015 on the bases of month to month variations) of dependent and predictor variables. It could be seen that the model is superbly fitted to the regression. In all instances of these three stock trades there is sure relationship between oil costs and stock exchange 100 index. We can say expanding the oil costs in the business sector will build the stock market index and diminishing the oil costs would diminish the stock market return. In each of the three cases there is certain connection among the variables characterized as oil costs and stock exchange 100 index; however relationship among variables of the Chinese and Pakistan's setting is feeble.

Keywords: oil prices, emerging market, stock market index, stock market return.

I. INTRODUCTION

Stock market plays a vital role in surveying any nation's financial circumstance through enhanced stock return appeared by the higher interests of the organization as a consequence of monetary development. Stock market is a standout amongst the most pertinent and most essential measurements for administration and shareholders of an association. In view of the scholars and the candidates need to improve the administration procedure that might want to offer to balance out the execution components of examination that influence stock market index return rushing to ensured and predominantly look into database (Malik, 2007).

High oil costs are managing serious macroeconomic modification nation is running an extensive deficiency of outside trade saves. The objective in this paper is to reveal insight into the way of the effect of the oil stun in the full scale monetary circumstance for Pakistan. You can utilize the open

economy to dissect the effect of crude oil cost in Pakistan on yield development. In this paper, the State Bank is seeking after the expansion target actualizing the money related approach so as to keep up the development of yield and value dependability working alongside the capacity of fiscal strategy on the estimation (Sharif E., 2005).

Worldwide oil costs subsequent to 2003 shows about stable ascent, as it was twofold in April 2006 than cost in January 2004 (Becon, 2005). Request, supply, theoretical considers and rise their interrelationships crude oil value all prompts a consistent ascent in oil costs.

In the most recent couple of years, worldwide interest for oil has developed in light of the solid financial execution in the improvement in Asia particularly China and India. World interest has developed at a rate of 1.3%, while (blend) for People Republic China and India at a rate of 7% in 2003 from 1990, and around 40% of development popular (Hamilton J., 2008).

Another component that adds to the solid interest is a low level of stocks and their reproduction in industrialized nations in the instability of the time of supply. What's more, a portion of the Asian nations have started to construct their very own store (Koranchelian, 2005).

Likewise, this area will express a few perspectives on the likelihood of high oil costs impact on large scale economy level of Pakistan. Progressed of any inconsistencies in the supply and relies on upon the cost of the oil creating nations, huge numbers of the case this have an expansive influence of economy and imports crude oil keeping in mind the end goal to meet the powerless business. After a sudden surge in crude oil costs subsequent to 2003, as a special case creating nations depend vigorously on oil imports confronting the risk of expanded unsteadiness of the full scale economy (Arif & Khalid, 2015).

This short note with world's crude oil costs saw the value patterns of local heater and rapid diesel oil as an outline since perception of 2002, and that need to concentrate on heater oil and fast diesel oil value patterns constitute the aggregate creation, breaking down the commitment to the generation, heater oil 29.4% and diesel 31% with top offer emerging from the reality in Pakistan (Hamilton & Herrera, 2002).

Pakistan's securities exchange in spite of its little size is a developing stock exchange, with the

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potential significance for financial specialists of the world. In any case, Pakistan relies on upon oil imports keeping in mind the end goal to run the monetary machine as an aftereffect of crude oil value stun, which may have the impact of destabilizing the residential money related markets. An adjustment in the cost of crude oil implies that you influence the instability of money markets return (Amir, 2008).

This study considers the non-straight relationship between crude oil costs and yield. In the event that the non-direct relationship exists than what is limit level after it gets to be negative. As indicated by the arrangement of this paper, first (I) portion explains about introduction, second (II) about literature review, area III will depict the methodology; Section IV clarifies the experimental discoveries. At long last, Section V will finish up the study with results and recommendations.

a) Objectives of the research

The objective of the research is to get accurate answers of research questions mentioned above in specific contexts of Pakistan. Is oil prices and stock price related? This is the first question that will confirm the relationship; there may be positive or negative relationship, if relationship exists than it will be yes to answer the question. The second objective of the research is to find out the answer of this question if oil prices declines what will be the impact on stock price? There may be decline in oil prices and it may increase the stock prices, its one possibility on the other hand there may be decrease in stock price with decrease in oil prices.

b) Gap statement

In different countries of the world, a ton of exploration has been finished with the study of stock market index. Considering this examination there is no work done in this term of office of day and age by any scientist on Pakistan, India and China (from 1995 to 2015), when contrasted with the crude oil cost.

II. LITERATURE REVIEW

This segment clarifies the strategies and systems utilized by various specialists while considering the same theme or point moreover. This segment gives the exact thought regarding diverse sorts of techniques and results. This segment gives the thought regarding:

- Objective of research (Purpose of researcher and which area he/she try to focus),
- Time Frame (Which year the research held etc)
- Location (Countries), Method used for research
- The usage of different techniques and tools for research methodology and
- Findings

Alou and Amaze (2009) astounded to explore the relationship of crude oil stun and stock market index from December 1987 to January 2007, at long last, two-

administration utilizing the Markov-exchanging EGARCH model (Alou & Amaze, 2009). They concentrated on two noteworthy crude oil markets like WTI and Brent, and three propelled securities exchange: France, the United Kingdom and Japan. The outcomes, expands the variable net oil costs have demonstrated that assumes an imperative part in deciding both the move probabilities between the genuine return unpredictability and administration (Alou & Amaze, 2009).

Sharif et al. (2005) inspected the connection between the stock returns and oil costs of oil and gas part of the United Kingdom. They relationship between two variables was set up altogether positive (Sharif, Khan, & Javed, 2005).

Ciner (2001) indicated proof of non-direct causal impact of crude oil cost in the universal securities exchange (Ciner, 2001).

Chang and Alder (2010) utilized the confirmation of most ward restrictive connection examination between the major money related markets that indicated crude oil market and the FTSE100, NYSE, S&P 500 including the Dow Jones record (Chang & Alder, 2010).

As far as the Petroleum, Exporting Countries Bjorn (2008) analyzed the dynamic relationship between six GCC markets. An expansion of 10% of the crude oil cost before the effect of oil costs cease to exist step by step shows that at first has made return of 2.5% Norwegian stock. They investigated week after week time frame from 1997-2000, utilizing the VEC model, they discovered solid confirmation of association and between these business sectors (Bjorn, 2008).

Jacobsen and Matt (2008) tried whether the yearly change in the cost of crude oil would have the capacity to foresee the arrival of the worldwide securities exchange. Utilize the information from the eighteen created and thirty developing markets, they find huge consistency in 12 out of 18 created nations. Developing markets demonstrated same impact with lesser significance (Jacobsen & Matt, 2008).

With a specific end goal to examine the response of stock market index of the GCC nations, Agoura Le Diana and Delilah (2010) led their study on oil value stun. This exploration utilized the direct and non-straight models. Their discoveries demonstrated that securities exchange returns responded essentially to change the cost of crude oil in UAE, Qatar, Oman, Saudi Arabia and Bahrain. Change in crude oil cost for Kuwait found that it doesn't influence stock market index return (Diana & Delillah, 2010).

Ravichandran and Alkathlan (2010) utilizing day by day information amid the time of March 2008 to April 2010 upon crude oil cost and securities exchange to check that it impact the adjustments in the crude oil cost concerning stock market index cost in Gulf Cooperation Council for long haul returns (Ravichandran & Alkathlan, 2010).

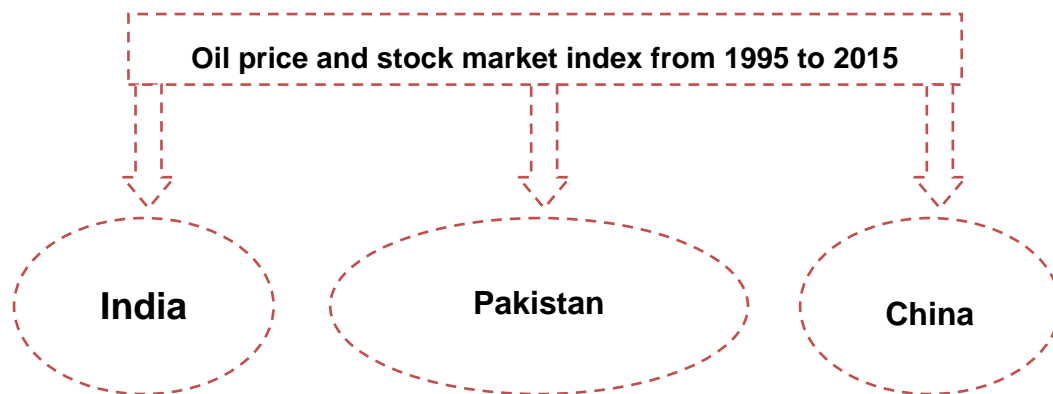
Iwayemi (2011) utilizing the quarterly information of 1985-2007, which demonstrated that the stun of oil costs don't significantly affect the greater part of the macroeconomic variables like oil fares and effect of oil value stun in Nigeria. Granger-causality test, motivation reaction capacity and difference decay investigation the greater part of the outcomes demonstrated that the diverse measures of direct and positive oil stun yield, government spending, not the reason for expansion, and the genuine cost of raw petroleum. It has a vast negative oil stun, following found that cause the real crude oil costs and yield (Iwayemi, 2011).

III. RESEARCH METHODOLOGY

In chapter 2 have discussed literature review from different articles to find out the results of our study regarding the relationship between crude oil prices and stock prices of Shanghai Stock Exchange 100 index (SSE-100), Bombay Stock Exchange 100 index (BSE-100) and Karachi Stock Exchange 100 index (KSE-100). This chapter will discuss the empirical finding and results of the study.

a) Variables of research

Two types of variables were used on these three countries like, India, China and Pakistan.



c) Research tools

Statistical Tools will be correlation analysis, linear regression analysis and Durbin Watson test to measure the relationship between variables. The study area of this research work is China, India and Pakistan, where companies listed under stock exchange will be studied. It is contended by Park (2008) and Bar and Nikolova (2010); Filis (2010) the SMAR or subset model auto regression method of (Lee and Butterfly 2011).

d) Regression

The general form of each type of regression is:

$$\text{Linear Regression: } Y = a + bX + u$$

Where:

Y= the variable that we are trying to predict (Stock market Index)

i. Dependent variables

Stock returns of India, Pakistan and China
Karachi Stock exchanges'100 index
Bombay Stock exchanges'100 index
Shangai Stock exchanges'100 index

ii. Independent variables

Crude oil prices in these three countries are impendent variable.

b) Sample of Research

Iwayemi (2011) utilizing the quarterly information of 1985-2007 and use monthly data on S&P 500 index, the sample of the research will consist of SSE 100 index of Shanghai Stock exchange, BSE 100 index Bombay Stock Exchange and KSE 100 index of Karachi Stock Exchange and crude oil prices in USD (United States Dollar Data will be taken for last 21 years to study on monthly bases as Alou and Amaze (2009) and Hammoudeh (2010) astounded to explore the relationship of crude oil stun and stock market index from December 1987 to January 2007 with monthly data. Bjorn (2008) used for the period of 1997 to 2007 weekly data on effective oil prices and stock prices. This study adopted the methods of these writers using data period from 1995 to 2015.

X= the variable that we are using to predict Y (Oil Prices)

a= the intercept

b= the slope

u= the regression residual

In multiple regressions, the separate variables are differentiated by using subscripted numbers.

Ho: there is NO relationship between dependent (Stock market index) and independent (Crude oil prices) variables

H1: there is positive correlation between dependent (Stock market index) and independent (Crude oil prices) variables

$\alpha = 5\%$

Decision Criteria = Reject *Ho*, if P value is less than α .
Or "Accept" *Ho*, if P value is greater than α .

The standard for analysis will depend on 95% level of significance. In results of regression if a P values is less than α . It means, if the correlation among the variables will be more than 95 than relationship will be accepted otherwise rejected.

India and Pakistan. To determine the relationship and interdependence of both types of variables, regression, Durbin Watson test and correlation analysis will tell about positive, negative, weak or strong relationship between the variables.

IV. ANALYSIS

a) Methods for Analysis

This paper is about the relationship between crude oil prices and stock market index prices in China,

b) Correlation results

Correlation and descriptive statistics on SSE-100 and crude oil prices

Descriptive Statistics

	Mean	Std. Deviation	N
SSE100	1916.3954	925.45021	235
Oil Prices	52.7596	34.57832	235

Correlations

		SSE100	OilPrices
Pearson Correlation	SSE100	1.000	.599
	Oil Prices	.599	1.000
Sig. (1-tailed)	SSE100		.000
	Oil Prices	.000	
N	SSE100	235	235
	Oil Prices	235	235

Variables Entered/Removed^a

Model	Variables Entered	Variables Removed	Method
1	Oil Prices ^b		Enter

a. Dependent Variable: SSE100

b. All requested variables entered.

Analyzing the correlation results, it seem that there is positive correlation among all the variables, first there is observation upon the oil prices in international market and the stock prices in Shanghai Stock Exchange, keep in mind that the stock prices are taken

SSE-100. There is positive correlation among the variable, but the results shows positive correlation, depending upon this resultant figure of 0.59 between crude oil prices and Shanghai Stock Exchange's 100-index.

Correlation and descriptive statistics on BSE-100 and crude oil prices

Descriptive Statistics

	Mean	Std. Deviation	N
BSE100	2871.8253	2068.76452	235
Oil Prices	52.7596	34.57832	235

Correlations

		BSE100	OilPrices
Pearson Correlation	BSE100	1.000	.941
	Oil Prices	.941	1.000
Sig. (1-tailed)	BSE100		.000
	Oil Prices	.000	
N	BSE100	235	235
	Oil Prices	235	235

Variables Entered/Removed^a

Model	Variables Entered	Variables Removed	Method
1	Oil Prices ^b		Enter

a. Dependent Variable: BSE100

b. All requested variables entered.

Analyzing this value we can say that there is positive relationship to the extent of strong positive, Depending on this value one can conclude that there is relationship exists. As a result we can say that increase in oil prices increases the stock exchange index of BSE-100.

Correlation and descriptive statistics on KSE-100 and crude oil prices

Descriptive Statistics

	Mean	Std. Deviation	N
KSE100	7439.8123	6774.67537	235
Oil Price	80.2644	426.60696	235

Correlations

		KSE100	Oil Price
Pearson Correlation	KSE100	1.000	.279
	Oil Price	.279	1.000
Sig. (1-tailed)	KSE100		.000
	Oil Price	.000	
N	KSE100	235	235
	Oil Price	235	235

Variables Entered/Removed^a

Model	Variables Entered	Variables Removed	Method
1	Oil Price ^b		Enter

a. Dependent Variable: KSE100

b. All requested variables entered.

Third and last, there is observation upon the oil prices in international market, and the stock prices in Karachi Stock Exchange. There is positive correlation among the variable, depending upon this resultant figure of approximately 0.27 between crude oil prices and Karachi Stock Exchange's 100 index.

c) Results for regression

i. R-squared & Adjusted R Square

In case of China: If the adjusted R Square value is much lower than the R Square value, it is an indication that our regression equation may be over-fitted to the sample, and of limited generalizing. The value of R

Square and Adjusted R Square are 35.90% and 35.60%, it is not good to have the values of R square less than 60%. This also tells that how much output variable's variance is explained by the input variable's variance. The adjusted R square explains the accuracy of regression equation.

In case of Pakistan, the value of R square is 0.078 means 7.8% variation is explained. Our first indicator of generalizing is the adjusted R Square value (7.43%).

In case of India (India): Here, the value of R square is 0.8855 means 88.55% variation is explained. In general, the higher the R-squared, the better the model fits your data. Our first indicator of generalizing is the adjusted R Square value (88.50%), which is adjusted for the number of variables included in the regression equation. This is used to estimate the expected shrinkage in R Square that would not generalize to the population because our solution is over-fitted to the data set by including independent variables.

After that F significance value which is approximately to zero (0.000) in all cases (Pakistan, India and China) tells that the results are not by chance, in other words there is zero probability of 'by chance' results.

ii. Interpretation of P-Values in Linear Regression Analysis

The p-value for each term tests the null hypothesis that the coefficient is equal to zero (no effect). Here p-value is (0.000) approximately equal to zero, A low p-value (< 0.05) indicates that you can reject the null hypothesis. In other words, a predictor that has a low p-value is likely to be a meaningful addition to your model because changes in the predictor's value are related to changes in the response variable. In all three cases, P value is 0.00 which is lower to 5%. It indicates that it is statistically significant as it is lower than 5%.

iii. Interpretation of Durbin-Watson

According to Durbin Watson test, there correlation between variables in all three cases like China, India and Pakistan, the values of Durbin-Watson test are near to zero that represents that there is positive relationship between variables.

iv. Summary of the results

Summarizing the output by correlation, regression and Durbin Watson test analysis that the index points have positive correlation with crude oil prices in all three countries, taken as crude oil independent variable but the relationship is not too strong in the case of shanghai stock exchange have positive correlation only up to 0.5155. Crude oil prices have positive correlation with Indian stock exchange prices On the other hand; the case of Pakistani stock exchange is not different from Indian BSE, these both

stock exchanges have positive correlation with oil prices.

d) Hypothesis statement

H_0 =there is no interdependence between crude oil prices in international market and stock market index

H_1 =there is interdependence between crude oil prices in international market and stock market index

V. CONCLUSIVE REMARKS

In case of China and Pakistan and India, we can say that decreasing oil prices would also decrease the stock return in these countries. Analyzing the results, it could be seen that the model is perfectly fitted to the regression analysis. Studying the results one could say that the regression analysis is best for the analysis. In case of Chinese stock exchange, Indian stock exchange and Karachi stock exchange, Stock markets depends on the oil prices. It means these stock markets are dependent markets, we can say increasing the oil prices in the market will increase the price index of all three stock exchanges and decreasing the oil prices would decrease the stock market index. In other words we can say that oil prices transmit to the emerging stock market, in all three cases there is positive correlation among the variables defined as oil prices and stock market return

All three statistical tools show same results as positive relationship between variables.

Shanghai Stock Exchange: reject null hypothesis saying that there is interdependence between crude oil prices in international market and SSE-100 index.

Bombay Stock Exchange: reject the null hypothesis and accept the alternate hypothesis saying that there is interdependence between crude oil prices in international market and BSE-100 index.

Karachi Stock Exchange: reject null hypothesis saying that there is interdependence between crude oil prices in international market and KSE-100 index. Shanghai stock exchange and Karachi stock exchange depends on the oil prices; it is recommended that other factors could be found that relates to the stock market return. It is recommended that other stock exchange must be studied to know that results same or not? While it is clear that decreasing the oil prices does not increase the stock market return.

APPENDIX

Regression analysis for China
Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.599 ^a	.359	.356	742.55373	.359	130.468	1	233	.000	.080

a. Predictors: (Constant), Oil Prices

b. Dependent Variable: SSE100

ANOVA^a

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	71938246.127	1	71938246.127	130.468	.000 ^b
Residual	128472946.786	233	551386.038		
Total	200411192.913	234			

a. Dependent Variable: SSE100

b. Predictors: (Constant), OilPrices

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	1070.397	88.499		12.095	.000	896.036	1244.757
	Oil Prices	16.035	1.404	.599	11.422	.000	13.269	18.801

a. Dependent Variable: SSE100

Regression analysis for India
Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.941 ^a	.885	.885	702.19205	.885	1798.076	1	233	.000	.220

a. Predictors: (Constant), OilPrices

b. Dependent Variable: BSE100

ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	886583903.541	1	886583903.541	1798.076	.000 ^b
Residual	114886165.309	233	493073.671		
Total	1001470068.849	234			

a. Dependent Variable: BSE100

b. Predictors: (Constant), OilPrices

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
1 (Constant)	-98.129	83.689		-1.173	.242	-263.012	66.754
OilPrices	56.292	1.328	.941	42.404	.000	53.677	58.908

a. Dependent Variable: BSE100

Regression analysis for Pakistan

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.279 ^a	.780	.743	6519.03564	.078	19.712	1	233	.000	.092

a. Predictors: (Constant), OilPrice

b. Dependent Variable: KSE100

ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	837723581.507	1	837723581.507	19.712	.000 ^b
Residual	9901993378.140	233	42497825.657		
Total	10739716959.647	234			

a. Dependent Variable: KSE100

b. Predictors: (Constant), Oil Price

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
1 (Constant)	7083.823	432.748		16.369	.000	6231.224	7936.422
Oil Price	4.435	.999	.279	4.440	.000	2.467	6.403

a. Dependent Variable: KSE100

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Nigeria's Debt Burden and Development Tangle

By Peter. A. Oti & Ferdinand. I. Odey

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Abstract- The main purpose of this research is to empirically ascertain the nexus of Nigeria's debt burden and development tangle. In order to embark on this exercise, relevant data were sourced from Central Bank of Nigeria statistical bulletin and National Bureau of Statistics fact book spanning the years (1980-2014). The Johansen test for the co-integrating association corroborates that a long run dynamic equilibrium link exists between economic development and debt stocks, and the Granger Causality result shows that the various debt stocks granger caused the performance of the Nigeria's economy. On the basis of our findings and conclusion thereof, and in the light of the need to encourage and promote economic development, a strategy that exercises tense embargo on fresh loans and advances should be put in place and the government should try by all means to reduce the quantum of public debt as well as its total eradication via debt buy back, total cancelling of the debt or complete repudiating of the debt stock. Policies that will promote increase in the volume of commodities export should be put in place by the government, which will boast earnings from foreign exchange and hence help to eliminate the huge deficit in the revenue account of the federation.

Keywords: *debt exposure, debt burden, development tangle, granger causality, unit root, co-integration, nigeria and error correction model.*

GJMBR - B Classification : *JEL Code : H60*



Strictly as per the compliance and regulations of:



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Keywords: debt exposure, debt burden, development tangle, granger causality, unit root, co-integration, nigeria and error correction model.

I. INTRODUCTION

The public debt and economic growth nexus has not been encouraging as the debt GDP ratio has been on the increase resulting in huge debt burden annually. In economic theory, it is believed that reasonable levels of borrowing by a developing economy are likely to enhance its economic performance (Pereira & Xu, 2000). When a nation's economic growth is enhanced, the poverty level is likely to be affected positively (Amakom, 2003). There remains deep divergent view among scholars on the role of

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external finance in the economic development process. One view of economic theory stresses the productive impact of public debt as a necessity to augment domestic savings, stimulate investment and promote growth. The argument here is that the conversion of borrowed funds into capital assets and other required raw materials will lead to economic growth and development as it will boost the productive sectors of the economy. A counter opinion is that the accumulation of debts triggers a steady depletion of economic assets out of the government coffers through the means of debt service commitments, which could have been applied to development projects and upgrade of national infrastructure (Ekperware & Oladeji, 2012). It is of the expectation that as debt commitment soar, the earnings of the domestic economy from exports will shrink as reasonable chunk of the resources from the exports are diverted to servicing the debt. The reduction in export earnings due to its diversion in debt servicing will indirectly affect public sector spending and which will impact on economic performance negatively (Chinaemerem & Anayochukwu, 2013). The damaging impact of public debt burden on growth mostly centers on the mismanagement and ineffective utilization of these loans to the disadvantage of the economy. According to Soludo (2003), when public debt reaches a certain threshold, its effect turns adversarial as debt servicing explodes and nations will find themselves on the negative side of the debt Laffer Curve, with debt undermining public revenue, crowding out private sector investment and retarding economic development process. It is also the belief of some scholars that the developed economies manipulate the economies of developing economies to ensure that they perpetually remain borrowing.

The Nigerian government appeared to have paid-off much of its debt in 2006 to free up funds for economic development. However, the growing resort to external loans to finance public expenditure in recent times and the dwindling oil revenue has raised concerns about the prospect of a return to a debt overhang scenario in the near future. The effect of a precipitous decline in the price of oil in the global market has placed Nigeria in the mesh of sort. First, the drop in crude oil revenue will make it difficult for the country to service its debts and force the country into more borrowing.

Hence, this study will help to establish the relationship between Nigeria's debt burdens or exposure and development tangle from 1980 to 2014. Section I is the introduction, section II discussed the

literature while the methodology is captured in section III. Sections IV and V presents the findings and the conclusion and recommendations respectively.

II. LITERATURE REVIEW AND THEORETICAL FRAMEWORK

a) *Theoretical Framework*

Debt overhang thesis is the theory that underpins this work. The debt overhang theory provides a new dimension to the growth-debt crisis, and the basis of this theory is that, if the level of a country's borrowing is over and above its capacity to pay, the expectation is that the debt servicing commitments will lead to a drain in the debtor's country output, thereby increasing the country debt burden, i.e. liquidity crisis. According to the debt overhang theory, high debts leads to anticipation of foreign taxation, reduce private sector incentive for savings and investment as well as promote outflow of capital from the domestic economy (Patillo, Poirson & Ricci, 2002). This theory purports that accumulation of high stock of public debt would lead to reduction in economic growth and tangle developmental efforts through the channels of reduced public revenue and investment expenditure. It maintains that debt accumulation stimulates growth initially but when it exceeds the debt sustainability threshold, the debt accumulation effect will intensify through liquidity constraint while debt servicing commitment diminish the earnings from exportation within the public sector for expenditure and by this means undermining economic development.

b) *Nigeria's Debt Burden and Exposure*

Obadan (2004) opined that Nigeria started experiencing external debt challenges from the early 1980s, due to falling oil prices in the international market which caused a reduction in foreign exchange earnings. The increase in Nigeria's loans and advances from the international capital market, multilateral institutions, increase back lock of foreign trade arrears, defaulting charge on over-due loans, recapitalization of outstanding interest liabilities and bilateral sources as well as the depreciation of the Naira, jointly increased the volume of Nigeria's foreign debt over the years. Most of the loans taken by the Nigerian government, particularly in the pre-SAP era were contracted to finance developmental projects, and it was during this period that Nigeria began to borrow to support the balance of payments crisis. The subsequent governments as results of the exposure to external borrowing started the era of reckless borrowing from the external sources and which today has become a ritual. According to Mbanwusi (2011), this has resulted in high deterioration of external debt profile and generated payment crisis, thus creating the need for debt refinancing, rescheduling and restructuring.

The economic growth trajectory of a nation is impeded by high debt profile. The burden of principal and interest payments, for example, reduces the country's resources and lessens the expenses of the government on other productive economic activities (Obadenmi, 2013). According to Ayadi (2003), external debt exposure and its attendant obligations had drastically limited developing countries' participation in the world economy and the attendant debt servicing commitments continue to manifest as a hindrance to economic growth and development. Regrettably, one of the greatest challenges faced by most sub-Saharan African countries is the problem of ascertaining the amount of their external indebtedness. Between 1980 and 1990, Nigeria's external debt rose from N2.3billion to N633.1 billion with the increase in external debt/real gross domestic product ratio higher than the sustainability threshold. The ratio of total debt to gross domestic product which captures debt burden rose from 19.9% in 1980 to 108.2% in 1994 but plummeted between 53.5% in 1995 and 32.5% in 1997. The debt burden shows upward movement again from 1998 to 2006. The burden decreased thereafter due to the debt relief granted the country in 2006 amounting to over \$18billion. Within the period under review, the debt burden threshold is above 30 percent which negates the standard of debt sustainability hence resulting in debt overhang. It is further revealed that Nigeria's debt burden falls within the threshold between 1980 and 1982 but started increasing from 1983 due to the oil crisis and the implementation of the SAP-induced debt strategies. The increase in domestic debt burden has led to the crowding-out of investment mostly in the private sector of the economy. On the whole, the domestic debt burden has been sustainable over the years from 1994 to 2014. The upward trend in total debt stock started in 1986 as a result of the SAP-induced policies but reduced from 2006 as a result of the relief. The increase was accumulated thereafter bringing the total stock of over 35 percent of gross domestic product in 2014. The external debt stock increased from N2.3 billion in 1980 to N328.5 billion in 1990, N3176.3 billion in 2000 and N896.8 in 2010, respectively. It increased further to N1631billion in 2014 representing about 41.8 percent of the real GDP ratio, thereby compounding the tragedy of exposing the country to external shocks occasioned by the external debt overhang thesis. The main causes range from fiscal imbalances, inadequate growth in gross domestic product and excessive government spending, persistent hike in the general price level as well as the shrink in public revenue since the beginning of the oil crisis of the early 1980.

In the 2016 Nigeria's budget estimates with N2.2trillion deficit, it is expected to be financed mostly from borrowing. The deficit which is 36.5 percent of the total budgeting estimate will be financed by a combination of domestic borrowing of N984 billion and

foreign borrowing of N900 billion totaling N1.84 trillion, thereby hedging additional burden on the economy, reducing the revenue volume and undermining the overall development of the country.

c) *Empirical studies*

Some empirical researches have been done on the relationship between public debt and economic growth and development in developing economies. Some scholars such as Ajayi (1991); Adam (2004); as well as Iyoha (1999) argued that economic growth and development have been impeded over the years due to heavy amount of scarce economic resources diverted to the servicing of public debt commitment in third world countries. Conclusively, they opined that the speedy increase in the stock of external debt as well as the debt servicing commitments seriously hinders the performance of the economy as a large volume of the current resources was being deployed to servicing debts accumulated in the past with little left for fresh investments.

Obademi (2013), on the study of "external debt and Nigeria's economic growth nexus, matters arising", using simple regression analysis of the ordinary least squares revealed that external debt and debt service payment have negative and positive impact respectively on economic growth. He recommended that in view of the negative impact of debt burden to economic development, cost-benefit analysis, projects prioritization, absorptive capacity of the economy, productive self-financing investment, accountability as well as probity in handling government resources and debt sustainability should form the fundamental standards for contracting domestic or external loans and advances. Mbanwusi (2011) carried out a critical analysis on foreign debt management and Nigeria's debt profile between 1999 and 2007. Employing qualitative descriptive method of data analysis, it was found that Nigeria's debt looked sustainable in relation to GDP if properly managed within a certain given threshold.

Using the neo-classical model of economic growth Adegbite, Ayadi & Ayadi (2008) explored the nexus of external public debt and Nigeria's economic

performance. They employed the ordinary least squares (OLS) techniques and found that inverse relationship exist between external debt and external debt commitment and economic performance. Similarly, El-Mahdy & Torayeh (2009) employing the co-integration technique in Egypt between 1980 and 2006 concludes that a robust negative relationship exist between external debt and economic development in the country.

In the same vein, Qureshi & Alli (2006) carried out an empirical study to determine the relationship between public debt and economic growth of Pakistan from 1981 to 2008. Their findings revealed that public debt impact on economic growth negatively. The causal nexus of public debt and growth performance was equally investigated by Tajudeen (2012) using VAR modeling technique. The results revealed that the direction of causality was bi-directional between economic growth and public debt in Nigeria.

Izedonmi & Ilaboya (2012) investigated empirically the relations that exist between debt and economic growth in Nigeria. They used data spanning 1980 to 2010 and concludes that inverse relationship exist between public debt burden, debt servicing commitments and economic performance.

III. METHODOLOGY

The study is designed in such a manner that requires an econometric investigation of the relationship between Nigeria's debt burden or exposure and development tangle, using Augment Dickey Fuller (ADF), test, Granger Causality test, Johansen test and error correction model (ECM). The data for the study were obtained mainly from secondary sources, particularly from the Central Bank of Nigeria (CBN) Statistical Bulletin and National Bureau of Statistics

a) *Model specification*

The model of this study which is based on the debt overhang thesis is developed to access the dynamic relationship between debt burden and economic development tangle in Nigeria between 1980 and 2014. The model is specified below:

$$RGDP = F (EXTD, DOMD, EXDB, DDB, TD, TDGDP) \tag{3}$$

The above equation can be defined econometrically as below:

$$RGDP = \alpha_0 + \alpha_1EXTD + \alpha_2DOMD + \alpha_3EXDB + \alpha_4DDB + \alpha_5TD + \alpha_6TDGDP + u_i \tag{4}$$

Where:

RGDP = real gross domestic product as a proxy for economic development

EXTD = external debt

DOMD = domestic debt

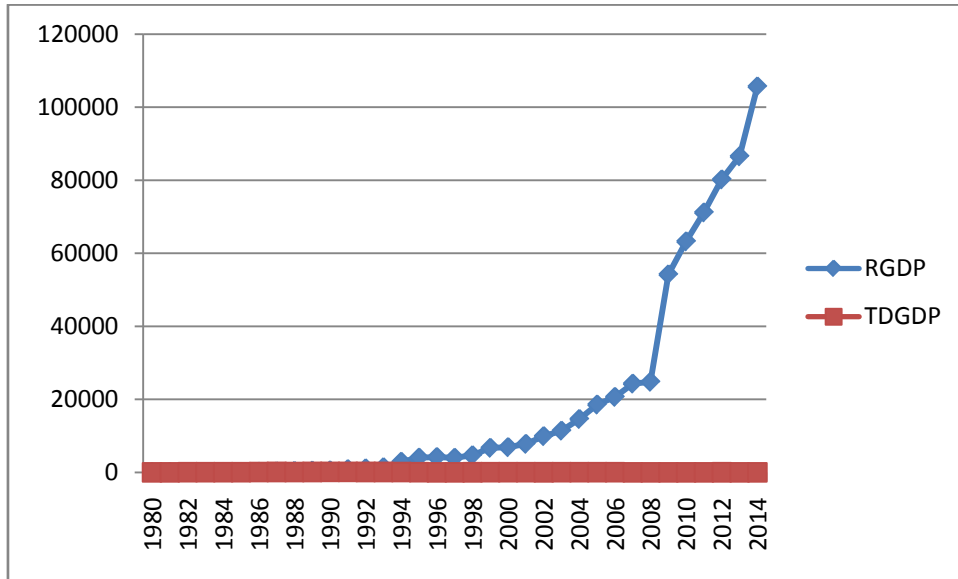
EXTDB = external debt burden

DDB = domestic debt burden

TDB = total debt burden

TDGDP = total debt/GDP ratio

IV. ANALYSIS AND DISCUSSION OF RESULTS

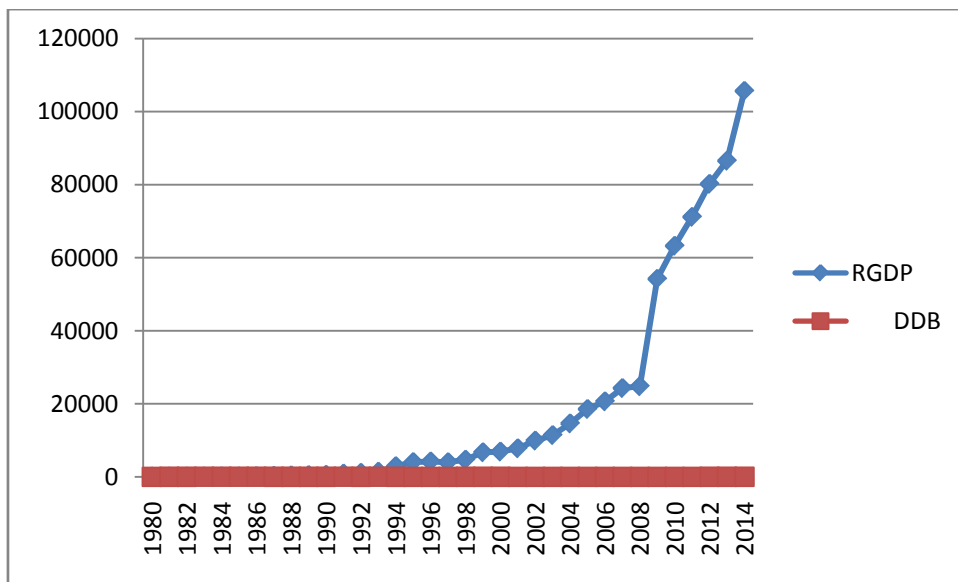


Source: Central Bank of Nigeria 2014

Figure 1 : Trend of Nigeria's Debt Burden and Economic Development, 1980-2014

The graphical illustration presented in figure 1 above indicates that the ratio of total debt to gross domestic product (TDGDP) which captures debt burden trended positively with the Nigeria's real gross domestic product (RGDP) between 1980 and 1994 but decreases between 1995 and 1997. The debt burden shows

upward movement again from 1998 to 2006. The burden decreased thereafter due to the debt relief granted the country in 2006. Within the period under review, the debt burden threshold is above 30 percent which negates the standard of debt sustainability hence resulting in debt overhang.

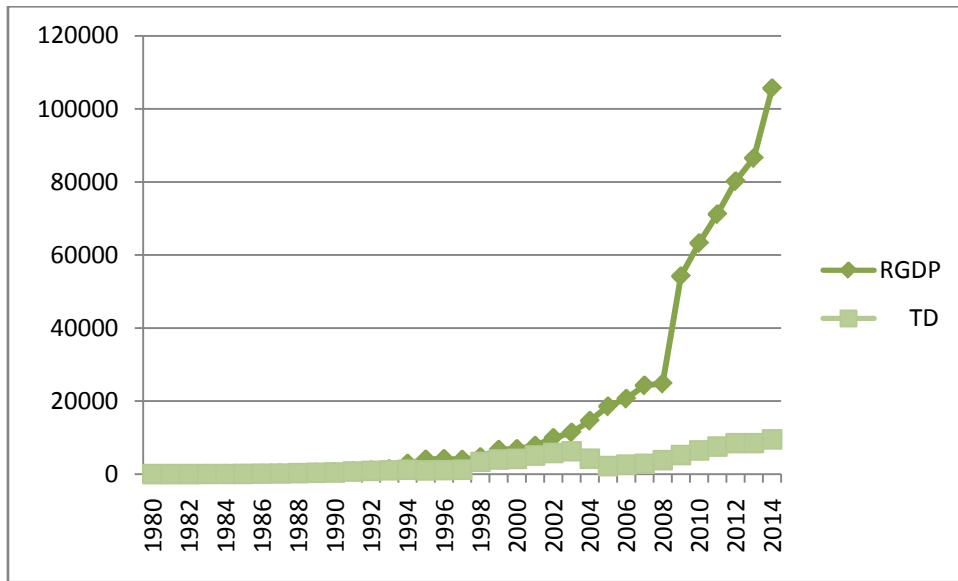


Source: Central Bank of Nigeria 2014

Figure 2 : Trend of Nigeria's Domestic Debt Burden and Economic Development, 1980-2014

Figure 2 shows the trend between domestic debt burden and Nigeria's economic development. It reveals that the burden was within the threshold between 1980 and 1982 but started increasing from 1983 due to the oil crisis and the implementation of the

SAP-induced debt strategies. The increase in domestic debt burden has led the crowding-out of investment mostly in the private sector of the economy. On the whole, the domestic debt burden has been sustainable over the years from 1994 to 2014.

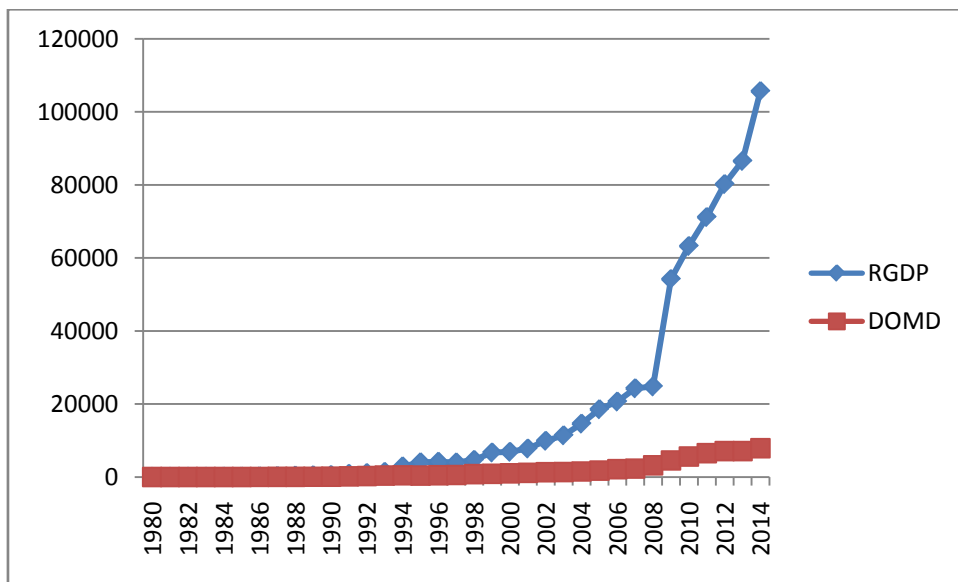


Source: Central Bank of Nigeria 2014

Figure 3 : Trend of Nigeria's Total Debt Stock and Economic Development, 1980-2014

The total debt stock as shown in the figure 3 indicates that the volume of debt has rising with economic development proxied by real gross domestic product (RGDP). The upward trend in total debt stock started in 1986 as a result of the SAP-induced policies

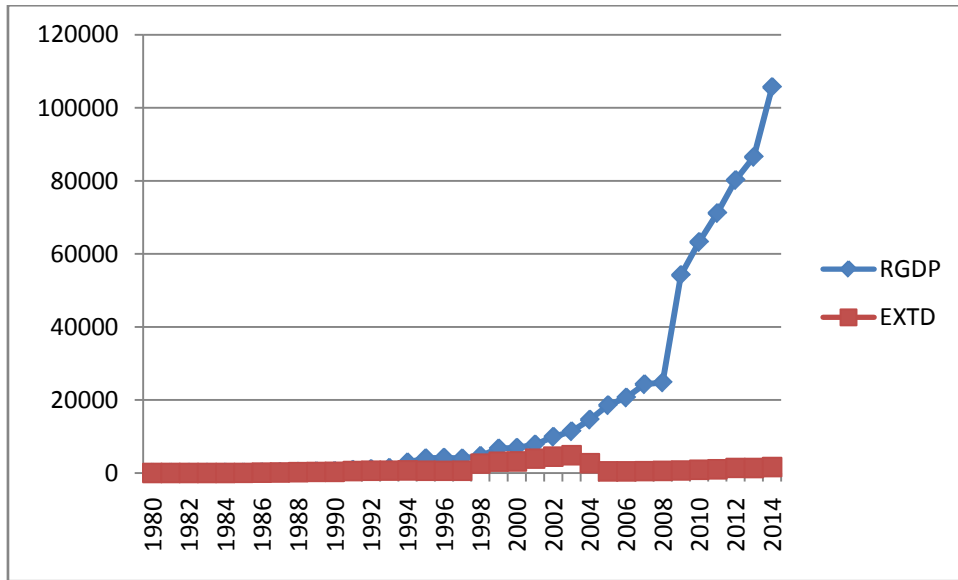
but reduced from 2006 as a result of the relief. The increase was accumulated thereafter bringing the total stock of over 35 percent of gross domestic product in 2014.



Source: Central Bank of Nigeria 2014

Figure 4 : Plot of Nigeria's Domestic Debt and Economic Development, 1980-2014

The trend between total domestic debt and Nigeria's economic development is shown in figure 4 above. It reveals that total domestic debt increase marginally between 1980 and 1986 but became high thereafter and continued to move upward to reach 28.8 percent of real gross domestic product in 2014.

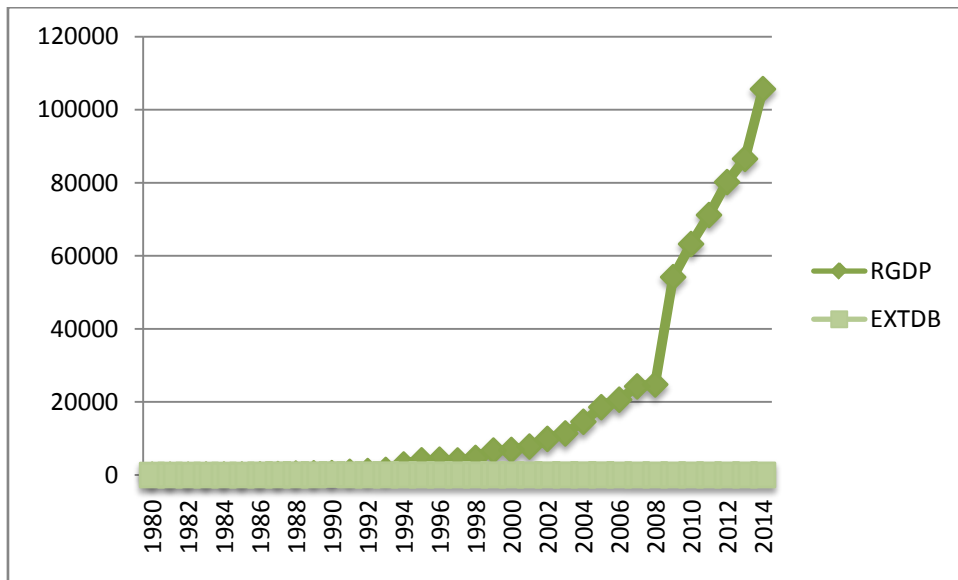


Source: Central Bank of Nigeria 2014

Figure 5 : Plot of Nigeria's External Debt Stock and Economic Development, 1980-2014

The total debt stock comprises of both the internal and external debts and from figure 5 above, it can be observed that external debt increase with increase in real GDP. The external debt stock increased from ₦2.3 billion in 1980 to ₦328.5 billion in 1990, ₦3176.3 billion in 2000 and ₦896.8 in 2010,

respectively. It increased further to ₦1631 billion in 2014 representing about 41.8 percent of the real GDP ratio, thereby compounding the tragedy of exposing the country to external shocks occasioned by the external debt overhang thesis.



Source: Central Bank of Nigeria 2014

Figure 6 : Plot of Nigeria's External Debt Burden and Economic Development, 1980-2014

In the above figure 6, it is observed that the Nigeria's external debt burden rises with the gross domestic product. The total debt increased alongside with the external debt volume thereby causing a huge external debt burden and exposed the country to external shocks occasioned by the volatility in the total debt GDP ratio. In Nigeria, several factors have been

advanced to explain the cause of the escalating debt profile. The main causes range from fiscal imbalances, inadequate growth in gross domestic product and excessive government spending, persistent hike in the general price level as well as the shrink in public revenue since the beginning of the oil crisis of the early 1980s, which is demonstrated in the above trend.

a) *Analysis of Regression Results*

i. *Unit Root Test*

In ascertaining the characteristics of time series variables, a preliminary analysis is to test for the

presence of unit root in the series. This is important since we are ignorant of the data generating process. The Augmented Dickey Fuller (ADF) unit root test was applied and the result shown in table 1 below:

Table 1 : Summary of ADF Unit Root Test (At 0.05 Critical Levels)

VARIABLE	AT FIRST DIFF	DECISION
DEXTD	-3.944664	I(1)
DDOMD	-3.383650	I(1)
DEXTDB	-3.207408	I(1)
DDDB	-3.821055	I(1)
DTD	-3.331246	I(1)
TDGDP	3.331542	I(1)

Source: Authors' Computation using E-views

The empirical results of the unit root test using Augmented Dickey Fuller at 5 percent level indicates that all the variables were not stationary at levels but became stationary after first differencing, hence the variables have unique order of integration. This conclusion is based on comparison of the Augmented

Dickey Fuller statistics and the critical values provided by Mackinnon (1996). Hence, this permit us to carry out the Johansen's co-integration test designed to determine whether a common stochastic drift exist among our time series variables.

Table 2 : Johansen Co-integration Test

Eigenvalue	Likelihood Ratio	5 Percent Critical Value	1 Percent Critical Value	Hypothesized No. of CE(s)
0.979035	251.7724	124.24	133.57	None **
0.847317	124.2306	94.15	103.18	At most 1 **
0.562086	62.21067	68.52	76.07	At most 2
0.413446	34.96146	47.21	54.46	At most 3
0.309235	17.35627	29.68	35.65	At most 4
0.117545	5.147718	15.41	20.04	At most 5
0.030470	1.021159	3.76	6.65	At most 6

L. R: Test indicates two co-integrating equation at 5% level of significance

The above co-integration result in table 3 on the relationship between RGDP and DDB, DOMD, EXTD, EXTDB, TD, TDGDP, based on the maximum Eigen

value shows that the variables are co-integrated at 5 percent level of significance since there are two co-integrating vector. Hence, there is a meaningful long-run relationship among the variables in the stochastic model.

Table 3 : Pair wise Granger Causality Test

<i>Null Hypothesis:</i>	<i>Obs</i>	<i>F-Statistic</i>	<i>Probability</i>
<i>DDB does not Granger Cause RGDP</i>	34	0.63980	0.42987
<i>RGDP does not Granger Cause DDB</i>		0.17372	0.67970
<i>DOMD does not Granger Cause RGDP</i>	34	12.4996	0.00130
<i>RGDP does not Granger Cause DOMD</i>		2.85384	0.10119
<i>EXTD does not Granger Cause RGDP</i>	34	0.00132	0.97130
<i>RGDP does not Granger Cause EXTD</i>		0.07168	0.79068
<i>EXTDB does not Granger Cause RGDP</i>	34	0.19678	0.66042
<i>RGDP does not Granger Cause EXTDB</i>		1.76436	0.19378
<i>TD does not Granger Cause RGDP</i>	34	0.21099	0.64920
<i>RGDP does not Granger Cause TD</i>		4.42165	0.04370
<i>TDGDP does not Granger Cause RGDP</i>	34	0.24517	0.62399
<i>RGDP does not Granger Cause TDGDP</i>		0.85009	0.36365

On the relationship between real gross domestic product and debt exposure, it is observed as indicated in tale 3 that real gross domestic product

(RGDP) granger cause domestic debt burden when the p-value of 0.42987 is greater than 0.05 level of significance. It is further observed that total debt/gross

domestic product (TDGDP) ratio, which is a perfect measure of debt burden granger cause economic development in Nigeria

Dependent variable: RGDP

Variable	Coefficient	Std. Error	t-Statistic	Prob.
RGDP(-1)	-0.416556	0.335944	-1.239957	0.2287
TD	927.6037	353.4442	2.624470	0.0158
TD(-1)	935.5054	461.7826	2.025857	0.0557
DDB	201.8777	78.74538	2.563677	0.0181
DOMD	-925.4415	355.8081	-2.600957	0.0167
DOMD(-1)	-918.0798	455.8856	-2.013838	0.0570
EXTD	-928.3571	353.4307	-2.626702	0.0158
EXTD(-1)	-936.1140	462.0546	-2.025981	0.0557
EXDB	30.37226	26.74352	1.135687	0.2689
ECM(-1)	-0.724794	0.309670	-2.340538	0.0368
C	-9899.484	3502.631	-2.826299	0.0101

R² = 0.991501; DW = 1.927420 F-Stat= 64.56
R²Adjusted= 0.988781;

Source: Authors' Computation using E-views

On the established relationship between real gross domestic product (RGDP) and debt exposure variables such as total debt/gross domestic product (TDGDP) ratio, total debt stock (TD), domestic debt (DOMD), domestic debt burden (DDB), External debt (EXTD), external debt burden (EXTDB) and one year lag value of real gross domestic product RGDP(-1) showed in table above, the adjusted coefficient of determination of 0.988781 indicates that about 98 percent of the changes in real gross domestic product is accounted for by the various debt profile, leaving only 2 percent for the unexplained variables not captured in the estimated model and hence has high explanatory power. The explanatory variables are rightly signed indicating positive relationship between economic growth and the various debt profile- real gross domestic product one year lagged value, domestic debt burden, external debt and total debt stock being statistically significant. The speed of adjustment from short-run to long-run equilibrium is slow but negative and statistically significant as showed by the error correction model (ECM). The Durbin-Watson value (1.927420) falls in the critical region showing that serial correlation does not exist in the estimated model.

V. CONCLUSION AND RECOMMENDATIONS

The main objective of this study is to empirically investigate the relationship between Nigeria's debt burden and development tangle. The study emphatically ascertained the relationship between debts and development. In order to embark on this exercise, annual time series data from Central Bank of Nigeria and National Bureau of Statistics for the period of 34 years (1980-2014) were employed. The Johansen Co-integration test confirmed that a long run dynamic equilibrium relationship exists between economic

development and debt stocks, and the Granger Causality result shows that debt stocks granger caused economic development in Nigeria. On the basis of our findings and conclusion thereof, we recommends that; a strategy that exercises tense embargo on fresh loans and advances should be put in place and the government should try by all means to reduce the quantum of public debt as well as its total eradication via debt buy back, total cancelling of the debt or complete repudiating of the debt stock. Policies that will promote increase in the volume of commodities export should be put in place by the government, which will boast earnings from foreign exchange and hence help to eliminate the huge deficit in the revenue account of the federation. The authorities saddled with the responsibilities of managing public debt should be steadfast in their drive for a sustainable debt management strategy than the SAP-induced strategies which delved on only differing the payment days but continued to perpetrate absolute poverty and inequality in third world nations. The moral tenet of fiscal produce in managing public debt should be enshrined. The country need to consolidate on the gains of the recent debt relief granted her and the diminution in total outstanding debt profile. The major ways to do this should be consistency in the application of prudent debt management framework, prudent borrowing only for self-liquidating projects, and regular debt servicing commitment as well as outright liquidation of all outstanding debt liabilities. The vulnerability of the Nigerian economy to external shocks as a result of the overriding debt burden as well as the dwindling oil revenues is an indication that we need to curtail the margin of borrowing and diversify the non-oil sector for sustainable economic growth and development.

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Regression Data

	DDB	TDGDP	TD	DOMD	EXTD	EXTDB	RGDP
1980	16.2	19.9	13.5	11.2	2.3	3.7	94.33
1981	22.1	26.7	23.8	15.1	8.8	4.6	101.01
1982	29.4	46.1	32.8	22.2	10.6	17.1	110.06
1983	38.9	57.4	40.5	25.7	14.8	18.5	116.27
1984	40.4	63.6	45.2	27.9	17.3	23.3	134.59
1985	38.6	62.5	69.9	28.4	41.5	23.9	134.61
1986	38.9	95.7	137.6	36.8	100.8	56.7	193.13
1987	33.8	126.4	181.5	47.6	134.5	92.6	263.29
1988	32.4	124.6	287.4	47.3	240.4	92.2	382.26
1989	20.9	127.9	382.7	84.1	298.6	106.9	472.65
1990	32.3	146.8	444.7	116.2	328.5	114.6	545.67
1991	35.9	137.1	722.3	178.4	544.3	101.4	875.34
1992	29.4	128.4	906.9	273.8	633.1	99.3	1089.68
1993	37.5	128.3	1056.4	407.6	648.8	90.8	1399.73
1994	28.3	108.2	1194.6	477.7	716.9	71.1	2907.36
1995	12.6	53.5	1037.3	420.3	617.3	74.7	4032.32
1996	12.2	34.6	1097.7	501.8	595.9	80.5	4189.25
1997	12.2	32.5	1193.8	560.8	633.6	70.7	3989.45
1998	18.9	41.3	3372.2	794.8	2577.4	87.2	4679.21
1999	19.7	44.6	3995.7	898.3	3097.4	85.3	6713.57
2000	19.5	51.2	4193.3	1017.2	3176.3	86.8	6895.21
2001	18.4	58.3	5098.9	1166.1	3932.9	85.3	7795.76
2002	17.4	41.3	5808.7	1329.7	4478.3	84.2	9913.52
2003	15.8	48.9	6260.6	1370.3	4890.3	80.1	11411.07
2004	17.9	53.5	4221.4	1525.9	2695.1	86.4	14610.88
2005	16.7	46.1	2204.8	1753.3	451.5	81.9	18564.59
2006	16.6	47.9	2608.5	2169.6	438.9	52.8	20657.32
2007	13.4	33.6	2843.6	2320.3	523.3	35.2	24296.33
2008	12.2	32.5	3818.4	3228.4	590.4	36.8	24794.24
2009	12.8	31.6	5241.6	4551.8	689.8	37.4	54204.8
2010	14.1	37.4	6519.6	5622.8	896.8	39.6	63258.58
2011	15.6	30.6	7564.4	6537.5	1026.9	39.4	71186.53
2012	18.5	38.2	8492.6	7119.5	1387.3	39.7	80222.13
2013	19.8	36.1	8492.6	7119.4	1373.6	40.2	86556.14
2014	28.8	35.2	9535.5	7904.5	1631.5	41.8	105675.80

Sources: CBN, 2014, NBS, 2014



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Informal Ways and Means, in Competition with Formal Patterns, in Modern Turkey

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I. INTRODUCTION

Official structures and policies in a society may not necessarily coincide with the unwritten informal practices. Sometimes full or partial overlapping does occur. But sometimes formal and informal tendencies may be diametrically opposite and even come to compete with each other⁽¹⁾.

For a country which has not attained complete modernization, conflict between official structures/directions and traditional values and virtues of all sorts, is even more prominent. Even in a modernized country certain sections like ghettos of some subcultures display strong distrust against almost anything official.

In Turkish folk tales, which are like mirror images of historical and cultural realities, the suspicion towards anything official, can easily be detected:

The people and the government appear to be two distinct, opposite ends. When an old woman finds a useful talisman, the government-men deprive her of this talisman by force. The people do not believe that the government-men will act in justice. The sentry, the watchman of the quarter, the village-chief, the executioner can all be bribed and led astray (Tuğrul 1969: 109-110).

II. THE VISIBLE AND THE INVISIBLE ISSUES

Official numbers⁽²⁾, though they look good and “scientific” in print, are not always as telltale as a deep qualitative inquiry when it comes to investigate social aspects of a given society. Especially a traditional society, when it comes to detect problems and delicate (*heikel / épineux*) areas, it is not easy to find honest informants⁽³⁾ and the researcher at best should rely on his own observations and *Feststellungen* rather than given out replies.

It is said that *Turkish people do not talk, but rather they mumble* when it comes to express their complaints (“*Türk insanı söylemez, söylenir*”). Indeed, in

all tradition-rich societies the grapevine absorbs the complaints. Gossip continues in full swing. But nobody stands up to make a straightforward proclaim.

As Larson (1973: 31) puts it, even if a sociologist would have designed excellent measurement devices he couldn't have applied them extensively due to ethical and other limitations.

Those “other limitations”, when they come into play, could be of considerable weight. It is almost impossible to “extract” the genuine attitudes and the real thoughts of subjects in some kinds of research. Financial issues are usually *taboo*, for instance. Turks are proud people and addressing a research question may invoke the feeling of being given an exam. The fear that one's ignorance will be revealed is a horrible experience for some.

Here is a *case history*: In 1975 a social research was designed by *Boğaziçi University* in some shanty towns (*bidonvilles*) of İstanbul. Some students were employed in the project. One of them was a friend of mine, *Erkan*. One of the questions was “*what do you understand from the word ‘référéndum?’*” The injured prides of many respondents put *Erkan*, a sensible young person, in an uneasy position. Sometimes he had to say “*I, personally, don't know this word, either!*”

One of the respondents whom he visited was a grocery owner. To the question “*what is your monthly income?*” the man gave the reply with a derisory sum! *Erkan* insisted for a realistic figure, which the respondent firmly refused to say so. Finally, the grocer “fainted” and the researcher had to take his leave! One of his respondents had been an army sergeant. *Erkan* later commented with a sigh of relief that while questioning this sergeant, he had felt as if he had been at home. (To the hypothetical question “*in whose place would you wish to be?*”, the sergeant had replied as follows: “*I wish I were a well-known labor leader, somebody in charge of a big union!*”).

As another *case history* regarding the authenticity of answers to a questionnaire, I remember the following incident: While a lycée student (at Robert College), one Monday morning in the big assembly hall right after the recitation of the National Anthem, they distributed to us questionnaire forms about the food in the cafeteria. One of the questions was open-ended: “*If there are no changes in the existing food varieties, would this affect your future attendance to the cafeteria?*”

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The student sitting next to me wrote: “No, because I am a scholarship student and I am Obligated to eat there”. (I, also a scholarship student, was glad of the food anyhow). Then the school principal said: “Please put your names on the papers”. (We had first had the impression that the answers would be anonymous). Immediately the above-mentioned student excitedly asked for an eraser to soften his reply!

III. GETTING AHEAD WITH INFORMAL WAYS

It is interesting to note that on a macro-scale this discrepancy between people and the government can be seen in local politics. A certain political party member may stigmatize the opponent party as a “state party”, while praising his own as a “nation’s party”, thereby contrasting state (which represents an official concept) with the nation (which represents the aspirations of plain people).

Things set out in written form may assert what is widely different from the actual practices. In the Turkish Law, it is stipulated that any contract / transaction where deceit is involved, is legally null and void. This statement comprises wedding acts also. Now, in reality, in provincial Turkey many would-be grooms lie about their professional, social and financial ⁽⁴⁾ situations to the would-be brides; just to win those girls! A technician may pose himself as an engineer or a health-official may pose himself as a doctor and so on. (Years ago, in the Çay county of the province of Afyon, a foreman introduced himself as a technician [a technician had higher status than a foreman in the pulp and paper plant where he worked] to the girl’s family. The actual technician, his superior, only collaborated with the foreman. He seconded his man and said “he is a technician and I work under him”).

In primary schools, even two-three decades ago, educational textbooks and magazines used to describe a family as “consisting of father, mother and children”. Now, in village societies those nuclear families are difficult to find even today. Instead, we encounter larger families and even polygyny. The daughter-in-law enters the father-in-law’s household, where a lot of manual work awaits her! Anthropologist, Joe E. Pierce narrates the following:

[Mahmud’s elder brother got married]. “The new bride in Mahmud’s home was of some interest to him, for she was always on the run. When there was work in the kitchen to be done, he heard his mother’s voice snapping out the word *gelin* (bride) almost constantly, always followed by a command to do this or that about the house. Thus she ran from morning till night, trying to satisfy her new family and prove that she was a good housewife. This situation would remain unchanged until Mahmud married and brought a new *gelin* / bride into the house” (Pierce 1964: 43).

Again, in primary schools’ educational curriculum, a breakfast used to be described as consisting of “cheese, jam or honey, butter and tea” (if not grapefruit juice and caviar etc.). Of course, as time passes, urbanization trends and new developments make those *clichés* more and more valid. But, especially in former times, those were only didactical aspirations/images and would-be-concepts rather than the commonplace reality:

“The step-brother of my maternal grandfather had been a prison-guard in a big city. Once he came to visit my grandfather in Thrace. At the time my mother was a ten-year-old girl (The year was 1942). My mother—as she would narrate it to me in my childhood years—was quite *astonished* in the morning to see this “guard-uncle” seated at the table (!) in expectation of cheese and jam (!) for the breakfast. My mother’s own family ate all the meals on a cloth spread on the floor, in accordance with the traditional provincial Turkish way at the time; and their *staple* morning food itself was *soup*, not cheese and jam” (Çaya 1992: ix).

Even in the army of today, some mornings they give soup to the soldiers as breakfast. Especially in bivouacs during the fall-maneuvers, rice-soup comes out to be much convenient as a substitute for breakfast, instead of the more detailed tea-butter-jam-cheese combination.

IV. INFORMALITY IN FORMAL ORGANIZATIONAL SETTINGS

In any given formal institution, too, informal works are always at work. Accordingly, informal leaders are also present along with formal authority figures.

Wise leaders ⁽⁵⁾ can sometimes make the two ends meet in this respect. As late Full General (December 22, 1995) pointed out in a leadership conference, informal leaders of an organization must be determined and gained to the cause of the organization (or else, this not being possible, they should be dispensed with).

“No collection of men and women who remain together for more than a few hours can remain ‘unstructured’. Particularly; if they cooperate; they must develop some form of organization [of their own]. A new entrant may be trained in the technique of the job and in the formal organization of the company but he will neither feel at home nor be accepted by his colleagues until he is familiar with the prevailing attitudes and until other people are confident that he shares them wholeheartedly” (Fraser 1968: 255, 283).

Even the way people greet one another may be determined by the unwritten law in a given organization. This greeting aspect alone has tremendous significance for any individual involved there.

Groups determine behavior patterns. This begins just from the way the members greet one another. For

instance; a person may originate from a group where in the morning each comer shakes hands with the others who had already arrived; while a stranger or an unsympathetic person will solely receive a cool nodding by the head upon encountering with the others. Now, this same person may enter a new group where the procedure is just the other way around! The group members who like one another utter one another a quick hello, while they shake the hand of any stranger or unsympathetic person. He who does not understand the 'system' of the group and so cannot quickly adapt, will suffer under the actual circumstances. The group repulses him. Being gnawed at by tiny bits of behavior against him, the new-comer develops aggressive feelings and is soon stigmatized as an intruder or nuisance (Störenfried / semeur). Of course the 'secret law of the group' is not restricted to forms of greeting or any other formalities (Äußerlichkeiten / Förmlichkeit) (Kolle 1967: 114, 115).

"How do we know about [such] informal configurations? Usually one knows something about them in one's own local community, neighborhood, club, or professional organization. This knowledge is gained by personal observation of who visits whom, who avoid each other, the tone of voice in which people speak to each other, how they act when they meet in the street, and a multitude of other hints and suggestions" (Lundberg, Schrag & Larsen 1954: 409).

Even the most formal organization, one which just fits the definition of bureaucracy ⁽⁶⁾, cannot be totally free from informal elements. A modern army probably resembles the ideal type of bureaucracy described by Max Weber in 1922 more than any other kind of formal organization. (The older armies had a lot of feudal aspects, the fief—in *Seljuqs* and in *Ottomans*—were purely feudal institutions. But, even the late *Ottoman* armies were not purely bureaucratic as far as the number of years in a certain rank etc. was concerned). Even in an army the personality of officers shape the way they apply the strictly definite orders).

"The rules, regulations, procedures, and impersonal relationships prescribed by a bureaucracy only rarely correspond with the realities of organizational life; [because] formal organization breeds informal organization. These informal structures provide means by which people bend and break rules, share 'common knowledge', engage in secret behaviors, handle problems, and 'cut corners'. So work relationships are much more than the lifeless abstractions contained on an organizational chart that outlines the official lines of communication and authority...People are tied to the larger group by their membership in primary groups that mediate between them and the formal organization. Further, the impersonality of the bureaucratic arrangements distresses many people, and they search for warmth, rapport, and companionship in the work setting through informal relationships. In brief, formal

organizations do not work strictly by the book" (Zanden 1993: 116-118).

In some detective movies "the tip of the iceberg" is reflected, regarding the effectiveness of informal ways even in the pursuit of formal objectives. The hero of the movie; a humane, understanding detective; may establish rapport with prostitutes, drug sellers or small thieves! He is very lenient towards those tiny out-laws. He sometimes even literally protects them! All this is for the sake of revealing a more serious crime like a case of a horrible murder or for gaining information in order to prevent a would-be assassination.

The above sociological considerations are even more valid in traditional societies like Turkey. Group membership counts more for a Turk than it does for a European. Here, individuality is despised by the general community and group conformities are attached much more importance than in an industrial, truly urbanized society.

"[In Turkey] consultation and cooperative effort rather than individual initiative are the accepted norms of behavior. Primary emphasis is placed upon the family and kin. It is only with some difficulty that the tradition-oriented villager trusts and cooperates with individuals and groups outside the village context, including the national government" (Roberts et al. 1970: 168, 169).

It is true that Turkish society is a young society and the change is an accordingly fast and on-going process. But; how could any society be analyzed without considering its traditional and historical traits?

Whether a work place or a school, whatever organization we consider, the new-comers (novices) all have their own worlds with their own popular culture, slang, jokes and informal value understandings, to begin with. Further, the prevalent informal culture within the organization is acquired and processed, all merging together and building up a large volume of unwritten codes, which is at least as heavy as the official regulations. The individual complies with them as much as with the official regulations in all his actions within the organization. The formal and informal words just co-exist ⁽⁷⁾.

V. INFORMAL CODES COULD BE OF MORE NOBLE NATURE

It is true that informal codes mostly reflect puerile and hedonistic desires and make fun of serious commitments. Anything official and serious is "corny" and one should just pretend to respect them. Nevertheless, sometimes informal values could be originating from loyalty towards a high, noble cause.

As retired infantry colonel, author and history researcher Ferit Erden Boray ⁽⁸⁾ explained (Feb.23, 2002); *Fevzi Çakmak Pasha*, while still a young cadet in *Kuleli İdadisi* was one day imprisoned there. While in jail, he wrote on the wall the following sentence: "He who dos

not enter here (this jail) is a donkey; but he who enters here more than once, is more than a donkey, being also the offspring of a donkey (*un âne, de père en fils!*)” (“*Buraya (nezarethaneyeye) giren eşek, birden fazla giren eşşoğlu eşek!*”). The burgeoning leadership potential of that young lad can be inferred right here! Here is an adolescent who knows what it is to take a lesson from a wrongdoing! This lad was destined to become a marshal in the future, one of the saviors of the country in the *War of Independence*. He was not to become just any officer!

Informal attempts might aim for the betterment of a conceived wrongdoing, which the official view is not in a position to defy. This was the case of the French resistance works in World War II. They were not complying with the orders of *Marshal Pétain*, the official prime minister, who was lenient towards or even collaborating with the invading Nazis.

In a similar fashion, in the Ottoman State, during the turbulent times following the signature of *Mudros Armistice* in 1918, *Kuleli Military High School's* cadets were more aware of the awful situation of the country than those holding offices in the *Sublime Port*. Their extraordinary vision can be seen in the following extract, where a retired colonel in 1956 narrates the contribution of *Kuleli High School' (İdadî)* to the *National Struggle*:

*In evenings we cadets used to shout in chorus: "Long live the Sultan!" (Padişahım çok yaşa!). I don't know how it happened and who instigated or suggested the idea; but somehow; one evening we just found ourselves shouting this rhetoric in a different manner. We elongated some the uttering of some words and it came to sound as if we were saying "The Sultan upside down!" ("Padişahım baş aşağı")⁽⁹⁾ This was an extraordinary event that time! Indeed, though the administration noticed it and warned us about it, this same lullaby went on the following evenings. The time coincides with the dissipation of the school. Some of us then took shelter in old boats around *Kâğıthane* and some of us were sent home (Türk Kahramanlığı III, 1956: 174-175). [The narration is mentioned to be based on the information taken from the memories of a retired colonel. In the full text, the narrator also refers to a few military teachers who implicitly supported the developments in Anatolia. Those courageous men were simply risking the capital punishment, in those days!].*

In the above text what is conspicuous at first sight is the modern-minded school-trained-officer's⁽¹⁰⁾ understanding of honor and duty. According to them, in case of a dilemma, loyalty is directed to a higher entity, the Motherland, rather than a sheer person, the Sultan himself.

So, there is no paradox to be seen here. After all, such “informal” patriotic actions taken up were stemming from modern minds shaped at the very best schools for those times.

VI. MILITARY AS A MODERNIZATION-MOTIVATOR

Since *Selim the Third* and *Mahmud the Second*, the reform movements in the *Ottomans* had been yielding their fruit, especially in the field of education. (*Abdulhamid the Second*, too, in spite of his paranoid-like suspicious personality and political repression, gave permission to the educator-minded pashas to further the schooling activities in the western style. As *Sherif Mardin* notes, *unlike politics, sulfuric acid, was not conceived by this sultan as a relevant/immediate threat for himself.*)

During the following Turkish War of Independence, in para-military units (mobile militia groups), the loyalty of the men went to actual people (instead of high ideals) in accordance with the eastern type of blind obedience (*biat etmek*) tradition. These men were full of fighting spirit. Some secondary leaders were formerly sheer outlaws and now they might as well fight against the oncoming Greek Army.

As a matter of fact, the reconstruction of a regular army was a crucial turning point. (The army had been discharged in accordance with the clauses stipulated by the *Mudros Armistice* and only *Kâzım Karabekir* Pasha kept his own army corps intact, in the East). Many did not like the idea of a formal army at first but were eventually subdued. In the regular army order and discipline comes first. Display of individuality and flattery of personal egos is accordingly frowned upon.

The very highest commandant in a particular place on a certain occasion may only enjoy a rightly-placed subtle compliment at most⁽¹¹⁾. But he cannot and should not allow his own praising and glorification to propagate in folk ballads like for instance that of the folk hero and warlord *Yörük Ali Efe* (1895-1951): [*Look at!*] *the sleeves of his vest / Shining is his embroidery / Ali-the-Nomad is coming / Let the roads of [the province of] Aydın open up!*” (*Cepkeninin kolları / parıldıyor pulları / Yörük de Ali geliyor / Açıl, Aydın yolları!*).

Coincidence between formal and informal ways is, accordingly, best observed in the military institution, in Turkey. The hypocrisy is of the least amount, if any. Paperwork is achieved in a manner which really would correspond with the reality, more than in any other establishment.

The military constitutes an all-compassing environment where almost no privacy is available for the individual. For instance, where else can the authorities periodically examine the pubic-hair and armpit shaves⁽¹²⁾ of their men? Maybe in no other organization the needs of the people are so thoroughly recognized and admitted by the authorities! Even officially accepted *strip-tease* shows are organized in the army for the men from time to time. A marginal journalist in an article depicts a “cross-section” of such army practices. Though he uses a sarcastic style in his descriptions, a lot of factual information is to be found there:

Male children all of whose health problems and needs are taken care of by their commanders, thus receive an excellent reward. Once every two to three months, a provincial belly-dancer makes her show in front of a whole brigade. Screams arise for the woman to remove her clothing. Everybody encourages her, shouting like lunatics "open! open!" The experienced ritual resembles more a lynching session (Türker 1998: 6).

Since orders are to be executed no matter what, the crucial point is to issue logical orders which can be literally carried out. With this realistic understanding and mentality, the High-Command does his best to be flexible whenever it is ever possible, allowing a peaceful compromise to happen between what is formal and what is informal.

Anthropologist Pierce lets us know that in rural regions in 1960's even the time of the military service (a *must* from which there can be no escape) could be somewhat negotiated [In urban centers this was never possible. The "contingency approach" is easy to recognize at first sight].

Pierce describes all the aspects of a central Anatolian village (*Demirciler* near *Kaman*, *Kırşehir*) through the eyes of a ten-year-old boy, *Mahmud*. One day a jeep brings two officers to the village. The officers want to see the village-chief, the *muhtar*.

"The Muhtar shook hands with his two guests and walked away, as they resumed their seats to await his return. He was on his way to visit the fathers of the men who would be eligible to be called up for service that fall. Mahmud followed him, remaining quietly outside each house while the Muhtar talked within, until they reached his own home. There he followed the old man inside and listened to the conversation with his father concerning his older brother".

"The father agreed, but asked that the Muhtar come back in a few days to discuss the possibility of having his son held over until the following year. The Muhtar agreed that he would at least come back and discuss the matter, and then went on about the job of informing the other family heads" (Pierce 1964:41). [A few days later Mahmud's father renews his "strong plea for his son's being deferred until the next year; this the Muhtar accepts". [The author hereby stresses that birth days of these young men are known only approximately. He also describes the physical examinations of the youths by the army doctors].

VII. CONCLUSION

In Turkey, discrepancy between the actual reality and the "reality" represented on paper is indeed present. This is to be attributed to the highly rich traditional aspects of the country. Increasing

urbanization is expected to balance out the differences in the future. Indeed, while for many years the growing shanty towns (*bidonvilles*) were ignored by officials and euphemistically referred on paper merely as "unwarranted" constructions; eventually the problem was to be recognized and referred to, by its true name. This alone is a sign like many others that, at least an attempt to confront the formerly avoided issues is long under way.

Notes

- 1) A prominent inconsistency between the registered and the unregistered economy, apparently a vast topic to deal with, is beyond the scope of this article.
- 2) At this point one might as well agree with the giant sociologist *Georges Gurvitch* (1891-1965). He regarded sociology as an explaining field. He hated numbers and technical obsessions. He even used pejorative terms like *test-mania* and quantity-craze (paraphrased from Mitchell 1979: 93).
- 3) The idea of speaking his piece of mind upon perception of some wrongdoing is a sheer peculiarity of the most modern societies. Even there, courageous and resolute people, few in number, are up to such an act. They are the ones who can differentiate between betrayal (or denunciation or spying) and *whistle blowing*.
- 4) In *D. H. Lawrence's* unforgettable novel, *Sons and Lovers*, the newly-married bride (*Mrs. Morel*) discovers the next day the bills in the suit pockets of her husband, *Mr. Morel* (a coal miner prone to drink). She then realizes that the furniture was only bought on credit and the debt must be later paid!
- 5) My own mother, *Makbule Hanım*, a retired primary-school teacher, had her own way of doing this: While choosing the class-head-student, instead of the more common practice of picking out a studious child, she used to appoint a natural leader to this "post". A "tough-boy", automatically respected by his peers, when endowed with formal privileges, invariably reconciled obedience to authority with *hedonistic* puerile tendencies. On one hand; he became more mature now that a responsibility was given him; on the other hand; on the part of the class; defying this boy would also mean defying an admired fellow class-mate, instead of meaning a revolt against the administration.
- 6) "The larger and more complex a formal organization becomes, the greater is the need for a chain of command to coordinate the activities of its members. This need is fulfilled by a bureaucracy, a hierarchical authority structure that operates under explicit rules and procedures. it is the most effective means ever designed of making a large organization work. Sociologists therefore use the word bureaucracy in a neutral sense, without the

overtones it usually has in ordinary speech [meaning red tape]" (Robertson 1979: 149).

- 7) An interesting example signifying the separate world of the student body as distinct from that of the teachers is given here: In 1996, one of the favorite riddles of a boys boarding school in a provincial town was only accidentally discovered by the eavesdropping of a teacher. It then came to the attention of the other teachers as a popular joke. The riddle was based on a then-popular advertisement for a "winged" hygienic band (a certain brand of a sanitary napkin against menstruation): "It has a honeycomb but no honey; it has wings but can't fly; [so what is it?]" (*Peteği var balı yok; kanadı var uçamaz*).
- 8) Retired infantry colonel, author, and near-history history-researcher *Ferit Erden Boray* is the officer in question. The discovery was made in 1956. At the time, part of the North Tower of the school was a

confinement-place for the cadets deserving such a penalty. A partition separated the jail from the storeroom where the suitcases (most of them made of wood, at the time) were kept. Cadet *Oğuz Turan* (later a brigadier-general, now dead for a decade), good at deciphering Ottoman-scripture, put many suitcases one on top of the other and scrutinized the inscription on the wall. Dating from early 1890s and never covered with a layer of whitewash ever since; the Ottoman letters were all too conspicuous! The signature was that of *Kavaklı Fevzi*, the official nickname of Cadet, who had come from *Kavak* quarter of *Beykoz*, near *Istanbul*. Captain *Sabri Demirbağ* (later major-general, dead in 2005) was informed, who in turn notified school-commandant Staff Colonel *Şefik Erensu* (later lieutenant-general, dead in 1989). The commandant publicized this historical discovery, all over the school.



Fig. 1 : A Military-Student Getting Penalized by his Superior Officer:

- Cadet, 4 days of imprisonment
 - Yes Sir ! {I hope this will be the first and the last penalty}
- (illustration by the Author)

- 9) Here a *subliminal* message from a melody is in question. Sometimes an instrumental piece of music is heard and one can make out words there as if such words were actually pronounced.
- 10) During the Ottoman Reformation process, the *Mektebli* (schooled officer) first contrasted and

conflicted with the *Alaylı* (the officer who had advanced from among the ranks). As *Swanson* (1975: 368) points out, the importance of the distinction lay between *Mektebli*'s being progressive and *Alaylı*'s being reactionary: "As late as 1894 the *Mekteblis* made up only a small percentage of the

Ottoman officer corps". [The percentage was to increase gradually. By 1918 only the Imperial School of Military Sciences (*Mekteb-i Harbiye-i Şahane / Today's War College of Land Forces*) was the source of permanent combat officers. During the First World War, especially in Gallipoli actions, many officers were lost].

- 11) This is what the national poet *Behçet Kemal Çağlar* (my Turkish Literature teacher in lycée-one year) did to his friend General *Faruk Güventürk* (1912-1992) in a local opening ceremony. He improvised four stanzas for his friend the General and recited them aloud to the information of the civic protocol present: *He is the Turk who loves his nation / He is the Turk who praises Atatürk / He is the Turk who curses reactionaries / Here he is: General Faruk Güventürk!* ("*Milletini seven Türk / Atatürk'ü öven Türk / Gericiliğe söven Türk / General Faruk Güventürk!*").

12) The Turkish-Moslem tradition foresees such a shave. In the army, hygienic purposes also come into play. The officers carry out such inspections, following the simple order "open the rows!" (*rompez les rangs! / sıra açıl, marş!*). (In addition, lack of privacy and the power of the authority is also stressed, by the practice).

- 13) Hygienic considerations also gain outmost importance in collective places. (*Steinbeck's novel In Dubious Battle* is about apple-collecting American labors [in 1930s] who get on strike because of low wages. One big trump of the employers is to rationalize hygienic issues and disperse the strikers on the grounds that their camp is liable to endemic diseases. The labor leaders accordingly arrange for sanitary installations [water treatment, field toilets etc.] under the supervision of a physician, who is sympathizing for their cause).

APPENDIX: FURTHER VISUAL SUPPLEMENT



Fig. 2 & Fig. 3 : Regarding many aspects of life, like leisure hobbies, modern and antiquated ways still go together, in Turkey. Some well-to-do urban people even play golf, while in the eastern country side, traditional mounted-javelin-sport survives. (illustrations by the Author)



Fig. 4 : When it comes to raising children, many mothers cling to the old practices, even if some of them contrast with the advice provided by modern medical authorities. (illustration by the author)

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Metric SI units are supposed to generally be used excluding where they conflict with current practice or are confusing. For illustration, 1.4 l rather than $1.4 \times 10^{-3} \text{ m}^3$, or 4 mm somewhat than $4 \times 10^{-3} \text{ m}$. Chemical formula and solutions must identify the form used, e.g. anhydrous or hydrated, and the concentration must be in clearly defined units. Common species names should be followed by underlines at the first mention. For following use the generic name should be constricted to a single letter, if it is clear.

Structure

All manuscripts submitted to Global Journals Inc. (US), ought to include:

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

Abstract, used in Original Papers and Reviews:

Optimizing Abstract for Search Engines

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

Key Words

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

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

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

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



- One should start brainstorming lists of possible keywords before even begin searching. Think about the most important concepts related to research work. Ask, "What words would a source have to include to be truly valuable in research paper?" Then consider synonyms for the important words.
- It may take the discovery of only one relevant paper to let steer in the right keyword direction because in most databases, the keywords under which a research paper is abstracted are listed with the paper.
- One should avoid outdated words.

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

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

Acknowledgements: Please make these as concise as possible.

References

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

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

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

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Tables: Tables should be few in number, cautiously designed, uncrowned, and include only essential data. Each must have an Arabic number, e.g. Table 4, a self-explanatory caption and be on a separate sheet. Vertical lines should not be used.

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

Preparation of Electronic Figures for Publication

Even though low quality images are sufficient for review purposes, print publication requires high quality images to prevent the final product being blurred or fuzzy. Submit (or e-mail) EPS (line art) or TIFF (halftone/photographs) files only. MS PowerPoint and Word Graphics are unsuitable for printed pictures. Do not use pixel-oriented software. Scans (TIFF only) should have a resolution of at least 350 dpi (halftone) or 700 to 1100 dpi (line drawings) in relation to the imitation size. Please give the data for figures in black and white or submit a Color Work Agreement Form. EPS files must be saved with fonts embedded (and with a TIFF preview, if possible).

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

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

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

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

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



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

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

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

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

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

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

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

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

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- Present your points in sound order
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- Fundamental goal
- To the point depiction of the research
- Consequences, including definite statistics - if the consequences are quantitative in nature, account quantitative data; results of any numerical analysis should be reported
- Significant conclusions or questions that track from the research(es)

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- Present a justification. Status your particular theory (es) or aim(s), and describe the logic that led you to choose them.
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Approach:

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The page length of this segment is set by the sum and types of data to be reported. Carry on to be to the point, by means of statistics and tables, if suitable, to present consequences most efficiently. You must obviously differentiate material that would usually be incorporated in a study editorial from any unprocessed data or additional appendix matter that would not be available. In fact, such matter should not be submitted at all except requested by the instructor.



Content

- Sum up your conclusion in text and demonstrate them, if suitable, with figures and tables.
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Approach

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Approach:

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



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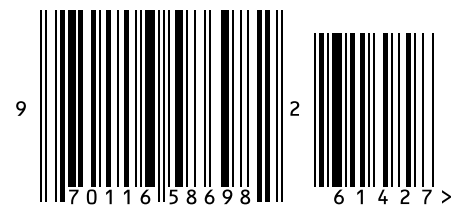
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