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Foreign Portfolio Investment

Tax Audit on Revenue Collection

Highlights

Impact of Corporate Governance

Performance of Public Institutions

Discovering Thoughts, Inventing Future

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Accounting and Auditing

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Effect of Tax Audit on Revenue Collection in Rwanda

By Jean Bosco Harelimana
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Abstract- The purpose of this study was to determine the effects of tax audit on revenue collection in Rwanda. The study is limited to the 110 respondent of Headquarter of the Rwanda Revenue Authority (RRA) in Kigali. The study adopted a descriptive approach. Both Primary and secondary data was used and then analyzed through SPSS version 21. Data analysis involved statistical computations for averages, percentages, and correlation and regression analysis. Ordinary least squares (OLS) regression method of analysis was adopted to determine the inferential statistics. From the findings, tax administration, tax revenue performance, revenue protection system, tax automation to a constant zero, revenue collection would be at 0.347. A unit increase on Tax administration would lead to increase in revenue collection by a factor of 0.162, a unit increase in tax revenue performance would lead to increase in revenue collection by a factor of 0.282, a unit increase in revenue protection system would lead to increase in revenue collection by a factor of 0.194 and unit increase in tax automation would lead to increase in revenue collection by a factor of 0.211. Therefore Tax audit actually has an effect to revenue collection as according to the t–tests there is significance in the correlation between tax collected before the audit and after the audit. This clearly indicates that tax audit increases revenue collection. That in essence means that the more the tax audit conducted the more revenue is collected. There is a need for a study on how the size of a company influences the auditing as there is variation for various organizations based on the size.

Keywords: tax administration, tax audit, revenue collection, revenue performance.

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I. Introduction

For most developing countries, taxation goes hand-in-hand with economic growth and taxes are lifeblood for governments to deliver essential services and to make long-term investments in public goods (OECD, 2010; Paepe & Dickinson, 2014).Some of the countries in Latin America region that are on a fiscally sustainable path, revenues appear inadequate to fund a socially sustainable level of provision of public services (Ter-Minassian, 2012). The United Nations considers that achieving the Millennium Development Goals (MDGs) requires developing countries to raise at least 20% of their gross domestic product (GDP) in taxes. Several Asian and Latin American countries and some of sub-Saharan African countries still mobilize less than 17% of their GDP in tax revenues hence making it difficult to finance public projects. (Paepe & Dickinson, 2014)

Very low tax to gross domestic product (GDP) ratio is a common characteristic of most of the developing countries (Ter-Minassian, 2012). For example, over the past few years, lower than projected tax revenue has forced the government of Tanzania to cut its ambitious plans which reduced its capacity to finance public projects. Similarly, Despite the fast economic growth of Uganda, its tax to GDP ratio is still low (11% in 1997 to 13% now)(Mwenda M., 2015); and even Kenya the leading country in East-Africa, the tax to GDP ratio is still lower than the East African region ratio target of about 25%(African Economic Outlook, 2015).

Kircher (2008) stated that tax audit is the examination of an individual or organization's tax report by the relevant tax authorities in order to ascertain compliance with applicable tax laws and regulations of state. He further reported that tax audit is a process where the internal revenue service tries to confirm the numbers that you have put on your tax return. Ola (2001) stated that the process of tax audit involves tax returns that are selected for audit using some selection criteria. Thereafter, the underlying books and records of the taxpayers are examined critically to relate them to the tax return filed. Tax audit is important because it assist the government in collecting appropriate tax revenue necessary for budget, maintaining economic and financial order and stability, to ensure that satisfactory returns are submitted by the tax payers, to organize the degree of tax avoidance and tax evasion, to ensure strict compliance with tax laws by tax payers, to improve the degree of voluntary compliance by tax payers and to ensure that the amount due is collected and remitted to government.

Government revenue includes all amounts of money (i.e. taxes and/or fees) received from sources outside the government entity. Large governments usually have an agency or department responsible for collecting government revenue from companies and individuals. Government revenue may also include reserve bank currency which is printed. This is recorded as an advance to the retail bank together with a corresponding currency in circulation expense entry, that is, the income derived from the Official Cash rate payable by the retail banks for instruments such as 90 day bills. There is a question as to whether using generic business-based accounting standards can give

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a fair and accurate picture of government accounts, in that with a monetary policy statement to the reserve bank directing a positive inflation rate, the expense provision for the return of currency to the reserve bank is largely symbolic, such that to totally cancel the currency in circulation provision, all currency would have to be returned to the reserve bank and cancelled, (Bringham et al, 2008).

Tax audit affects revenue collection in that it promotes voluntary compliance of taxpayers which increases revenue. It also determines the accuracy of returns so as to ensure the right taxes are submitted. With tax audit tax liability can be easily declared and matters that need adjustment are identified. It also helps in collecting tax interests and penalties which thereby increase revenue collection. Tax audit also helps to implement changes to eradicate evasion. Thus, tax audit is positively related to Revenue collection.

In the same region, according to African Economic Outlook (2015), Tax to GDP ratio for Rwanda was 13.9% (2013) and 14.8% (2014) which was lower than the 14.9% and 15.4% target respectively. This is still lower than Sub Saharan Africa (SSA) average of about 20% (The Government of Uganda, 2012) and the East African region target of about 25% (2014). In comparison with other East African Countries like Kenya which has a Tax to GDP ratio of about 20.1% (2014) and Tanzania 18.6% (2014), the Tax to GDP ratio for Rwanda is still low.

The low tax to GDP ratio for Rwanda shows that a lot of tax remains uncollected, despite the fact that the government has put in place a number of interventions to increase the ratio and reduce the aid dependency. These measures include Taxpayer education in form of dialogues with stakeholders, seminars, and others to mobilize tax, to reduce tax evasion and to increase tax compliance; and also online facilities like e-filing and e-payment, e-clearance, e-billing machine and online registration were farther introduced to simplify the process of paying taxes, reduce costs, reduce time taken by taxpayers for declaration and payment of tax, and to increase domestic revenue (Kagarama Bahizi, 2013).Developing countries across the world typically suffer from insufficient supply of internal resources. Despite much effort, many countries fail to raise sufficient revenues to finance the government budgets and to support the development needs of the country. This incapability is a major hindrance for the government's regular operations and for the capacity to accelerate economic growth initiatives (Haque, 2012; Hadler, 2000).

According to the report by Rwanda Auditor general's (2015), the failure to collect all potential revenue, could be linked to Tax Administration system characterized by lack of proper tracking of registered taxpayers for domestic taxes and gaps in existing databases of taxpayers; failure to register some taxpayers and yet RRA was aware of their existence; failure to verify majority of declarations and to follow up taxpayers who had not filed their returns or remained inactive since the time of their tax registration; capacity challenges in tax audits leading to low tax audit coverage and many contested audit results which resulted in reduction in amounts of tax assessed in 145 cases by RRA appeals committee (43% of all contested cases); and weak revenue protection system which is highly dependent on informers instead of generating and reviewing exceptional reports from existing systems to provide more preventive revenue protection strategies.

Low tax to GDP has been linked to poorly administered tax system characterized by low tax audits, complicated tax system and thereby discouraging compliance and contributes to difficulties in raising tax revenues in Latin American region (Aggrey, 2011;Ter-Minassian, 2012). In Nigeria and Zimbabwe, the research findings show that those working in informal sector do not find the need of paying tax whereas it is the largest and growing component in economy and this leads to the revenue loss (Dube, 2014; Abiola & Asiweh, 2012). Could the tax revenue performance in Rwanda be due to the above stated inadequacy in other countries? This research will be relevant since it will seek to establish the relationship between Tax audit and Revenue collection in Rwanda Revenue Authority.

Taxes are the main revenue for the government and thus the department or agent concerned should ensure they are collected the right way. While the principal source of a government's revenue should be taxation, in Rwanda this is often not the case. The country relies on foreign sources of finance namely foreign loans and aid due to its poor tax administration capacity and collection ability. Weaknesses in revenue administration lead to inadequate tax collections. Financing of the resulting budget deficit through borrowing or monetary expansion can cause an unsustainable increase in public debt and inflation, respectively. In the alternative, revenue shortfalls shrink the budgetary resource envelope, thus, affecting the government's ability to implement its policies and programs and provide public services. Unexpected decline in revenue collections also cause budget cuts that result in major inefficiencies in the public expenditure management.

The Government of Rwanda continued to carry out tax reforms over the years with an aim of improving taxation efficiency and increasing the amount of revenue raised to finance the government expenditure. In year 2000, The Rwanda Revenue Authority (RRA) embarked on the decentralization process and further strategies were implemented such as Taxpayers education and electronic tax system to mobilize and increase tax revenue collections.

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However, despite the RRA employed strategies, the failure to collect all the potential tax revenue is persisting, and the tax-to-GDP ratio is lower than their target, EAC and SSA average ratio. The low tax to GDP ratio implies that a lot of tax remains uncollected and so tax revenues collected are inadequate to finance government budget. For example, from 2012 to 2014 the tax to GDP ratio is averaged to14.06% compared to EAC average of about 18%. Therefore, it is evident that the tax that remains uncollected is causing inadequacy in the meeting of the government budget thus making it insufficient. This problem could be linked to inadequate tax registrations, tax audits, tax automation and Revenue protection system (Auditor General of Rwanda, 2015).

Reform of the revenue administration that include efficient and effective tax audit may be needed to enable it to keep up with the increasing sophistication of business activity and tax evasion schemes. With globalization, goods and services are produced by taxable entities in multiple countries. This presents vast opportunities for manipulating transactions to reduce the tax burden. The existence of corruption, tax havens and increasing use electronic financial transactions pose major challenges in enforcing the tax laws. Without a matching increase in the professional and technological capacity of the revenue administration, its chances of monitoring taxable activity and countering tax evasion are seriously reduced. For this reason, tax audit plays an important role to increase the revenue administration capacity. As tax audit is one of the tools of revenue administration, this study focuses on its significance and practice in Rwanda taking RRA as the case study.

In Rwanda, tax evasion is explained by different economic and non-economic factors contributes to lowering the ratio of tax revenues to GDP (15% for 2014/2015), which is less than a half of the ratio computed for major industrialized countries members of OECD (Vito and Howell, 2001). Following this, one may ask, why this low tax to GDP ratio for Rwanda? Is it due to the structure of the economy? Is it due to inefficiency of the tax administration in tackling exhaustively all tax revenue potential? Or it is due to low technical compliance rate of taxpayers into tax net and non-compliance of informal sector accounting more than 40 per cent of the GDP? The researcher will therefore conduct the study to examine the effect oftax audit on revenue collection while looking through the relationship between them.

II. Objectives

The main objective of the study was to establish the effect of tax audit on revenue collection in Rwanda. Specifically:

1. To measure the effectiveness of Tax Administration in RRA
2. To determine the level of Tax Revenue Performance of RRA.
3. To establish the relationship between Tax Administration and Tax Revenue collection of RRA.

III. Literature Review

Awe (2008) defines auditing as an independent examination of the books and accounts of an organization by a duly appointed person to enable that person give an opinion as to whether the accounts give a true and fair view and comply with relevant statutory guidelines. The American Accounting Association (2011) in its Statement of Basic Auditing Concepts in Hayes, Schilder, Daseen&Wallage (2009) described auditing as: a systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between these assertions and established criteria and communicating the results to interested users. Akinbuli (2010), Hayes et al (2009) reported that several theories of auditing were made to specify and determine the audit functions. Some of these theories include: Classical theory of tax compliance (Toggler, 1970), theory of planned behavior (Ajzen&Fishbein, 2010), economic deterrence theory (Becker, 2008) and policeman theory (Loewenstein&Nachmias, 2005).

There are several theoretical and empirical studies on tax audit and tax compliance. These studies provide mix reactions on the relationship between tax audit and tax compliance. Alm& McKee (2006) investigates the application of experimental methods to examine the individual compliance responses to a "certain" probability of audit, and conclude that the compliance rate rises if an individual knows he will be audited and the rate falls if he knows he will not be audited. Slemrod, Blumenthal& Christian (2011) examines randomly selected taxpayers and inform them that their filling will be "closely examined' and found evidence of taxpayers' behavior changes in response to an increased probability of audit, although the responses are not uniform among different groups of taxpayers. Mittone (2006) investigates that early experience of audits in taxpayers' "tax life" is a more effective way to increase compliance than later audits. Also, Kastlunger, Kirchler, Mittone, & Pitters (2009) study of experimental research also suggests that, although the effectiveness of audits and fines cannot be completely confirmed, early audits in taxpayers' "tax life" have a positive impact on compliance

In a study by Wahyuni(2013), the data used are 789 firms of observation years during 2000-2010 in Indonesia. From this amount, 291 samples are high profile industry. Consistent with expectation, the results of this study find that (1) auditor specializations are factored into the firm's bond rating by credit rating

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agencies; (2) auditor specialization is negatively and significantly related to the cost of debt financing; (3) the relation between auditor specialization and the cost of debt financing is most pronounced in a high-profile industry. Overall, their result suggests that auditor specialization matters to bond market investor in Indonesia.

A study conducted by Dhaliwal et al. (2008) investigated the link between the fees of auditors and the cost of debt, and the impact of the fees on the association between information on the financial statements and the cost of debt. It was found that non-audit fees are related directly to the cost of debt for issuers of investment grade. The findings are dynamic in controlling the tenure of the auditor and corporate governance, and evidence was found that the relation between earnings and the cost of debt declined as audit fees went up. No evidence was found that auditor fees have a direct effect on the cost of debt for the noninvestment-grade companies, but it was discovered that the relation between earnings and the cost of debt declined as non-audit fees went up.

Niu (2010) in a study found a positive association between the audit and the voluntary compliance. The finding suggests that the audit productivity may be under estimated in many studies in the literature. It reminds us that when considering the productivity of the audit work. Besides the direct audit collections, we should also take the audit impact on the voluntary compliance into consideration. For this reason, the finding may provide tax professionals and tax authorities with incentives to strengthen the audit power and to better structure their audit organization to generate more revenue for the state. Niu (2010) Historical population data of a New York State economic sector were used in this study instead of experimental data or randomly selected sample data often used in the literature. The results of both Ordinary Least Squares (OLS) and Time Series Cross Section (TSCS) autoregressive modeling methods suggest that after an audit, a firm would report a higher sales growth rate.

Jin Kwon (2004) study in Korea observed that a more rigorous analysis to evaluate the determinant of tax culture for the study of tax compliance and tax audit. There are three types of tax audit. Badara (2012) stated these three types of audit include the random tax audit, cut-off tax audit and conditional tax audit. The random tax audit scheme simply provides each self-report of income an equal chance of being chosen for verification by an audit. Cut-off audit scheme, audit resources are employed to verify reports of the tax payers reporting the lowest income levels. The conditional audit scheme requires in addition to the reported income, sources of information representing a noisy signal of tax payers" thorough income earning potentials.

Badara, (2012) Questionnaire distributed to forty-eight (48) respondents using descriptive statistics. The result shows that the Relevant Tax Authority (RTA) employed tax audit towards achieving target revenue, that tax audit reduce the problems of tax evasion, that tax payers do not usually cooperated with tax audit personnel during the exercise. There are several theoretical and empirical studies on tax audit and tax compliance. These studies provide mix reactions on the relationship between tax audit and tax compliance.

Generally, in literature review, authors discussed the various determinants of Tax Revenue collection e from different corners. Not all authors find the same determinants of Tax Revenue Performance. (Baingana, 2011; Abiola & Asiweh, 2012) assert that poor Tax Revenue Performance may be due to inadequate tax identificatation, assessment, collection procedures and sensitization. On the other side, Gebre (2015) and Annah (2005) have the view that it may be due to the quality of service delivery, Attitude of taxpayers toward tax, and inadequate tax registration. Besides that (Aggrey,2011;Gaalya,2015) also present a different view of Tax Revenue Performance determinants. In their studies their discussed Government expenditure, Foreign aid,Trade openess, Exchange rates and Informal sector share to GDP to be the main determinants of the Tax Revenue Performance. However, in this study, the researcher with a skeptical mind about the literature in place wants to find out the relationship between other indicators such as tax audit, revenue protection system and tax automation (core functions of Tax Administration) with Tax Revenue Performance.

In addition, The researchers stated above used purposive sampling (Baingana,2011; Abiola & Asiweh, 2012), Stratified and Systematic random sampling (Gebre,2015;Annah,2005) in their study to select respondents;whereas this study will use Simple Random Sampling.Whereas various studies were conducted in different developing countries like Nigeria, Ghana, Ethiopia,Uganda, few in Kenya and in OECD countries to improve Tax performance; however, no similar study has been so far conducted in Rwanda. Therefore, this study is aiming to establish the relationship between Tax audit and Revenue collection in RRA.

IV. Methodology

This section describes the methodology that was used in the study.

a) Research design

This study adopted a descriptive survey. Descriptive survey research design is a scientific method which involved observing and describing the behavior of a subject without influencing it in any way (Cooper & Schindler, 2008). It employed both quantitative and qualitative approaches. Quantitative method was used to generate numerical data to ensure high levels of reliability of gathered data, and qualitative

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method to generate non-numerical data in order to get in-depth information about the variables. The study engaged a descriptive, cross sectional and correlational research designs. It was descriptive because it used descriptive statistics to describe the two variables of the study; and it was cross sectional since it was carried out over a short period of time and data was collected as a one stop event. It engaged correlation design to establish the relationship between Tax Audit and Revenue collection in RRA.

b) Target Population

The population consists of RRA staff involved in day-to-day Tax auditing. These include;Head of Divisions, Group leaders and Officers involved in the tax audit activities. They have been selected purposively because they are the one who interface with taxpayers and enforce the legal framework promoted by legislators to administer and safeguard government revenue.

c) Sample Size

Sampling frame is a list of all the population subjects that the researcher targeted during the study (Cooper & Schindler, 2008). The sample size comprised staff from all tax audit departments at RRA.The sample size was statistically calculated using Slovin's formula and is 87 respondents.

d) Sampling Procedure

The study usedsimple random sampling method in selecting the respondents in the study. Random sampling was used because of its simplicity and it gives equal chance to each person to be selected. There is no bias in selecting respondents.

e) Research Instrument

In this study, data was collected using semi-structured questionnaire that was administered to RRA staff and a face to face interview was conducted to the key people to get depth information on the matter. A questionnaire was designed according to Likert Scale: "Strongly disagree (1), Disagree (2), Agree (3) and strongly agree (4)" to explore the key variables of Tax audit and revenue collection. The questionnaire comprised of closed questions, Attitude questions and open questions. It comprises of three sections. Section A entails the Biodata; Section B Entails Tax audit and Section C Revenue collection.

f) Sources of Data

Primary data was collected from the responses of the questionnaires to measure the effectiveness of Tax audit and the level of Revenue collection in RRA. Secondary data was collected from RRA reports, journals, World Bank reports, African Development Bank reports and internet library to provide data on Revenue collections and to assess the costs of collection for the years that was covered by the study.

g) Validity and reliability

For quality Control, a pre-test of the research instrument to test its validity and reliability was conducted. The Cronbach's alpha coefficient was used to assess the Reliability while the Validity was determined using the Content Validity Index(CVI).

h) Data Processing and Analysis

A multiple regression model was used to analyze the relationship between tax audit and revenue. The model was designed as follows:

$$Y = \alpha+\beta_1X_1+\beta_2X_2+\beta_3X_3+\mu$$

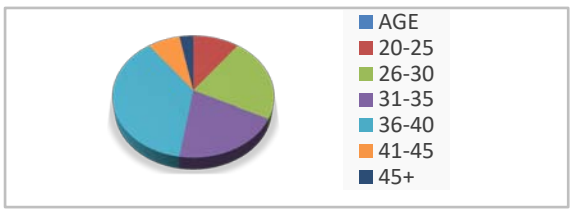
Where, Y is a dependent variable (revenue collection), α=constant, μ=error term, β =coefficient of the disbursement, X_1 = taxpayer's registration, X_2 = Revenue protection system and X_3 = tax automation. Factor analysis of the individual tax audit (Taxpayer's registration, Revenue protection system and Tax automation) was measured throughANOVA to look for significant differences between the variables.

i) Ethical Consideration

Before collection of data, awareness of the study was ensured to the respondents where the explanations of the benefit of the research were clarified.

V. Findings, Discussions & Results

This section presents there search findings, the discussion during the activity of collecting the data and the results. The main aim of the suty is to examine the effect of tax audit to revenue on 87 sampled respondents. A total of 70 administered questionnaires were returned. This shows a good rate according to Mugenda (2008). 74 % of respondent were males, 100% are educated which shows unbiased of gender and are capable and reliable to explore the underpinning issues related to the study respectively. In addition, majority of respondents are adults(38%) as shown on the figure below.



Majority of the respondents (38%) fall within 36 to 40 years of age. This is followed by (22%) in the age group of 26 to 30 years. There are (20%) respondents in the age of 31 to 35 years. The age bracket of 45 years and above had only (3%) respondent. A cumulative 80% of the respondents are within 26 to 40 years.This is an indication that respondents were well distributed in terms of their age. Furthermore, results revealed that 27.1% of the respondents had worked in the project for a period of one to two years, 40% of the respondents

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had worked in the project for a period of 3 to 4 years, whereas 24.3% of the respondents had worked in the project for a period of more than 5 years. Therefore, from the study findings, it can be deduced that respondents had experience on Tax audits and revenue collection.

a) Analysis of Tax administration in RRA

11% of the study participant agreed with the statement every taxpayer identified is always registered while majority (89%) disagreed with the statement. Majority (61%) strongly agreed with the statement that a quick check is done on taxpayers to establish if they are correctly registered while 39% only agreed with the statement. The findings also indicated that 20% of the respondents strongly agreed with the statement the ranking of eligible tax payable is based on taxpayer's income, 50% just agreed while 30% disagreed with the statement. Majority (59%) agreed with the statement that tax offices are effective in identifying and registering all potential taxpayers, while 41% strongly agreed with the statement. Majority (59%) of the study participant agreed with the statement that identification methods are effective in registering all potential taxpayers while 8% disagreed with the statement. Most (67%) of participants agreed with the statement that all registered tax payers are followed up to find out if they are active while 33% strongly agreed with the statement. Majority (76%) of the study participant strongly agreed with the statement that all taxpayers' basic information is collected and recorded on a timely basis while 24% just agreed with the statement. Lastly the findings also indicated that 19% of the respondents strongly agreed with the statement that taxpayers are able to register without intervention of tax officials, 67% just agreed while 14% disagreed with the statement.

Tax stands as a major source of government revenue not only for developed countries but also for developing countries. For countries to benefit from the opportunities afforded by globalization they must be able to mobilize adequate fiscal revenues and the most reliable way to get it is with an effective tax administration, Jamala*et al;* (2013) noted that, tax revenues guide national development and also are used to finance a substantial part of government operations including provision of public social services.

i. *Correlation*

It was found that tax administration is significantly correlated to the revenue performance ($r=0.518$, $p<0.01$). There is a Strong positive relationship between Tax administration and Revenue performance at RRA as indicated by correlation of 0.518. This shows that the sampled data can be applied to the general population across RRA at 95% confidence level. Byakusaaga (2000) noted that tax administration to a great extent depends on the tax collection machinery. Tax administration is largely blamed on the low levels of revenue collections in Kenya and in most low developed countries. This success of tax reform largely depends on the implementing machinery (tax administration). Stephen (1984) says that the race of administration of any tax depends, to a large extent, on the number of tax payers and the average payment relative to the cost of collection from each one. The ease of administration also depends on the existence of records from other sources to crosscheck the report of any particular taxpayer.

ii. *Regression*

Regression analysis was conducted to empirically determine whether tax administration was a significant determinant of revenue collection. Regression results indicate the goodness of fit for the regression between tax administration and revenue collection was satisfactory in the linear regression. An R squared of 0.312 indicates that 31.2% of the variances in revenue collection of RRA are explained by the variances in tax administration in the linear model. The correlation coefficient of 51.8% indicates that the combined effect of the predictor variables has a positive correlation with Revenue collection. Result review that tax administration is statistically significant in explaining revenue collection of RRA. An F statistic of 5.020 indicated that the combined model was significant. From the analysis, a p-value less than 0.05 (p-value =0.0000) was obtained. This implies that the simple linear model with tax administrationas the only independent variable is significant.

Table 1: ANOVA results showing the effect of tax administration on revenue performance ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	12.14	1	12.14	5.020	.000[a]
	Residual	28.684	49	.476		
	Total	40.824	50			

a) Dependent Variable: Revenue collection

b) Predictors: (Constant), Tax administration

Source: Primary data, 2018

Correlation coefficients show that tax administration (X1) is significant (p-value = 0.0000) in influencing Revenue collection (Y). The fitted model from this analysis is shown below:

$$Y= 2.487 + 0.342X1$$

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Table 2: Coefficient results showing the relationship between tax administration and Revenue Collection Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.487	.270		7.169	.000
	Tax administration	.342	.062	.444	2.241	.000

Source: Primary data, 2018

a) Dependent variable: Revenue collection

b) Tax Revenue performance analysis

Majority (59%) agreed with the statement that there are sufficient financial resources to audit all taxpayers, while 41% strongly agreed with the statement. Majority (59%) of the study participant agreed with the statement that the institution has sufficient staff to carry out audits while 8% disagreed with the statement. Most (67%) of participants agreed with the statement that RRA organizes training programs for auditors while 33% strongly agreed with the statement. Majority (76%) of the study participant strongly agreed with the statement that financial statements and records of all potential taxpayers are examined annually while 24% just agreed with the statement. The findings also indicated that 19% of the respondents strongly agreed with the statement that audits are conducted on a timely basis to verify if the taxpayer has correctly reported and assessed their obligations, 67% just agreed while 14% disagreed with the statement. Majority (87%) agreed with the statement that RRA has the capacity to identify tax evaders through audits while 13% strongly agreed with the statement. Majority (59%) of the study participant strongly agreed with the statement that RRA gives audit notifications to the taxpayers on time while 41% disagreed with the statement. Lastly Majority (59%) of the study participant strongly agreed with the statement that RRA gives audit notifications to the taxpayers on time while 41% disagreed with the statement.

Table 3: Correlation Analysis on the level of tax revenue performance

		Tax revenue performance	Revenue collection
Tax revenue performance	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	70	
Revenue collection	Pearson Correlation	.681**	1
	Sig. (2-tailed)	.000	
	N	70	70

***. Correlation is significant at the 0.01 level (2-tailed).*

Source: Primary data, 2018

The above table indicatelevel of Tax Revenue Performance of RRA is significantly correlated to the revenue collection ($r=0.681$, $p<0.01$). There is a Strong positive relationship between level of Tax Revenue Performance and revenue collection as indicated by correlation of 0.681. This shows that the sampled data can be applied to the general population across RRA at 95% confidence level.

i. *Regression analysis*

Regression analysis was conducted to empirically determine whether level of Tax Revenue Performance of RRAwas a significant determinant of revenue collection. The results in the goodness of fit for the regression between level of Tax Revenue Performance and revenue collection was satisfactory in the linear regression. An R squared of 0.282 indicates that 28.2% of the variances in revenue collection at RRA are explained by the variances in level of Tax Revenue Performance in the linear model. The correlation coefficient of 68.1% indicates that the combined effect of the predictor variables has a positive correlation with Revenue collection. Result reviews that level of Tax Revenue Performance of RRAis statistically significant in explaining revenue collection at RRA. An F statistic of 4.17 indicated that the combined model was significant. From the analysis, a p-value less than 0.05 (p-value $=0.0000$) was obtained. This implies that the simple linear model with the level of Tax Revenue Performance as the only independent variable is significant.

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Table 4: ANOVA results showing the effect of the level of Tax Revenue Performance on revenue collection ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	12.14	1	12.14	4.17	.000[a]
	Residual	28.684	49	.476		
	Total	40.824	50			

a) *Dependent Variable: Revenue collection*
b) *Predictors: (Constant), Tax administration*

Source: Primary data, 2018

Correlation coefficients show that the level of Tax Revenue Performance (X2) is significant (p-value = 0.0000) in influencing revenue collection (Y). The fitted model from this analysis is shown below:

$$Y = 0.755 + 0.342X2$$

Table 5: Coefficient results showing the relationship between the level of Tax Revenue Performance on revenue collection Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.755	.698		6.365	.000
	level of Tax Revenue Performance	.342	.152	.308	2.663	.000

a) *Dependent variable: Revenue collection*

Source: Primary data, 2018

c) *Revenue protection system analysis*

Majority (59%) of the study participant agreed with the statement that RRA system is able to detect and track fraudswhile 8% disagreed with the statement. Most (67%) of participants agreed with the statement that RRA system is able to track non-compliant taxpayerswhile 33% strongly agreed with the statement. Majority (76%) of the study participant strongly agreed with the statement that RRA system is able to track non-registered taxpayers while 24% just agreed with the statement. The findings also indicated that 19% of the respondents strongly agreed with the statement that RRA system is able to keep all taxpayers' information, 67% just agreed while 14% disagreed with the statement. Majority (87%) agreed with the statement that the system is able to generate appropriate reports while 13% strongly agreed with the statement. Majority (59%) of the study participant strongly agreed with the statement that the system is able to ensure the accuracy and security of the information processed while 41% disagreed with the statement. Majority (59%) of the study participant strongly agreed with the statement that the system is able to ensure that a transaction is processed once. while 41% disagreed with the statement. Furthermore, the findings also indicated that 19% of the respondents strongly agreed with the statement that Preventive revenue protection strategies are provided by the system in place, 67% just agreed while 14% disagreed with the statement. Lastly (87%) agreed with the statement that the revenue collected is protected from any leakage while 13% strongly agreed with the statement.

i. *Correction analysis*

Results indicate that Revenue protection system is significantly correlated to the revenue collection ($r=0.656$, $p<0.01$). There is a Strong positive relationship between Revenue protection systemand revenue collections as indicated by correlation of 0.656. This shows that the sampled data can be applied to the general population across RRA at 95% confidence level.

ii. *Regression analysis*

Regression analysis was conducted to empirically determine whether Revenue protection systemwas a significant determinant of revenue collection. Result indicates the goodness of fit for the regression between Revenue protection systemand revenue collection was satisfactory in the linear regression. An R squared of 0.285 indicates that 28.5% of the variances in revenue collection at RRA are explained by the variances in Revenue protection systemin the linear model. The correlation coefficient of 65.6% indicates that the combined effect of the predictor variables has a positive correlation with Revenue collection. Result review that Revenue protection systemis statistically significant in explaining revenue collection at RRA. An F statistic of 4.85 indicated that the combined model was significant. From the analysis, a p-value less than 0.05 (p-value =0.0000) was obtained. This implies that the simple

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linear model with the Revenue protection systemas the only independent variable is significant.

Table 6: ANOVA results showing the effect of Revenue protection system on revenue collection ANOVAb

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	12.14	1	12.14	4.845	.000[a]
	Residual	28.684	49	.476		
	Total	40.824	50			

a) *Dependent Variable: Revenue collection*
b) *Predictors: (Constant), Tax administration*

Source: Primary data, 2018

Correlation coefficients show that the Revenue protection system(X3) is significant (p-value = 0.0000) in influencing revenue collection (Y). The fitted model from this analysis is shown:

$$Y = 3.078 + 0.245X3$$

Table 7: Coefficient results showing the relationship between the Revenue protection systemon revenue collection Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.078	.698		6.365	.000
	Revenue protection system	.245	.152	.308	2.663	.000

a) *Dependent variable: Revenue collection*

Source: Primary data, 2018

d) Tax automation analysis

Results revealed that 20% of the respondents strongly agreed with the statement that All transactions are processed using automated system, 50% just agreed while 30% disagreed with the statement. Majority (59%) agreed with the statement that all registered taxpayers are able to file electronically, while 41% strongly agreed with the statement. Majority (59%) of the study participant agreed with the statement that E-tax system reduces time taken by taxpayers in declaration and tax payment while 8% disagreed with the statement. Most (67%) of participants agreed with the statement that Non-compliance cases decreased as a result of e-tax system while 33% strongly agreed with the statement. Majority (76%) of the study participant strongly agreed with the statement that aE-tax system increased revenue collection while 24% just agreed with the statement. Moreover, the findings also indicated that 19% of the respondents strongly agreed with the statement that all records are digitized with RRA, 67% just agreed while 14% disagreed with the statement. Lastly the findings also indicated that (67%) of participants agreed with the statement that Electronic records are able to be retrieved after an extended period for audit purposes while 33% strongly agreed with the statement. Gasteiger (2011) indicated that automated system enhances administration with the provision of multiple scenarios that allow senior management in a multi-campus university system to generate multiple income scenarios, make well-informed decisions concerning the operation of their institution and timely calculation and allocation of resources to academic departments.In Kenya, Kioko (2012) indicated that the macro model performs better the variations in funds allocated to counties than the representative tax system.

i. *Correlation*

The results indicate that tax automation is significantly correlated to the revenue performance ($r=0.789$, $p<0.01$). There is a Strong positive relationship between Tax automation and Revenue performance at RRA as indicated by correlation of 0.789. This shows that the sampled data can be applied to the general population across RRA at 95% confidence level.

ii. *Regression*

Regression analysis was conducted to empirically determine whether tax automation was a significant determinant of revenue collection. Regression results in Table 4.23 indicate the goodness of fit for the regression between tax automation and revenue collection was satisfactory in the linear regression. An R squared of 0.402 indicates that 40.2% of the variances in revenue collection of RRA are explained by the

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variances in tax automation in the linear model. The correlation coefficient of 78.9% indicates that the combined effect of the predictor variables has a positive correlation with Revenue collection. Result review that tax automation is statistically significant in explaining revenue collection of RRA. An F statistic of 7.658 indicated that the combined model was significant. From the analysis, a p-value less than 0.05 (p-value =0.0000) was obtained. This implies that the simple linear model with tax automationas the only independent variable is significant.

Table 8: ANOVA results showing the effect of tax automation on revenue collection ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	12.14	1	12.14	7.658	.000[a]
	Residual	28.684	49	.476		
	Total	40.824	50			

a) Dependent Variable: Revenue collection
b) Predictors: (Constant), Tax administration

Source: Primary data, 2018

Correlation coefficients show that tax automation (X4) is significant (p-value = 0.0000) in influencing Revenue collection (Y). The fitted model from this analysis is shown below:

$$Y = 2.107 + 0.174X4$$

Table 8: Coefficient results showing the relationship between tax automation and Revenue Collection Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.107	.698		6.365	.000
	Tax automation	.174	.152	.308	2.663	.000

Source: Primary data, 2018

e) Linear regression model analysis

Regression analysis was done to determine the relationship between tax audit on revenue collection. Result shows that the coefficient of determination R square is 0.294 and R is 0.542 at 0.05 significant level. The coefficient of determination indicates that 29.4% of the variation in the dependent variable banks performance is explained by the independent variables (tax administration, tax revenue performance, revenue protection system, tax automation). It further present the ANOVA on tax audit on revenue collection. The ANOVA results for regression coefficient indicate that the significance of the F is 0.00 which is less than 0.05. This implies that there is a positive significant relationship between tax audit on revenue collectionand that the model is a good fit for the data.

From the data above, the established regression equation was

$$Y = 0.347 + 0.162\,X1 + 0.282\,X2 + 0.194\,X3 + 0.211\,X4$$

From the above regression equation, it was revealed that holding Tax administration, tax revenue performance, revenue protection system, tax automationto a constant zero, revenue collection would be at 0.347. A unit increase on Tax administrationwould lead to increase in revenue collection by a factor of 0.162, a unit increase in tax revenue performancewould lead to increase in revenue collection by a factor of 0.282, a unit increase in revenue protection systemwould lead to increase in revenue collection by a factor of 0.194 and unit increase in tax automation would lead to increase in revenue collection by a factor of 0.211.

VI. Conclusion and Recommendation

a) Conclusion

Tax audit actually has an effect to revenue collection as according to the t – tests there is significance in the correlation between tax collected before the audit and after the audit. This clearly indicates that tax audit increases revenue collection. That in essence means that the more the tax audit conducted the more revenue is collected. Thus, it is right to say that tax audit is directly related to revenue collection. All the tax audits are important because they add something to revenue and thus should be encouraged as it assists the government in collecting appropriate tax revenue

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necessary for budget, maintaining economic and financial order and stability, to ensure that satisfactory returns are submitted by the tax payers, to organize the degree of tax avoidance and tax evasion, to ensure strict compliance with tax laws by tax payers, to improve the degree of voluntary compliance by tax payers and to ensure that the amount due is collected and remitted to government.

b) Recommendations

The study recommends that the tax audit reports be submitted to the public and a standard procedure to be found in choosing the companies that random audit is conducted. This is to assure the public that those audited randomly are not eyed or discriminated but at least they see the result and be aware of the procedure used in the selection. The public is also urged to submit their taxes fully and seek clarification wherever they are not sure of what to do.

For further research, this study examined the effects of tax audit on revenue collection over a period of less than 5 years. There is a need for further studies to carry out similar tests for a longer time period. Due to the importance of having high quality audit, further studies should explore the areas that relate to audit quality such as customer service satisfaction, customer loyalty, auditors switching and auditors' turnover. This will go along incorporating quality and independence of management and board membership; internal audit considerations.Furthermore, there is need for a study on how the size of a company influences the auditing as there is variation for various organizations based on the size. Further, a study should be conducted on the procedures followed during audit to see if all the Rwanda Revenue employees follow the same procedures or a standard procedure is in place and adhered to.

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Exchange Rate Volatility and Foreign Portfolio Investment in Nigeria

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Abstract- Foreign portfolio investment is a vital financial resource needed for economic growth and bridging the gap between savings and investment in Nigeria. This study investigates the effects of exchange rate volatility on foreign portfolio investment in Nigeria. The effects of volatility of exchange rate on foreign portfolio investment inflows to Nigeria were captured through the official exchange rate and bureau-de change rate. A monthly time series data were sourced from Central Bank of Nigeria covering a period of 10 years from 2007-2016. This study employed General Autoregressive Conditional Heteroskedasticity GARCH (1, 1) model to test for volatility in both official and BDC rate. A two-stage least square (TSLS) method was used to test the relationship between the volatility and foreign portfolio investment in Nigeria. The results revealed that volatility in the official rate exerted positive significant impact of 8.119872 on foreign portfolio investment inflow into Nigeria, while the BDC volatility showed a negative significant impact of -5.961654 on foreign portfolio investment inflow into Nigeria within the study period. The study concluded that the official exchange rate volatility has a significant and positive effect on foreign portfolio investment in Nigeria, while the bureau-de change volatility has a significant and negative relationship with foreign portfolio investment in Nigeria. Hence, the study recommended that monetary authority should formulate such policies that will stabilize exchange rate so as to boost the investors' confidence.

Keywords: *exchange rate volatility, foreign portfolio investment, bureau - de change rate.*

GJMBR-D Classification: *JEL Code: M49*

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Exchange Rate Volatility and Foreign Portfolio Investment in Nigeria

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Abstract- Foreign portfolio investment is a vital financial resource needed for economic growth and bridging the gap between savings and investment in Nigeria. This study investigates the effects of exchange rate volatility on foreign portfolio investment in Nigeria. The effects of volatility of exchange rate on foreign portfolio investment inflows to Nigeria were captured through the official exchange rate and bureau-de change rate. A monthly time series data were sourced from Central Bank of Nigeria covering a period of 10years from 2007-2016.This study employed General Autoregressive Conditional Heteroskedasticity GARCH (1,1) model to test for volatility in both official and BDC rate. A two-stage least square (TSLS) method was used to test the relationship between the volatility and foreign portfolio investment in Nigeria. The results revealed that volatility in the official rate exerted positive significant impact of 8.119872 on foreign portfolio investment inflow into Nigeria, while the BDC volatility showed a negative significant impact of -5.961654 on foreign portfolio investment inflow into Nigeria within the study period. The study concluded that the official exchange rate volatility has a significant and positive effect on foreign portfolio investment in Nigeria, while the bureau-de change volatility has a significant and negative relationship with foreign portfolio investment in Nigeria. Hence, the study recommended that monetary authority should formulate such policies that will stabilize exchange rate so as to boost the investors' confidence.

Keywords: exchange rate volatility, foreign portfolio investment, bureau - de change rate.

I. Introduction

Capital is a vital ingredient for economic growth, but since most nations cannot meet their total capital requirements from internal resources alone, they turn to foreign investors to supply capital. Idowu (2015) stated that it is a known fact that no country can stand as an island which requires no capital from other countries of the world. Both the developed and the developing countries do strategize for more capital importation into their countries to stimulate investment, generate employment, improve production and bridge the gap between savings and investment. In this decade, international capital flows, especially portfolio investment flows, increase rapidly along with advances in globalization, financial deregulation, and advancement in information technology in the world economy (Erik,2006; Omorokunwa & Ikponmwosa, 2014).

United Nations Conference on Trade and Development (UNCTAD 2016) reported that global foreign investment flows jumped by 38 percent to $1.76 trillion in 2015, the highest level since the global economic and financial crisis of 2008-2009 while Foreign investment flows to Africa fell to $54 billion in 2015, a decrease of 7 percent over the previous year. This is a result of the upturn in foreign investment flow to North Africa and low price of commodity goods from the west and central Africa region. Seaman (2003) identified two forms of foreign capital flows which are public and private investment flows. The private investment flows comprise foreign direct investment and foreign portfolio investment. UNCTAD (1999) described foreign portfolio investment as an investment by a resident entity in one country in the equity and debt securities of an enterprise resident in another country which seeks primarily capital gains and does not necessarily reflect a significant and lasting interest in the enterprise. The category includes investments in bonds, notes, money market instruments and financial derivatives other than those included under direct investment, or in other words, investments which are both below the ten percent rule and do not involve affiliates.

Prior to 1986, there was no record of any foreign portfolio investment in Nigeria (Eniekezimene, 2013). Obadan (2004) opined this was mainly as a result of the non-internalization of the country's money and capital markets as well as the non-disclosure of information on the portfolio investment in foreign capital or money markets. Ekeocha (2008) reported that a total of N151.6 million foreign capital inflows were recorded in 1986. From that little inflow recorded in 1986, each successive administration has made deliberate effort to bridge the gap between saving and investment in Nigeria. Eniekezimene (2013) observed that since the return to democracy in 1999 which marked the beginning of a political stability, liberalization of the economy and the reforms in the capital market, there has been an improvement in foreign portfolio investment in Nigeria. The foreign portfolio investment in Nigeria has rose to N703.6 billion in 2007 it highest since 1986 when it was first reported. The foreign portfolio investment in Nigeria experienced a decline to $1,009.13 million in the third quarter of 2015, $920.32 million in the third quarter of 2016 and a further decline to $284.22 million in the last

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quarter of 2016. (National Bureau Statistics (NBS), 2017). The movement of foreign portfolio investment in Nigeria has been up and down since 1986 when it was officially reported by Central Bank of Nigeria. Despite the increase in foreign portfolio inflows to Nigeria since 1999, instability in the exchange rate and other macroeconomic factors may have been a problem in attracting more foreign portfolio investment into the country. Foreign investors come into the domestic economy with expectations of positive returns; despite the various types of risks they are exposed to which include instability in exchange rate, inflation rate, interest rate, political, and legal risks (Teddy, 2015). Exchange rate volatility makes international trade and investment decisions more difficult because volatility increases exchange rate uncertainty and risk (Kalu, 2016). Exchange rate volatility generates an air of uncertainty as the variance of expected profits rises and its net present value falls. This could cause investors to hesitate about committing significant resources to foreign investment because of the risk associated with the volatility.

The Nigeria exchange rate system has witnessed so much volatility both in the official and bureau-de change market after the deregulation of the foreign market (Olowe,2009; Abayomi & Olaronke, 2015 and Kalu, 2016). Sanusi (2002) (as cited in Udeh ,2010) also observed that the exchange rate policy in Nigeria has been moving in a circular form, starting from a fixed exchange rate system from 1986-1993, a temporary halt deregulation in 1994 when the official exchange rate was pegged and reversal of the policy in 1995 with the guided deregulation of the foreign exchange market. Kalu (2016) affirmed that despite these policy efforts by the Nigeria monetary authority to maintain exchange rate stability, the Naira continues to fluctuate widely against the US dollar. Although, numerous studies have been carried out on foreign direct investment and its relationship with exchange rate volatility established; yet, there are scanty literature on foreign portfolio investment in Nigeria. More so, the few studies that exist have focused on the official rate when considering volatility. This study considers the volatility of bureaux-de change rate on foreign portfolio investment which is missing in previous studies. It is against this backdrop that this study examined the relationship between exchange rate volatility and foreign portfolio investment.

The objective of this study is to examine the effect of exchange rate volatility of both the official and the bureaux-de change rate on foreign portfolio investment in Nigeria. This study contributes to knowledge because it focuses on the effect exchange rate volatility have on foreign portfolio investment in Nigeria which has not received much attention in literature. This study will be helpful to policy makers, investors, international traders and those in finance related disciplines. The result obtained will provide information that will assist on how to manage the volatility in exchange rate so as to improve the inflow of foreign portfolio investment in Nigeria. The remainder of the paper is organised as follows: Section 2 literature review. Section 3 provides the methodology. Section 4 presents the empirical results, and Section 5 provides conclusions and recommendations.

II. Literature Review

a) *Empirical Discussion*

Chonnikara (2010) carried out a research on the effect of exchange rate volatility on foreign direct investment and portfolio flows to Thailand with the use of panel data based on monthly data. It covered 2005 to 2009.The result revealed that the relationship between exchange rate risk and foreign portfolio investment is negative indicating that high exchange rate risk lowers each firm –specific foreign portfolio flow to Thailand.

Ekeocha (2008) looked at modeling the long-run determinants of foreign portfolio investment in an emerging market (Nigeria) within 1986-2006 with the use of time series data, Johansen co-integration and the error correction mechanism estimation test and the study found that there is a negative relation between real exchange rate and foreign portfolio investment in Nigeria.

Teddy (2015) investigated the effect of exchange volatility on private capital inflows in Zambia. This was carried out with the use of GARCH model to estimate volatility in the exchange rate and Johansen maximum likelihood for cointegration and error correction model. The study found out that the volatility of the nominal exchange rate exerted significant negative impact on the flow of foreign portfolio investment in Zambia.

Pami and Reetika (2013) carried out a study on foreign portfolio investment flow to India: determinants and analysis. The study covered 1995 to 2011 and made use of autoregressive distributed lag (ARDL).The study found a negative significant relationship between exchange rate volatility and foreign portfolio investment. Erick (2006) in his study on exchange rate risk from a portfolio investment point of view used daily data from January-December 2005 and ATP model to estimate result. It was established that exchange rate volatility increases the risk of an investor and reduced her return.

Nwosa and Amassona (2014) carried out a study on capital inflows and exchange rate in Nigeria which covered 1986 to 2011 with the use of both granger causality and error correction modeling techniques. The study found that foreign portfolio inflows had little positive impact on exchange rate. Idowu (2015) in her study on foreign portfolio investment determinants in Nigeria with the use of time series data between 1970-2010 using the Granger causality test, Johansen co-integration and the error correction

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mechanism estimation test concluded that change in real exchange rate had no effect on the inflow of foreign portfolio investment in this period Marcin, Robort and Krzystof (2013) examined foreign direct investment and foreign portfolio investment in the contemporary globalized world and concluded that exchange rate and its volatility has no effect on foreign portfolio investment.

Omororunwa and Ikponnwosa (2014) researched on exchange rate volatility and foreign portfolio investment in Nigeria between 1980-2011.They employed Augmented Dickey-Fuller (ADF) test for stationarity, Engle and Granger two-step cointegration procedure and error correction model (ECM).The study found that exchange rate volatility has a very weak effect on FPI in short run and a strong positive effect on the long run analysis. Ololade and Ekperiware (2015) researched on foreign portfolio investment and Nigeria bond market with the use of primary data and multiple regression analysis. They found out that exchange rate was statistically significant and positively related to foreign portfolio investment in Nigeria. Guglielmo, Faek, and Nicola (2013) examined the impact of exchange rate uncertainty on different components of portfolio flows. They studied Australia, Japan, Uk,Canada and Sweden over a period of 1988 to 2011.They employed GARCH-BEKK model and observed negative relationship in some countries and positive relationship between exchange rate volatility and portfolio investment.

Soyoung, Sunghyum, and Yoonseok (2013) carried out a research on the determinants of international capital flow in Korea: Push vs Pull factors. The study covered1980-2010, they employed time series data using Generalized Method Moment (GMM) for estimation of relationship among the variables. They observed a positive relationship between exchange rate volatility and foreign portfolio investment in Korea.

b) Theoretical Framework

The direction of private capital flows is explained by two classes of theories, namely; push factor and pull factor theories. These theories were propounded by Everett (1966) in relation to labour migration across the globe. In the mid-1990s researchers in the field of finance adopted these theories in international investment strategy.

Pull factor theory, traces the causes of capital flows to such domestic factors as autonomous increases in the domestic money demand function, stability exchange rate, increases in the domestic productivity of capital (Uihaque, Mathieson and Sharma, 1997), increasing integration of domestic capital markets with global capital markets (Agenor & Montiel, 1999), improvement in external creditor relations, adoption of sound fiscal and monetary policies and neighborhood externalities. This study is underpinned by this theory to examine the effect of exchange rate volatility which is internal factor influencing portfolio investment

III. Methodology

The data used for this study was a monthly time series data of foreign portfolio investment and exchange rate. The data were secondary in nature and are sourced from Central Bank of Nigeria (CBN) data bank and National Bureau of Statistics (NBS).The study covered a period of 10 years (2007-2016) .The estimate techniques used for this study are Generalised Autoregressive Conditional Heteroskedasticity (GARCH 1.1) to test for volatility in the variables which is the most appropriate method to assess the presence of volatility in variables (Gujarati and Dawn, 2009).Unit root test was carried out to test for the presence of stationarity of the variables and two stage least square (TSLS) regression analysis was employed to test the relationship between the variables.

The model for this study is based on the theoretical framework and the objective of the study which is to examine the effect of exchange rate fluctuations on the foreign portfolio investment into Nigeria. The model is specified as follows:

$$FPI = f(VXrate_t, Vbdcxrate_t,) \qquad (i)$$

Where;

FI = Foreign Investment

Vofxrate = Volatility in official exchange rate

Vbdcxrate=Volatility in bureaux - de change rate

FPI is dependent on official exchange rate volatility and bureau-de change volatility.

The statistical forms of the models are thus:

$$FPI = B_O + B_1 Vofxrate_t + B_2 Vbdcrate_t + e_t \qquad (ii)$$

Where:

B_O = the intercept of the FPI

B_1 to B_2= the coefficients of the variables to be estimated in the FPI

e_t = the random variable or error term.

The a priori expectations are: $B_1<0$, $B_2<0$.

IV. Results and Discussion

The descriptive statistics show positive skewness in official (1.351167) and bureaux de change(1.563610) rates, which indicate that depreciation in the Naira/US$ exchange rate occurs more often than it appreciates. The kurtosis are positive,having a return series of the official rates (5.660731) and bureaux de change rates (5.231307), thus points out that the returns distribution are leptokurtic. The Jarque-Bera statistic indicates that only lnFPI is normally distributed.

Table 1 presents the descriptive statistics of the natural logarithm (ln) of foreign portfolio

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investment, official exchange rate and bureau du change exchange rate.

Table 1: Descriptive Statistics

Statistic	lnFPI	lnOFFICIALrate	lnBDCrate
Mean	19.70349	5.062866	5.145352
Maximum	21.59003	5.735701	6.135630
Minimum	16.78006	4.768309	4.776599
Standard Deviation	1.066857	0.209391	0.306094
Skewness	-0.320769	1.351167	1.563610
Kurtosis	2.769677	5.660731	5.231307
Jarque-Bera (JB)	2.323096	71.91047	73.79116
JB p-value	0.313001	0.000000*	0.000000*
Observations	120	120	120

Source: Author's computation, (2017)

*Note: * denotes rejection of null hypothesis of normal distribution at 1% significance level.*

In generating the volatility series from lnOFFICIAL rate and lnBDC rate, the first step was to estimate an AR(1) model for both series. Secondly, Autoregressive Conditional Heteroskedasticity (ARCH-LM) test was performed to determine whether the series are heteroskedastic (volatile). Lastly, a Generalised Autoregressive Conditional Heteroskedasticity (GARCH) model was built for each series and estimated with the Maximum Likelihood Estimator under the assumption of Student's t distribution with fixed parameter. The predicted (fitted) values are obtained for the estimated GARCH model as the volatility series. Table 2 reports the results of the ARCH-LM test for both series.

Table 2: Results of ARCH-LM Test

Lag	LnOFFICIALrate	lnBDCrate
1	12.94611 [0.0005]*	6.245311 [0.0139]**
2	7.078580 [0.0013]*	3.240978 [0.0428]**

Source: Author's computation, (2017)

*Notes: * and ** indicates the rejection of null hypothesis of no heteroskedasticity at 1% and 5% significance level respectively. Also, F-statistic reported for ARCH-LM test and p-values in parentheses.*

From Table 2, it can be seen that the hypothesis of no heteroskedasticity is rejected for both series at lags 1 and 2 and this implies the presence of volatility clustering in both series. Therefore, a GARCH (1,1) model can be built to determine the persistence of volatility in both series.

Table 3: Results of the GARCH (1,1) Models for Official Exchange Rate

	Coefficient	p-value
Mean Equation		
Constant	-0.133573	0.0000*
$lnOFFICIAL_{t-1}$	1.026386	0.0000*
Variance Equation		
Constant	1.60×10^{-8}	0.4705
$ARCH_{t-1}$	1.438105	0.0000*
$GARCH_{t-1}$	0.233925	0.0000*

Source: Author's computation, (2017)

*Note: * indicates statistically significant at 1% significance level.*

Table 3 indicates that the coefficients of the ARCH and GARCH terms are significant at 1% significance level. The sum of the coefficients of the ARCH and GARCH terms exceed 1, thus implying that the volatility of official exchange rate is an explosive process.

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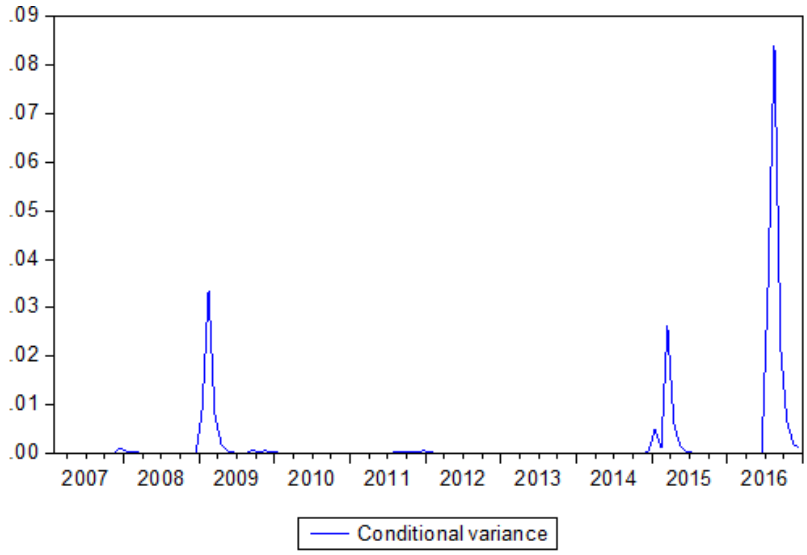


Source: Author's computation, (2017)

Fig. 1: Conditional Variance Graph for official rate

The official rate was stable between 2007 and 2008, and an upward movement was experienced in 2009. From 2010 to 2014 the official exchange rate was highly stable while in 2015 and 2016 an erratic and upward movement was experienced.

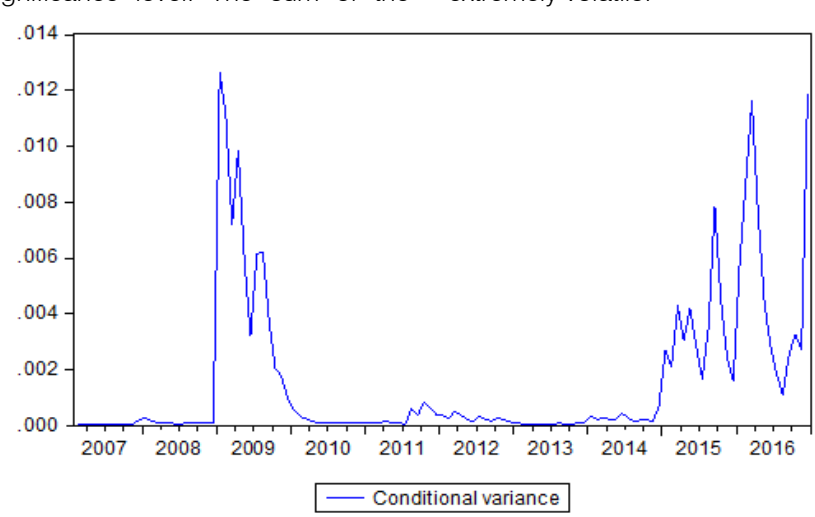
Table 4: Results of the GARCH (1,1) Models for BDC Exchange Rate

	Coefficient	p-value
Mean Equation		
Constant	-0.134207	0.0000*
$\ln BDC_{t-1}$	1.026861	0.0000*
Variance Equation		
Constant	2.06×10^{-6}	0.0432**
$ARCH_{t-1}$	0.554183	0.0000*
$GARCH_{t-1}$	0.543666	0.0000*

Source: Author's computation, (2017)

*Note: * and ** indicate statistically significant at 1% and 5% significance level respectively.*

From Table 4, it can be inferred that the coefficients of the ARCH and GARCH terms are significant at 1% significance level. The sum of the coefficients of the ARCH and GARCH terms is greater than unity, thus implying that BDC exchange rate is extremely volatile.



Source: Author's computation, (2017).

Fig. 2: Conditional Variance Graph for BDC rate

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The BDC rate maintained a stable rate in 2007 - 2008, and experienced an upward movement in 2009.The movement from 2010 to 2014 was relatively stable while 2015 to 2016 experienced erratic and upward movement.

The model was estimated using the Two-Stage Least Squares (TSLS) method. This method overcomes the problem of simultaneity bias and causality inverse because it uses instrumental variables (IVs). Table 4.5 presents the results of the TSLS regression.

Table 5: Results of the TSLS Regression

Variable	Coefficient	t-statistic	p-value
Constant	9.325066	0.705720	0.4818
$Vol(lnOFFICIALrate)_{t-1}$	8.119872	3.629119	0.0004*
$Vol(lnBDCrate)_{t-1}$	-5.961654	-2.944795	0.0039*

R^2 = 0.232592 F-statistic (p-value)=14.00716(0.000004) J-statistic(p-value)=7.545577(0.109716) Instrument rank=7*
*Note: * denotes statistically significant at 1% significance level.*

Source: Author's computation, (2017)

V. Discussion of Findings

Table 5 shows that the one-period lagged value of volatility of official exchange rate is positively and significantly related to foreign portfolio investment while the one-period lagged value of volatility of BDC exchange rate has a significant negative relationship with foreign portfolio investment. The F-statistic is statistically significant, thus indicating that the model is significant. This further implies that the instrumental variables (IVs) used are not weak The J-statistic accepts the null hypothesis of valid over identifying restrictions, thus implying that the 7 IVs used are valid and the model has not been wrongly specified.

The volatility of the official rate is significant at 1% with a positive coefficient of 8.119872. This implies that a unit increase in the volatility of the official rate will lead to increase in foreign portfolio investment in Nigeria by $8.119872 unit on monthly basis. This positive relationship between volatility in official exchange rate and foreign portfolio investment in Nigeria concurs with the findings of Udeh (2010), Guglielmo,Fack and Nicola(2013) and Omororunwa & Ikponnwosa (2014).The positive relationship between the official exchange rate volatility and foreign portfolio investment may be as a of result arbitrage behaviour of international investors (Omororunwa and Ikponnwosa,2014). The high return in investment and the growth in gross domestic products (GDP) may also be part of the factors responsible for this within the study period.

The volatility in the BDC rate is negatively significant at 1% with a coefficient of -5.961654. This implies that unit increase in the volatility of BDC rate will lead to decrease in FPI in Nigeria by $5.961654 unit on a monthly basis. The negative relationship between volatility in BDC rate and FPI in Nigeria is as a result of high risk associated with the market and less string entregulation from the monetary authority. The negative relationship aligns with the findings of Chonnikarn (2010), Reetika (2013) and Teddy (2015) on effects of exchange rate volatility on foreign portfolio investment. The findings from this study concur with pull factors theory and return on investment model, high return on investment and relative stability in the the economy within the studied period (internal factors) might have influenced positive inflow of foreign portfolio investment into Nigeria despite the risk posed by exchange rate volatility. And the dwelling inflow of portfolio investment since 2014 till date (2017) might also be as a result of low return in investment, poor credit rating by international agencies, economic recession and instability in exchange rate. These are negative pull factors affecting inflow of portfolio investment to Nigeria.

VI. Conclusion and Recommendations

a) *Conclusion*

This study examined the effects of exchange rate volatility on foreign portfolio investment in Nigeria using Arch and Garch model. The result shows that there is a high level of volatility in both official and the BDC rate. The result obtained shows persistence and explosive volatility in the examined exchange rates. The regression shows a positive significant relationship of the official rate volatility with the FPI, while the BDC rate volatility shows a negative but significant relationship with FPI. The result suggests important implications for investors and policy makers in Nigeria. A major implication is that volatility is present in the exchange rate market, both at the official and BDC market and it has effect on foreign portfolio investment in Nigeria. The level of volatility must be managed to avoid misalignment of exchange rate system Nigeria.

b) *Recommendations*

Volatility is mostly associated with risk which is non-diversifiable and scares away investors therefore:

1. The monetary authority should formulate good policy to ensure stable exchange rate to avoid misalignment of the exchange rate market.
2. The government should ensure there is good monetary and fiscal policy to grow the economy and woo more investors.
3. The bureau-de change market should be monitored properly to ensure compliance to financial

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regulation because their activities are important to inflow of foreign capital to the country.

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The Impact of E-Procurement on the Performance of Public Institutions in Rwanda

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Abstract- The general objective of this study was to assess the impact of electronic procurement on the performance of public institutions in Rwanda. This study was mainly carried out following the reports that emerged citing poor performance of Rwandan public institutions which was mostly been attributed to ineffective and inappropriate running of the public finance during procurement processes. In order to reach the achievement of the research objectives, a combination of questionnaires, interviews, documentary reviews and analyzing reports were used to gather both primary and secondary data respectively from 42 respondents. Findings revealed that e-bidding offers a more efficient communication infrastructure with lower transaction costs. This was followed by the finding that MINECOFIN has experienced an improvement in the efficiency of procurement indicated by the application of electronic procurement. Hence, e-procurement has improved the performance of the ministry since it reduced its expenses from 24.4 million in 2015 to 18.6 million in 2016. Lastly, from the Chi-square test, the researcher learnt that e-procurement in terms of electronic bidding, electronic supplier registration, electronic billing and electronic payment is significantly related to the performance in MINEFCOFIN. Regarding functionality analysis by the top management should be looked into and made a culture by the responsible personnel at the ministry. The ministry was recommended to sensitize the general public on e-procurement system called "UMUCYO".

Keywords: *e-procurement, e-bidding, performance.*

GJMBR-D Classification: *FOR Code: M40, M49*

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Keywords: e-procurement, e-bidding, performance.

I. Introduction

Over the years the world has seen a massive change in the management of businesses; from organizations replying more on specialized in-house service functions, conventional multipurpose service functions to outsourced services. Information technology (IT) has helped many businesses in improving their operational efficiencies by providing internet based solutions for their supply chain networks and electronic solutions. From the late 1990s a raft of new e- commerce technologies emerged which revolutionized working practices, threatening existing business models. As a result of this development on the use of e-commerce in business-to-business market, there has been significant adoption of new supply chain related technology and applications by organizations globally (Sheng, 2002).

A study on a Japanese company named Suzuki Manufacturers in 2001 stated that as has been evident for the past decade; Asian consumers have flocked to digital technologies, with adoption rates for some devices, especially mobile phones, outstripping Western rates. IT usage has skyrocketed in Asia, and across age segments the "consumer decision journey" has increasingly moved online. The pattern for most purchases now is that they are researched online and concluded in the branch, but we are beginning to see online purchasing as well. A significant constraint on the progress of this trend is the state of regulation in many countries, which require purchases to be finalized by customers signing documents in branches, in the presence of branch employees (Kossowki, 2007).

In Malaysia, the government at some point issued a statement calling for all suppliers to use the e-procurement system. Kaliannan et al. (2009) pointed out that Malaysian public sector are going through a rapid change especially as far as adoption of technology is concerned. Adoption of e-government and particularly e-procurement is inevitable for the government. E-procurement is associated with benefits to the purchasing and supplying organizations, its implementation comes with a number of challenges. He categorizes these challenges into organizational and economic-legal challenges. Organizational challenges include: restructuring difficulties and resistance to change while economic-legal challenges include: regulatory framework, technological requirement, capital requirement and the general education level of the employees.

A review conducted by Commonwealth of Australia indicates that the National governments of Italy, New Zeeland, Scotland, New South Wales and Western Australia in 2005 revealed that these countries were already using e-procurement system for public procurement activities. Implementation of e-procurement is an elaborate process and requires transformation and restructuring of government procurement structures. The process requires electronic systems for: demand estimation, budget definition, needs notification, sourcing, contracting and ordering and supply monitoring (Howard et al, 2005).

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In Africa, the concept of e-procurement is just gaining popularity especially in the public sector. To deal with the problems of lack of accountability and transparency in procurement activities in the public sector, most African countries have resorted to legal reforms and adoption of procurement. Tanzania for instance put into place e-procurement systems to allow e-sharing, e-advertisement, e-submission, e-evaluation, e-contacting, e-payment, e-communication and e-checking and monitoring to ensure all public procurement activities are conducted online (Leo Sun, 2009).

According to Murphy (2000), e-procurement is associated with increased efficiency, lower transactional costs, reduced corruption and enhanced control and monitoring of public procurement process. On the other hand pointed out that e-procurement can lead to improved labor productivity.

In Kenya, the government actively got involved in adoption of e-procurement when the Jubilee government came into power. Since then there has been a lot of pressure and reforms to ensure all public procurement functions are conducted online. The Kenyan government made it mandatory for procurement of all public goods, works and services to be procured through online platforms. For County governments in particular, there is a directive for all procurement and finance operations to be conducted online. For instance, the government introduced integrated financial management information system (IFMIS) that is mandatory for all the 47 counties. IFMIS was introduced to improve governance by providing real time financial information and effectively programs, formulate budget budgets. It also enhances transparency and accountability and acts as a deterrent to corruption and fraud (Kitwa, 2008).

Over the last decade, the Government of Rwanda has undertaken a number of reforms including business registration, public finance management and procurement reforms which have initiated changes to the law and regulations; it has also successfully developed Financial management information system FMIS and has installed country wide fiber optic backbone – both of these are huge developments and critical to the success of its vision. Building from these achievements, the Government of Rwanda initiated a project to automate the public procurement cycle known as e-Procurement and was designed to facilitate the transformation of the procurement discipline within Rwanda for the future. The electronic Government Procurement project was aligned with the e-Government project; eProcurement System' as outlined in the Government of Rwanda National ICT Strategy 2015 (MINECOFIN, 2015).

Rwanda's only system that has made e-procurement possible is termed as "Umucyo." It is a single channel, portal and point of access for Rwanda procuring entities allowing to negotiate better contract terms and to realize savings and achieve value for money. It provides suppliers with increased access to markets without additional marketing efforts and a faster and more efficient method for quoting and increased order accuracy through receipt of electronic orders. Some public institutions in Rwanda among others RRA, commercial banks, insurance companies, MINIFRA, MINECOFIN, PPA, RDB and the districts in Kigali city have implemented this system of to embrace e-procurement which will be expected to be used by all public institutions in the whole country. Therefore, this study aims at finding out the success story about the implementation and the impact of e-procurement on the performance of public institutions in Rwanda with reference to Ministry of Finance and Economic Planning. Performance in the public sector is indeed a necessity and public organizations are always advised to ensure transparency of public decisions and the use of public funds to boost their respective performance. To note is that performance in the public sector requires the existence of a relationship between the national vision, mechanisms and results; and the results should be simultaneous exertion of proper budgeting, efficiency and effectiveness. When a public institution fails to meet its desired objectives as planned, it becomes a big threat to both the government and the general public who are the stakeholders in such public institution (Egbide, 2015).

Poor performance of public institutions has mostly been attributed to ineffective and inappropriate running of the public finance during procurement processes. It is therefore a good time to be aware of the necessity to give value for money and to effectively implement performance on all levels of the public sector during procurement process to eradicate the cases of speculative performance and achieve sustainable performance. Providing information on the performance of the public sector the public's need to know is satisfied and can also can be a useful tool for government in order to assess their own achievements (Public Account Committee, 2014). In addition, MINECOFIN reports emerged citing poor performance of the ministry which was mostly been attributed to ineffective and inappropriate running of the public finance during procurement processes. The ministry used a lot of sums of money between 2013, 2014 and 2015 worth 20.4 million, 23.2 million and 24.4 million respectively.

In addition, the issue of e-procurement has gained currency as a topical issue for discussion on several platforms in recent times; its potential is less researched in Rwanda being recently implemented. In view of this, a study in this area is imperative. The research is prompted to problem hence raising a need to find out whether electronic procurement has an

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impact on the performance of public institutions in Rwanda with reference to MINECOFIN.

II. Objectives

The main purpose of the study was to assess the impact of electronic procurement on the performance of public institutions in Rwanda in particular Ministry of Finance and Economic Planning. Specifically

1. To ascertain the effectiveness of e-procurement activities in the Ministry of Finance and Economic Planning of Rwanda;
2. To evaluate the performance level of the Ministry of Finance and Economic Planning of Rwanda;
3. To find out the relationship between the e-procurement and the performance of the Ministry of Finance and Economic Planning of Rwanda.

III. Literature Review

The research under study was guided by three theories namely: disruptive innovation, innovation diffusion and technology acceptance theory.

Barahona and Elizondo (2012) discussed the theory of disruptive innovation. The theory points out that e-procurement are an innovation. As such it requires continual improvement. Because of such improvements, it disrupts the normal procurement operations and processes. It is characterized by: small and costly client base and non-attractiveness at the initial stages of implementation, some level of acceptance as the system is implemented, new competition as innovation continues and continuous quality improvement to improve adaptability to user and stakeholders needs. It requires critical resources, processes and values. Critical resources include resources supporting the normal business activities such as; People, technologies, product designs, brands, customer and supplier relationships, relationship management with its clients and suppliers and marketing activities. Critical processes include decision making protocols and coordination patterns that supports operations of an existing business operations. In addition, organizational cultural values, belief system and assumptions are also critical (Barahona & Elizondo, 2012). According to Barahona and Elizondo (2012), the theory of disruptive innovation recognizes the fact that public organizations and systems are less flexible. Therefore, the adoption of e-procurement strategies requires a strategic and proactive approach so as to build the system within the existing structures rather than adoption of completely new systems. Adequate preparation in terms of the right technology, leadership to foster change process, training of the employees and awareness campaign among users is critical. It is important to note that sometimes disruptive innovations may only work in the short run.

Innovation diffusion theory was proposed by Rogers (1962). The theory presents that innovation is a process aimed to improve economic development. According to innovation diffusion theory, innovation is defined as an idea perceived as new by individuals. OECD (1997) cited by Naale et al (2006) defined innovation as all the scientific, technological, organizational, financial, and commercial activities necessary to create, implement, and market new or improved products or processes Innovation theory brings on board four important elements. The first element is innovation that puts attention on the ability to come up with more efficient and better ways of doing things.

Rogers (1962) asserted that this theory categorize adopters of innovation into five categories; innovators, individuals who want to be the first to try the innovation, Early Adopters, people who represent opinion leaders, Early Majority individuals who need to see evidence that the innovation works before they can adopt it, Late Majority, skeptical individuals who only adopts an innovation after it has been tried by the majority and Laggards, individuals who are very skeptical of change and are the hardest group to involve in the innovation process.

The theory of technology acceptance is one of the most popular theories in understanding adoption of computer technologies. Adoption of any innovation or especially information technology based requires investment in computer based tools to support decision making, planning communication. However, these systems may be risky. It is therefore very critical that the systems are specified on organizational preference and logic. It is also necessary to understand that people may resist technological changes. There must be an effort to understand why people resist changes and the possible ways through which such issues can be resolved. Appropriate organizational culture must be inculcated; the change must be adopted in an incremental way accompanied by communication. Everyone involved must be informed on their roles and empowered to perform the respective roles (Graham, 2005). Thus the three theories fit to conduct the whole study. This will help the researcher to avoid deviation on the research variables and the research statement. Related study also was reviewed in the next paragraph.

Colander (2003) conducted a study on critical factors that influence e-procurement Implementation Success in the Public Sector. They found out that despite the efforts put by the governments through reforms towards adoption of e-procurement, adoption of e-procurement still remains a major challenge for many procurement functions. The findings further revealed that successful implementation of e-procurement established systems and feedback mechanism. They

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associated e-procurement with improved procurement performance. Findings of study done by Cooper and Schindler (2003) on e-procurement revealed that e-procurement facilitates documentation of the bidding process which in turn enhances transparency and accountancy especially in public procurement. The research further revealed that e-procurement is associated with improved efficiency and enhanced procurement operations. Other benefits of e-procurement include: increased customer satisfaction, improved professionalism in the procurement functions improving public perceptions the procurement function.

Huppert (2010) found out that e-procurement solutions leads to improved satisfaction of customer demands, improved contract compliance, enhanced supply chain capacity, reduced inventory costs and improved inventory management. The group identified the keys to e-procurement success. They pointed out that e-procurement should not be treated as a strategy, the organization must know what is spent on, the organization must have a plan, the implementation of e-procurement begin by benchmarking, the implementation of e-procurement must be led from the top, the implementation of e-procurement must be supported by other functional areas.

The findings of William (2009) showed that implementation of ERP enhances flexibility which translates to improved earning management. A part from flexibility, ERP systems enhance management accounting and decision making that in turn enhances management's ability to manage accruals and other factors that may constrain organizational abilities. In his study on security for Enterprise Resource Planning Systems established that e-procurement enhances security of management data which may enhance procurement performance. The above finding is in agreement with the findings of Kalinnan et al (2009) on Procurement Goals, ERP, and Supplier Coordination in the Context of Competition and Global Environment that ERP systems improve customer delivery and enable collaboration with suppliers and customers. Improved supplier and customer relations and enhance achievement of procurements strategic goals. Kenneth (2008) in his study on critical Success Factors for Enterprise Resource Planning Implementation and Upgrade revealed that implementation of ERP requires critical factors such as: business plan and direction, change management, communication, appropriate technical skills, project and implementation management, top management commitment and leadership and systems management.

A research conducted by United Nations in 2011 on E-Procurement: Towards Transparency and Efficiency in Public Service Delivery revealed that e-tendering enabled federal government save over six million dollars by outsourcing the manual duplication and distribution documents. The study showed that implementation of e-procurement itself is not a guarantee for success in the procurement operations. For this system to succeed there is need for regulations and policies if the system is to succeed. The study also noted that a number of e-procurement programs fail because of poor technology and lack of leadership. Other factors that lead to such failures include: lack of awareness, resistance to change, poor coordination of functions and ineffective implementation programs. McKenzi (2006) in his study on The Impact of E-Procurement on the Number of Suppliers: Where to Move to reported that a lot of empirical literature already exists confirming that e-procurement leads to increased number of suppliers. This study also revealed that different organizations adopt different online strategies for their procurement functions.

Leo Sun (2009) conducted a study on Essentials of e-Sourcing: A Practical Guide for Managing the Process in an Environment. The study revealed that e-sourcing can be used as a tool to reduce process time, generate sourcing savings and to drive incremental revenues. He further found out that implementation of e-sourcing starts with selection of an e-tool to complement an organizational strengths, followed by change management and training of the staff and other stakeholders where possible. Similarly, Colander (2003) conducted a study on the critical factors that influence successful implementation of e-procurement in the public sector and identified end user uptake and training, supplier adoption, system integration, security and authentication, re-engineering process, performance measurement, top management performance, change management program and communication systems as the critical factors that determine the success of implementation of e-procurement.

Most researchers such as Khan (1998) urged that public institutions are assaulted by the pressure of globalization and competition from private run institutions new ways to add value to the services. The question of what drives performance is at the top in understanding superior performance and hence striving for it. Substantial research efforts have gone into addressing this question, starting from the strategic level and going down to operational details.

However, for the present study, the researcher believes Rwanda is still faced with some challenges which need to be addressed in order to promote effective and efficient institutional performance and these are: The development of an efficient monetary transfer system in Rwanda that has been hampered by so many factors. Rwanda is faced with infrastructural deficiency such as erratic power supply and communication link in some areas, inadequate skilled managers and requisite tools on end users and client systems, high charge or cost for the e-payment terminals so the strong legislation should set out

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standard charges for e-services. Hence, these factors are believed to be hampering e-procurement services effectiveness in the country hence affecting performance of most public institutions.

IV. Research Methodology

This section intends to explain how the data was collected from the field work of MINECOFIN and then analysed.

a) Research Design and data collection techniques

The study adopted a descriptive research design and correlational study design where descriptive statistics was applied to analyze data from questionnaires and interview guide. The data was sourced from tools used and from MINECOFIN reports and internets documentsto gather primary and secondary data respectively. In this research, the primary data composes of information got from questionnaires and interviews were held with selected respondents while secondary data of this research was extracted from different text books, and other previous research documents in the same field.

b) Target Population

According to Cooper and Schindler (2003), a population is referred to as the total collection of elements about which the researcher wishes to make some inferences. the population of this research involved forty two (42) staff from five departments which include the following: Procurement, Treasury, finance, IFMIS and IT. These departments were selected because they are the departments which are so much related with the subject of this study. Therefore, the researcher was able to access adequate and reliable information from the respondents. The researcher took the entire population due to its affordability and therefore the universal approach was applied. Thus a universal sampling technique was applied.

c) Validity and Reliability

Concerning reliability of the instrument, a pilot study was conducted with a few employees from other public institutions. The researcher's target in conducting pilot study is to ascertain the reliability of the instruments before distributing them to the respondents. This also aims at ensuring that the instrument would give the same results when given the second time to the respondents, in other words to collect the same data consistently under similar conditions. The concept therefore deals with the accuracy of the instrument and the consistency of the data collected by it.

d) Data Analysis

The primary data was analyzed using both descriptive and correlation statistical through SPSS version 22. Phelan and Weran (2005) urged that SPSS is one of the most widely used available and powerful statistical software packages that covers a broad range of statistical procedures, which allows a researcher to summarize data. In addition, the study used chi-square analysis since the researcher interested in establishing the impact of e-procurement on performance of MINECOFIN.

e) Ethical Considerations

A formal consent was requested from each interviewee before interviewing him/her or engaging in any kind of discussions; respondents were informed that they have the right to refuse any participation in the study; respondents were granted confidentiality regarding any information given and its use exclusively for the research purpose. Anonymity was guaranteed; No interview was done with children.

V. Results and Discussion

Findings, their interpretation and analysis are based on the research objectives. The research findings were analyzed from both primary and secondary data by means of Statistical Package of Social Sciences. Research responses were collected from a population of 42 employees of MINECOFIN.

As mentioned, a sampled number of employees were selected to help the researcher be equipped with sufficient information in order to assess the factors concerning the appreciation of respondents on e-procurement in MINECOFIN. These factors were described in terms of electronic bidding, electronic supplier registration, electronic billing and electronic payment.

a) Practices of E-procurement analysis at MINECOFIN

According to the results acquired, the intention was to assess the appreciation level of respondents on e-procurement effectiveness in MINECOFIN as regards to the ministry's e-billing bidding.

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Table 1: Respondents' level of agreement on e-bidding

Practices of e-bidding	Strongly Agree		Agree		Undecided		Disagree		Strongly Disagree		Total	
	F	%	F	%	F	%	F	%	F	%	F	%
E-bidding offers a more efficient communication infra-structure with lower transaction costs	10	23.8	32	76.2	0	0	0	0	0	0	42	100
Top management of MINE-COFIN always assesses functionality of e-bidding	10	23.8	14	33.3	11	26.2	7	16.7	0	0	42	100
MINECOFIN uses e-bidding components to watch over safety measures and risk	6	14.3	32	76.2	4	9.5	0	0	0	0	42	100
Use of e-bidding involves reducing costs and opti-mizing information flows in MINECOFIN	17	40.5	25	59.5	0	0	0	0	0	0	42	100

Source: Primary data (2017)

As indicated in the table, among all the statements provided there were only two issues that respondents were undecided on and the rest agreed and strongly agreed. In the table it is indicated the results of these practices as follows; E-bidding offers a more efficient communication infrastructure with lower transaction costs was agreed at 76.2%, Top management of MINECOFIN always assesses functionality of e-bidding was also agreed at 33.3%, MINECOFIN uses e-bidding components to watch over safety measures and risk was agreed at 76.2% whereas the use of e-bidding involves reducing costs and optimizing information flows in MINECOFIN was strongly agreed at 59.5% of the total respondents.

However, the issues in which respondents were undecided include; functionality analysis by the top management at 26.2% and this was also disagreed by 16.7%; and that MINECOFIN uses e-bidding components to watch over safety measures and risk at 9.5% of the whole population that was reached.

Therefore, since most practices were agreed and strongly agreed the researcher learnt that e-bidding in the MINECOFIN are supported for better performance.

i. *Views on electronic supplier registration*

This sub section discusses the respondents' level of appreciation on e-supplier registration; and the results are clearly indicated in the table whereby the findings are in form of percentages whereas explanations are under the table.

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Table 2: Respondents' level of agreement on e-supplier registration

Practices of electronic supplier registration	Strongly Agree		Agree		Undecided		Disagree		Strongly Disagree		Total	
	F	%	F	%	F	%	F	%	F	%	F	%
Electronic supplier registration has consid- erably reduced compu-tational errors	25	58.3	17	41.7	0	0	0	0	0	0	42	100
With e-supplier registration, transaction data is stored	10	23.8	32	76.2	0	0	0	0	0	0	42	100
MINECOFIN's e-regi s tration has restricted the access of accounting data to only staff concerned	7	16.7	35	83.3	0	0	0	0	0	0	42	100
E-registration services offered in MINECOFIN have considerably reduced man power costs	7	16.7	17	40.5	7	16.7	11	26.2	0	0	42	100

Source: Primary data (2017)

Regarding the above question, the researcher wished to understand if e-procurement at MINECOFIN is in a better position as a kind of enjoying its contribution towards the institution's performance. Results gathered revealed that in most issues tackled, most of the respondents strongly agreed and agreed on the preset statements such as; Electronic supplier registration has considerably reduced computational errors was strongly agreed at 58.3%, With e-supplier registration, transaction data is stored was agreed at 75.0%, MINECOFIN's e-registration has restricted the access of accounting data to only staff concerned was agreed at 83.3% and that E-registration services offered in MINECOFIN have considerably reduced manpower costs was agreed at 40.5%..

However, when it came to the activity; e-registration services offered in MINECOFIN have considerably reduced manpower costs; some respondents represented by 26.2% had to disagree.

Hence, e-supplier registration is generally recognized and supported by the staff of MINECOFIN which helps to improve their performance. This is because most practices were agreed and strongly agreed.

ii. *Views on Electronic Billing*

This sub section discusses the respondents' level of appreciation on EBM use compliance and the results are clearly indicated in the table whereby they in form of percentages. The explanations are under the table.

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Table 3: Respondents' level of agreement on practices of Electronic Billing

Practices of Electronic Billing	Strongly Agree		Agree		Undecided		Disagree		Strongly Disagree		Total	
	F	%	F	%	F	%	F	%	F	%	F	%
E-billing offers a paperless mode of transaction	10	23.8	32	76.2	0	0	0	0	0	0	42	100
E-billing is both customer friendly and also beneficial	14	33.3	28	66.7	0	0	0	0	0	0	42	100
E-billing provides a great advantage of saving time	25	59.5	17	40.5	0	0	0	0	0	0	42	100
There is no loss of bill when making use of the electronic mode of billing	28	66.7	14	33.3	0	0	0	0	0	0	42	100

Source: Primary data (2017)

As revealed in the table, E-billing offers a paperless mode of transaction was agreed at 76.2%, E-billing is both customer friendly and also beneficial was agreed at 66.7%, E-billing provides a great advantage of saving time was strongly agreed at 40.3% and lastly there is no loss of bill when making use of the electronic mode of billing was strongly agreed at 66.75%. Therefore, findings as indicated in the table majorly indicate that e-procurement has been complied with since the electronic supplier registration was mainly agreed and strongly agreed by the study's respondents. From the table, the researcher learnt that the biggest percentage of the bidders and the MINECOFIN staffs embrace the electronic registration of suppliers for the better and effective procurement process at the ministry.

iii. *Electronic payment*

In the sub section underneath, the researcher inquired from the respondents such that she could be informed about their level of appreciation as far as credit risk controlling is concerned. The findings that were collected were presented in the table 10 as shown below.

Table 4: Respondents' agreement level on electronic payment

Practices of electronic payment	Strongly Agree		Agree		Undecided		Disagree		Strongly Disagree		Total	
	F	%	F	%	0	0	F	%	F	%	F	%
With E-payment transactional tasks have decreased	18	42.9	24	57.1	0	0	0	0	0	0	42	100
E-payment has reduced risks of theft	16	38.1	26	61.9	0	0	0	0	0	0	42	100
With electronic payment, the number of MINECOFIN bid- ders has increased.	17	40.5	21	50.0	0	0	4	9.5	0	0	42	100
Bidders' feedback regarding e-payment is well facilitated	16	38.1	26	61.9	0	0	0	0	0	0	42	100

Source: Primary data (2017)

As revealed in the table, the researcher targeted the respondents so as to get information about the factors for implementation of electronic payment whereby these issues were stated for the respondents to identify their appreciation degree in terms of strongly agree, agree, disagree or strongly disagree with. It was clearly witnessed that all the practices were strongly agreed and agreed apart from with electronic payment, the number of MINECOFIN bidders has increased which was disagreed by 9.5%.

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In an interview with the procurement manager on the question which was targeting more information from him on the above disagreed issue; he revealed that one of the challenges is due less knowledge of the public about ICT which has to some extent stopped some bidders to register online. However, he went ahead to mention that the government is trying hard to sensitize the general public on electronic procurement.

iv. *Respondents' views on performance in MINECOFIN*

This section presents the respondents' appreciation degree concerning the performance in MINECOFIN. The results are later explained under the table for better understanding.

Table 5: Respondents' appreciation on performance level in relation to e-procurement

Performance appreciation level	Strongly Agree		Agree		Undecided		Disagree		Strongly Disagree		Total	
	F	%	F	%	F	%	F	%	F	%	F	%
E-procurement has reduced the costs at MINECOFIN	11	26.2	21	50.0	10	23.8	0	0	0	0	42	100
E-procurement led to time saving in the procurement process at MINECOFIN	18	42.9	25	59.5	0	0	0	0	0	0	42	100
E-procurement has promoted quality supply of services and goods at MINECOFIN	25	59.5	18	42.9	0	0	0	0	0	0	42	100
E-procurement has reduced paper transactions at MINECOFIN	14	33.3	28	66.7	0	0	0	0	0	0	42	100

Source: Primary data (2017)

As revealed by the respondents in the table, in relation to appreciation on the performance level following the practices which stated that e-procurement has reduced the costs at MINECOFIN, and this was agreed at 50.0%. E-procurement led to time saving in the procurement process at MINECOFIN and it was agreed at 59.5% and that w E-procurement has promoted quality supply of services and goods at MINECOFIN which was strongly by the 59.5% of the total respondents whereas 66.7% agreed that e-procurement has reduced paper transactions at MINECOFIN.

Therefore, since all the practices that were set were both agreed and strongly agreed, it is enough to understand that there is evidence of the existence of the fact as far as the contribution of e-procurement to the performance in MINECOFIN.

The findings are supported by Gill (2010), who urged that using electronic procurement in public intuitions is a great medium of maintaining performance by the authorities for efficiency and effectiveness. He added that weak revenue administrations, low taxpayer morale, and poor governance closely linked though not unique to lower-income countries, are especially entrenched there.

b) *The analysis of procurement expenditure of MINECOFIN*

The annual reports of MINECOFIN were reviewed in order to analyse performance of MINECOFIN and in particular the expenditure the ministry experiences before and after application of e-procurement.

Table 6: MINECOFIN procurement expenses (Million)

Years	2013	2014	2015	2016
Before e-procument	20.4	23.2	24.4	-
After e-procurment	-	-	-	18.6

Source: MINECOFIN, Annual reports (2013-2016)

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From the findings indicated in the table, the researcher learnt that MINECOFIN has experienced an improvement in the efficiency of procurement as indicated by the following the application of electronic procurement. Hence, e-procurement has improved the performance of the ministry since it reduced its expenses from 24.4 million in 2015 to 18.6 million in 2016.

c) Correlation analysis

This helped the researcher to understand the relationship that lies between an independent variable and independent variable of this study.

Table 6: Chi-Square Test

Model	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.325[a]	2	.019
Likelihood Ratio	.883	7	.015
Linear-by-Linear Association	.610	1	.014
N of Valid Cases	42		

a) 2 cells (17.7%) have expected count less than 5.

The major use of the chi-square test is to examine whether two variables are independent ("not correlated with" or not related) or not. From the findings in the table, Chi-square test shows that a P-value of 0.019 is less than alpha which is 0.05 hence this elaborate a significant correlation level between the variables of this study. In addition, since the P-value (0.019) is less than the significance level (0.05), we conclude that there is a correlation between e-procurement and performance at MINECOFIN.

From the Chi-square test therefore, the researcher learnt that e-procurement in terms of electronic bidding, electronic supplier registration, electronic billing and electronic payment is significantly related to the performance in MINEFCOFIN.

VI. Conclusion and Recommendations

The general objective was to assess the impact of electronic procurement on the performance of public institutions in Rwanda in particular Ministry of Finance and Economic Planning. This study was guided by the following specific objectives: to ascertain the effectiveness of e-procurement activities in the Ministry of Finance and Economic Planning; to evaluate the performance level of the Ministry of Finance and Economic Planning; to find out the relationship between the e-procurement and the performance of the Ministry of Finance and Economic Planning. In order to reach the achievement of the above objectives, a combination of questionnaires, interviews, documentary reviews and analyzing reports were used. Questionnaires were distributed to a group of 42 respondents who included the staffs of the MINECOFIN.

The study was prepared in five chapters which include; General Introduction, Review of related literature and studies, Research Methodology, Data Analysis and Presentation. The following paragraphs summarize how the above objectives were achieved.

First and foremost, as indicated in different tables, among all the statements provided there were only a few issues that respondents were undecided on or disagreed on and the rest were agreed and strongly agreed. The e-bidding offers a more efficient communication infrastructure with lower transaction costs which was agreed by 76.2% and that optimizing information flows in MINECOFIN which was strongly agreed by 59.5% of the total respondents. Also, the e-registration has restricted the access of accounting data to only staff concerned was agreed at 83.3%. Hence, e-procurement activities are generally effective since they all recognized and supported by the staff of MINECOFIN. This is because most practices were agreed and strongly agreed as revealed in these tables.
Secondly, thee-procurement has reduced the costs at MINECOFIN and this was agreed at 50.0%. In addition, the researcher learnt that MINECOFIN has experienced an improvement in the efficiency of procurement as indicated by the following the application of electronic procurement. Hence, e-procurement has improved the performance of the ministry since it reduced its expenses from 24.4 million in 2015 to 18.6 million in 2016.

From the findings, Chi-square test shows that a P-value of 0.019 is less than alpha which is 0.05 hence this elaborates a significant correlation level between the variables of this study. In addition, since the P-value (0.019) is less than the significance level (0.05), we then conclude that there is a correlation between e-procurement and performance at MINECOFIN.From the Chi-square test therefore, the researcher learnt that e-procurement in terms of electronic bidding, electronic supplier registration, electronic billing and electronic payment is significantly related to the performance in MINEFCOFIN.

a) General conclusion

This research's interest was to understand whethere-procurement has an effect on the performance of public institutions in Rwanda with reference to MINECOFIN. Basing on a sample of 42 employees and review of reports, all specific objectives were achieved

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as indicated in the previous sub section. The four activities of electronic procurement were studied fully and the findings indicated that MINECOFIN has all of them and they are fully supported under their specific departments. Strong relationship between the study's variables was revealed after the chi-square test which was done out of the data gotten from the respondents. From the findings P-value (0.019) is less than the significance level (0.05), we then conclude that there is a correlation between e-procurement and performance at MINECOFIN.

b) Recommendations

Regarding functionality analysis by the top management should be looked into and made a culture by the responsible personnel at the ministry. On public awareness, the ministry together with other responsible stakeholders in the government is recommended to sensitize the general public on electronic procurement so as to increase the number of bidders through e-procurement system called "UMUCYO".

Further researchers are suggested to increase on the sample size and techniques in order to obtain a more representative of the population. The researchers are also recommended to carry out studies on:The impact of internal auditing on the performance in public institutions in Rwanda**,** Effects of promotion on the performance of Public institutions in Rwanda**,** The role of strategic management on public institutions in Rwanda.

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Impact of Corporate Governance on Financial Performance: A Study on DSE listed Insurance Companies in Bangladesh

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Abstract- Corporate governance involves promoting the compliance of law in letter & spirit and demonstrating ethical conduct. This study is conducted to examine the impact of corporate governance on the performance of insurance companies. The respective study is conducted to apprehend the relationship between corporate governance mechanisms (board size, board composition, board meetings and board audit committee) and performance of the insurance company. The population for this study defined as listed insurance companies in DSE. The sample comprises of 10 listed insurance companies. Various tests like-Descriptive analysis, multiple linear regression, Pearson correlation and collinearity statistics have been performed using IBM SPSS statistics software. Mainly secondary sources of data are using for the period of 2010 to 2016. This study finds that the corporate governance has an impact on the performance of the insurance sector in Bangladesh. The independent variables of corporate governance (board size, board composition, board meetings and board audit committee) determine 38.20 percent of the performance (ROE) variance. Using Pearson correlation, the results provide evidence of a positive relationship between board sizes and ROE as well as board meetings. The result further reveals that a negative relationship between ROE and board composition. However, the study could not provide any association between performances of the insurance (ROE) and board audit committee.

Keywords: corporate governance, listed insurance companies, board size, board audit committee, board composition, and return on equity.

GJMBR-D Classification: JEL Code: M48, G22

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Impact of Corporate Governance on Financial Performance: A Study on DSE listed Insurance Companies in Bangladesh

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Abstract- Corporate governance involves promoting the compliance of law in letter & spirit and demonstrating ethical conduct. This study is conducted to examine the impact of corporate governance on the performance of insurance companies. The respective study is conducted to apprehend the relationship between corporate governance mechanisms (board size, board composition, board meetings and board audit committee) and performance of the insurance company. The population for this study defined as listed insurance companies in DSE. The sample comprises of 10 listed insurance companies. Various tests like- Descriptive analysis, multiple linear regression, Pearson correlation and collinearity statistics have been performed using IBM SPSS statistics software. Mainly secondary sources of data are using for the period of 2010 to 2016. This study finds that the corporate governance has an impact on the performance of the insurance sector in Bangladesh. The independent variables of corporate governance (board size, board composition, board meetings and board audit committee) determine 38.20 percent of the performance (ROE) variance. Using Pearson correlation, the results provide evidence of a positive relationship between board sizes and ROE as well as board meetings. The result further reveals that a negative relationship between ROE and board composition. However, the study could not provide any association between performances of the insurance (ROE) and board audit committee.

Keywords: corporate governance, listed insurance companies, board size, board audit committee, board composition, and return on equity.

I. Introduction

The effect of corporate governance on organization's performance is a crucial issue since the last financial distress over the world. Many accounting scandals and numerous cases of corporate governance malpractice brought about more attention to corporate governance along with business integrities issues. Thus the issue of corporate governance is a serious factor in economic growth and financial markets steadiness. "Corporate Governance is the system by which organizations are directed and controlled" (Uk-Cadbury Report, London 1992) [7]. Various notable corporate scandals and collapses like- Enron, WorldCom, etc., where there is an attachment of unethical practices, and people are now pensive about their present and future protection for various purposes like health protection, educational protection and so on. Insurance companies are providing those opportunities to make it real. They provide unique financial services to the growth and development of every economy. Now people are concerned about the performance of the entity where they invest their money. Though the stringent governing framework, organization performs a weak role in practicing corporate governance code of conduct. "Corporate governance creates a set of relationship between a company's management, its board, its shareholders and other stakeholders by providing a structure through which the objectives of the company are determined and the means of attaining the objectives and monitoring the determined performance" (OECD-2004)[13]. Therefore this study is apprehended to establish a relationship between corporate governance and performance of insurance companies. It also measures how the insurance companies in Bangladesh are responding to the corporate governance guidelines set by the Bangladesh securities & Exchange Commission (BSEC) authority and finally the impact of corporate governance appliances on measuring the performance of the insurance companies in Bangladesh. However, the findings will provide data for the development of effective corporate governance practices in this sector.

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II. Literature Review

The study examined the relationship between four corporate governance mechanisms like board size, no. of independent director in the board, chief executive officer duality & board audit committee and value of the firm measure like ROA & ROE. The sample of this study were 93 DSE listed non-financial companies in 2006. The researcher of the study revealed a positive and significant relationship between ROA & Board Independent Director at 5% level and ROA and Chief Executive Duality at 10% level (Abdur Rouf, Md. 2011)[1]. But by using a Structural Equation Modeling the researcher arrived that some governance mechanisms had positive covariance, while some had negative covariance and thus the study appeared at no consistent and significant relationship between governance mechanisms and financial performance (Azim, M.I 2012)[6]. On the other hand, a study on 28

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listed manufacturing firms in Sri Lanka exposed that there was no significant mean different between the firm performance among CG practices as board leadership structure, board committees, board meetings and proportion of non-executive directors (Achchuthan, S. & Kajananthan, R. 2013)[2]. The corporate governance and corporate financial performance were correlated and the governance ratings of the company had a significant positive impact on its financial performance, this research finding may support the decision of the company to improve its governance structure. In this paper, the researcher investigated the impact of corporate governance on corporate financial performance in an Indian context, using a sample of 20 companies listed on S&P CNX Nifty 50 Index during the year of 2010 to 2012 (Aggarwal, P. 2013)[3]. The researcher attempts to investigate the relationship between board mechanisms (audit committee size, audit committee composition, board size, and board composition) and firm performance (ROA) based on the annual reports of listed companies in the year 2011 of non-financial firms in the Saudi Market. For this study, data collected from a sample of 102 non-financial listed companies, and the study could not provide a significant relationship between the size of the audit committee and firm performance where it showed an insignificant relationship between board size and firm performance (AhidGhabayen, Md. 2012)[4].However, Klein et al. (2005) [10] used four control variables, which were size, advantage, growth, profit variability and indicated that corporate governance does matter in Canada, and that size was consistently negatively related to performance. The linkage of corporate governance ratings and financial performance of the organization found positive but not significant (Van de Velde et al. 2005) [14], and this observation found to be consistent with the findings of Gompers et al. 2003[9]. A positive association between corporate governance scores (after adjusting for industry effects) and financial performance of firm (based on dividend payout, yield, profitability and shareholder returns) found in the study of Weir, Laing, and Mcknight (2012) [15].

III. Research Objectives

This paper aims to identify the practices in different corporate governance issues like the level of board size and its commitment to the corporate governance, effective board practices, and independent director and information disclosures along with corporate compliance annexure in the annual report. Along with this, the study aims to achieve the following objectives:

1. To examine the relation between corporate governance and financial performance of selected insurance companies; and
2. To provide an overview of corporate governance practices in the insurance sector in Bangladesh.

IV. Research Methodology

a) Data

Data on corporate governance practices and the insurance performance collected from mainly secondary sources. The secondary sources of data were found from Annual reports, DSE, Journal, and articles and company website, etc.

b) Sample

The sample comprises of ten (10) listed insurance companies from the population in Dhaka stock exchange for the periods of 2010 to 2016. The selected samples are mainly general insurance company. However, it is mentioned that insurance companies have been selected based on the availability of data on the corporate governance practices and insurance performance of the listed insurance companies in Bangladesh.

c) Data Analysis Tool

To interpret the data regarding the corporate governance practices of insurance companies the checklist of the selected sample companies is used. Various tests like- Descriptive Statistics, multiple regression analysis, correlation and collinearity statistics have been performed using IBM SPSS software to investigate the impact of corporate governance on the financial performance of the insurance companies.

d) Hypothesis Development

H_1: There is a no relationship between board size and financial performance by insurance companies in Bangladesh.

H_2: There is a no relation between the board composition and financial performance by insurance companies.

H_3: There is a no relationship between board meetings and financial performance of insurance companies.

H_4: There is a no relation between audit committee composition and performance of insurance companies.

V. Research Model

The multiple linear regression model is used to examine the relationship between the performance of selected insurance companies in DSE and Board size, board composition, board meeting and audit committee. The result of regression analysis is an equation that represents the best prediction of a dependent variable from several independent variables. This method formulates when the independent variables are correlated with one another and with the dependent variable.

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The following regression equation is estimated as follow:

$$\text{Insurance performance} = \alpha 0 + \beta 1 \text{ BOD SIZE} + \beta 2 \text{ BOD COMP} + \beta 3 \text{ BOD MEET} + \beta 4 \text{ AC SIZE} + \varepsilon$$

Where

Table:1

Particulars	Variables	Description or Measurement
ROE	Dependent	(Net profit after tax ÷ Shareholders equity) × 100
BOD SIZE	Independent	Total no. of directors in the board
BOD COMP	Independent	No. of independent directors sitting on the board
BOD MEET	Independent	No. of meetings held
AC SIZE	Independent	Total member of an audit committee

VI. Results & Discussion

The study presents the analysis of the relationship between CG variables and insurance company's performance variable using the data from the sample. Moreover, this chapter represents the findings of this study. The chapter has three sections. First, descriptive statistics, following by correlation analysis, then multiple linear regression are described. The final section discusses the results.

Table 2: Descriptive Statistics

Variables	Mini.	Maxi.	Mean	Standard Deviation
BOD SIZE	10	20	16.01	3.02
BOD COMP	1	4	1.93	0.98
BOD MEET	4	16	7.46	2.51
AC SIZE	3	7	4.14	1.265
ROE	0.0106	0.4044	0.1344	0.07035

Source: Data manipulated by using SPSS

The above table-2 shows that the mean of board size is approximately 16.01 with maximum twenty (20) and minimum ten (10) members. Regarding the BOD Size, the codes of corporate governance in Bangladesh require that the board of directors should consist of at least five (5) directors and twenty (20) directors as a maximum. BSEC also assert that one-fifth (1/5) of the board of directors in the company's board shall be independent directors. This table indicates that the average independent director number is 1.93 with standard deviation 98%. So the insurance company's no. of the independent director is an approximately 2 of the no. of the board of directors. Here, the mean of the board meeting is 7.46 with maximum 16 and minimum 4. Rules provide that the audit committee should have a minimum three (3) members in Bangladesh. The mean of audit committee size is 4.14 while the maximum and minimum are seven (7) and three (3) respectively. Therefore it is clear that the audit committee in the insurance companies in DSE have more than three members on average.

The following table represents the result of correlation variables regarding the impact of corporate governance on insurance performance.

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Table 3: Correlations of Variables

	ROE	BOD SIZE	BOD COMP	BOD MEET	AC SIZE
ROE					
Pearson correlation	1.00	.174	-.320	.538	-0.010
Sig (1-tailed)	.	0.74	0.003	.000	.468
N	70	70	70	70	70
BOD SIZE					
Pearson correlation	0.174	1.000	.171	.060	-.016
Sig (1-tailed)	0.074	.	.078	.310	.449
N	70	70	70	70	70
BOD COMP					
Pearson correlation	-.320	.218	1.000	-.169	.311
Sig (1-tailed)	.003	.078	.	.081	.004
N	70	70	70	70	70
BOD MEET					
Pearson correlation	.538	.060	-.169	1.000	.057
Sig (1-tailed)	.000	.310	.81	.	.320
N	70	70	70	70	70
AC SIZE					
Pearson correlation	-.010	-.016	.311	.057	1.000
Sig (1-tailed)	.468	.449	.004	.320	.
N	70	70	70	70	70

Source: Data manipulated by using SPSS

Table 3 summarizes the correlation between the independent variables and dependent variables. The table displays that, BOD size and BOD meetings are positively related to the performance (ROE) of the insurance companies. The relationship between Board compositions (no. of the independent director) is significantly negative. However, audit committee (AC SIZE) is not related to the performance of the insurance companies and also show a negative relation on the table. Furthermore, the table also represents the correlation between the independent variables to each other. It shows no relationship between board size and audit committee. However, board size has a positive impact with Board composition and Board meeting which means that the size of the board of directors plays a significant role in determining the number of independent director.

Besides the table also reveals that Board composition (ID) has a significant positive relationship with the audit committee, which means that a large board composition leads to a large audit committee. However, the audit committee has no relation with other independent variables.

Model summary:

Table 4: Summary of the Regression Model

R	R^2	Adjusted R^2	Std. Error	R^2 change	df1	df2	Sig. f change	Durbin-Watson
.628	.382	.344	.05698	.382	4	65	.000	1.115

Source: Data manipulated by using SPSS

a) predictors: (constant), AC SIZE, BOD SIZE, BOD MEET, BOD COMP

b) Dependent Variable: ROE

The above table shows multiple linear regression which is related to ROE as a dependent variable. The table shows the influence of independent variable (Board of directors, Board composition, Board meeting and Audit committee composition) on the dependent variable (ROE). From multiple regressions, the value of R, R^2 and adjusted R^2 are estimated as 61.80 percent, 38.20 percent, and 34.40 percent respectively. The table indicates that the independent variable determine 38.20 percent of the ROE variance. The result denotes that the ROE is affected by the other factors at 61.80 percent. The table reports the result of the adjusted R square is 34.4%. The result suggests that the variations in the dependent variable of sampled insurance companies are explained by the quality of the independent variables.

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Table 5: Coefficients of Multiple Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(constant)	-.011	.047		-.233	.817		
BOD SIZE	.005	.002	.197	1.972	.053	.956	1.047
BOD COMP	-.021	.008	-.292	-2.730	.008	.833	1.201
BOD MEET	.013	.003	.474	4.473	.000	.948	1.054
AC SIZE	.003	.006	.057	.553	.582	.884	1.131

Source: Data manipulated by using SPSS

The table depicts the result that out of four variables three variables have the direct positive impact on output at one percent level of significance. Therefore, for one percent increase in Board size, Board meeting and Audit committee, the ROE is increased by 0.197, 0.474, and 0.057 percent respectively. Only one variable Board composition of independent director has a negative impact on output. It also implies that decreasing of one percent of BOD COMP will increase the ROE by 0.292 percent. The presence of multicollinearity, the study pursue with the value of VIF for the independent variables. It denotes that the VIF value for each independent variable is insignificant and less than ten which indicates the estimated result of the model for ROE concerning the independent variables Board size, Board composition, Board meeting and Audit committee is free from multicollinearity.

VII. Findings

The table no. 3 denotes the result of CG variables (Board size, Board composition, Board meeting and Audit committee) and performance of insurance company (ROE). The *first hypothesis* states that the Board size and the insurance company's performance has no relationship. The analysis exhibits the Board size has positive relation with the performance and, the first hypothesis disproves. However, few studies found similar results of this study. Alhassan, Bajaher& Alsherhri (2015) investigated the relationship between Board size and performance of Banks (ROA) in Saudi listed banks during 2007-2012 using a sample of 10 listed banks and found that Board size had a positive association with the firm performance but not significant. The result indicated that larger boards were ineffective in enhancing financial performance in the context of Saudi banks.

The results of this study also reveal that there is a negative relation between board composition and performance. This result indicates that the second hypothesis is rejected. The *second hypothesis* is that there is no relationship between Board composition (No. of independent director in the board) and Insurance companies' performance. This negative relationship indicates that when the board composition increases, the performance of the company will decrease and vice-versa. The research result is congruent with the study of Ahid Ghabayen (2012) where the researcher investigates the relationship between board composition and performance of non-financial firms in the Saudi market in the year 2011 using a sample of 102 listed non-financial companies and finds a negative relationship between board composition and firm performance.

The third hypothesis states that there is no relationship between board meetings and financial performance. Here the research rejects the *third hypothesis*. The study finds a positive and significant association between board meeting and performance and this result is consistent. The frequency of the board meeting to a large extent will ensure its effectiveness. When the board fails to convene regular meetings to deliberate issues of strategic importance, there will be no independence and accountability to the insurer. Circular resolutions are not perfect substitute for board meetings because they do not offer the opportunity for active debate over the issues circulated. Again, a biased presentation of the reasoning without an avail for the board members can create immediate questions or reservations. This may lead to make inappropriate decisions. The study could not provide a significant relationship between audit committee size and company performance which means that the *fourth hypothesis* is accepted. This result is in line with the research of Abdur Rouf (2011) who investigated the relationship between the size of AC and performance of the firm (ROA & ROE) in DSE in 2006 using a sample of 93 non-financial listed firms and the study revealed that there was no significant relationship between AC size and firm performance. However, the research result provides a view that the corporate governance have an impact on the performance of insurance companies in Bangladesh and the relationship may be positive or negative or no relation, but it has some influence in the commercial terms of the organization. Thus the Summary of the hypothesis results:

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Table 6: Summary of the Analysis

Hypothesis	Relationship	Findings
H_1	Between Board Size and ROE	Positive Relationship
H_2	Between Board Comp- osition and ROE	Negative and Significant
H_3	Between Board Meeting and ROE	Positive and Significant
H_4	Between the Size of Audit committee and ROE	No Relationship

VIII. Conclusion & Recommendations

The study finds a correlation and corporate governance have a significant impact on financial performance. The insurance companies should combat to improve its performance along with indicators of corporate governance practices. However, the following recommendation can initiate an effective corporate culture in the insurance sector in Bangladesh. The insurance sector should commence massive awareness campaign through board meetings or other similar communication works like a seminar, workshop and, high lightening the meaning and the business case of good corporate governance. Although the size of the board is in line with best practices, special attention should come from the insurance companies in certain other areas. The board of directors should pay attention to overseeing the risk management and internal function of the insurance company. Awareness on the benefits of having an independent director on the board is of utmost importance and although the study finds a negative relation with ROE, the insurance company should recognize that appointing an independent director can protect the interest of its stakeholders. The insurance company should follow the rule of BSEC. Insurance companies should encourage the audit committee members to understand the role of the committees and should provide proper incentives.

IX. Limitations

The study is subject to certain abridgements. First of all, the sample size is small and, that is 10 DSE listed insurance companies. Second, the period of this research is short (I.e., seven years) and the study unable to consider control variables like the capital intensity of the insurance company, leverage, risk, etc. Lastly, the research focuses only on a limited number of corporate governance variables (four variables) and one performance variables, so other variables are not in focus due to unavailability of the data. Therefore it is better for further research to select sample companies from an ample range even from non-financial listed companies, non-listed companies and so on.

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The Role of Internal Audit Practice to Promote Good Governance in Public Institution of Ethiopia: The Case of Jimma Zone

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Abstract- The purpose of this study is to examine the role of internal audit practice in promoting good governance in public institution of Ethiopia a case of Jimma zone. This study is apparently up to now, have been not empirically examined using inferential statistics in the Jimma zone specifically and rarely examined in Ethiopia generally. Primary data was obtained through the administration of structured questionnaire to purposively selected respondents comprising internal auditors and managers' from14 Were das and 2 town administrations of finance and economic development offices that are expected to represent all other sectors. A total of 132 respondent participated in the study. Data obtained was analysed using correlation analysis and multiple regression technique. According to the regression output Formal mandate and Standards for the Professional Practice, Competent staffs, Organizational independences and objectivity were contributed for the promotion of good governance in the public sectors significantly and positively. The management support of internal audit roles was positively related with the good governance but its contribution for the good governance was statistically not significance. However the risk management and control role of internal audit was negatively related with the good governance and its contribution for the good governance was not statistically significant. All of these five independent variables are making 38.6% of the contributions for the promotion of good governance in the public sector offices. The internal auditors of Jimma zone were recommended to act in line with the purpose, authority and responsibility of internal audit defined formally in their charter.

Keywords: *internal audit; good governance; role of internal audit; jimma zone.*

GJMBR-D Classification: *JEL Code: M42*

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Keywords: internal audit; good governance; role of internal audit; jimma zone.

I. Introduction

The importance of internal audit function to promote good governance within public sectors is well noted by concerned governmental bodies and known scholars (Barasa, 2015). In this world internal audit is the most necessary tools to improve the performance of organization (Gupta, 2001). It provides the board of directors, the audit committee, the chief executive officer, senior executives and stakeholders with an independent view on whether the organisation has an appropriate risk and control environment, whilst also acting as a catalyst for a strong risk and compliance culture within an organisation (IIA, 2014).

Internal audit function is an important in any organization that has a positive effect on the quality of financial reporting and good government governance, and also quality financial reporting has a positive effect on good government governance (Rahmatika, 2013).

Hence the presence of internal auditors will reduce any weakens in the accounting system and implementation of their recommendation will improve control and reduce the risk of fraud and errors (Guruswamy, 2012).

Besides recent research shows that IA effectiveness does play a role in ensuring effective management in public sector (Enofe, 2013). Furthermore Rahmatika and Yadiati, (2016) assured that internal audit has a positive effect on the quality of financial reporting, on good government governance, and quality of financial reporting has a positive effect on good government governance.

Internal audit function (IAF) is part of the internal monitoring system of the organization and therefore should be positioned within the organization such that the independence of internal auditors can be guaranteed and it has been found to be an instrument for improving public sector management (Unegbu & Kida, 2011).

The credibility of the audit activity strengthens public governance by providing for accountability and protecting the core values of government, which it does by assessing whether managers and officials conduct the public's business transparently, fairly, honestly, and in accordance with laws and regulations (Stephen G. Goodson, 2012).

An internal audit that performs well is one of the strongest means to monitor and promote good governance system in an organization. Thus, good governance is considered as a tool that is used in order to achieve strategy of an organization (Belay, 2007).

At a minimum, to promote good governance in public sector audit activities need: organizational Independence, unrestricted access, sufficient funding, technical and managerial competence, objective staff,

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competent staff, stake holder's support, professional audit standard (Stephen G. Goodson, 2012) . In general the elements of internal audit ranging from oversight, Further, insight and foresight are the integral pillar of providing proper internal auditing in public sectors (El-Tahan, 2016). From now on, total absence of internal audit will lead the lack of oversight, which intern leads to distrust among citizens and stake holders.

The key point, of public sector audit activities must be configured appropriately to enable public sector entities to fulfill their duty to be accountable and transparent to the public while achieving their objectives effectively, efficiently, economically, and ethically (IIA, 2012). For example in Ethiopia internal auditors are employed to provide an independent and objective opinion to the head of public body on risk management, control and governance by measuring and evaluating their effectiveness in achieving the public body's agreed objectives and provide an independent and objective consultancy service specifically to help management improve the public body's risk management, control and governance and applies professional skills through a systematic and disciplined evaluation of the policies, procedures and operations that management put in place to ensure the achievement of the public body's objectives and through recommendations for improvement (Internal Audit Training Manual, 2005).

Furthermore, Internal Audit Training Manual, (2005), of Ethiopia identified challenges hindered the role of internal audit such as lack of management respect this also supported Odowa, (2015), Fekadu, (2009), lack of independence, assigned of internal auditors to many tasks and being ignored (conflict of interest) and lack of professional development which is supported by (Amina, 2016).

In addition to that the recent research on internal audit practices case of Ethiopian governmental higher educational institutions conducted by Bethlehem Fekadu, (2009) showed that there are many bottle necks that faces the internal audit of Ethiopian public sector like, lack of developmental programs for internal auditors also supported by Odowa, (2015), no audit committee and internal audit charter in the institution to enhance the independence of the internal auditors, and other organizational factors are critical factors influencing effectiveness of IAF in the public universities.

Also recent research on internal audit practice of Somali Regional Government Public sector offices by Odowa, (2015), revealed that internal audit is not free from intervention in performing it duties and internal auditors are not feel free to include any finding in to their audit report , lack of periodical internal audit assignment rotation , lack of budget to carry out beyond financial and compliance audits, no possess knowledge & skills in a variety of areas beyond accounting & finance as necessary, internal auditors do not undertake continuous professional development activities, the scope of the internal audit function did not yet go far to cover scope of internal audit and much time is devoted in performing financial and compliance audits, absence of risk assessment in audit planning and internal audit plan is not based on organizational risk profile factors are critical factors influencing effectiveness of IAF in the Public sector offices (Odowa, 2015).

Previously there were some studies conducted on internal audit areas in Ethiopia such as Mihret, and Yismaw, (2007) has been undertaken study on internal audit effectiveness in Ethiopian public universities, Hamdu Kedir and Addisu Gemeda, (2014) has been studied internal auditing standards and its practice the case of East Arsi Zone, Ethiopia, Odowa, (2015) has been undertaken research on Internal audit practice the case of Somali Regional Government Public sector offices, Ethiopia and (Amina, 2016) has been conducted the research on The Role of Internal Auditors in Private and Public Organizations of Jimma Zone Selected Weredas. The previous research reveals that there were some studies under taken in Ethiopia which only emphasized on effectiveness of internal audit and they were not been focused their studies towards Jimma zone. But (Amina, 2016) presented the role of internal auditors in Jimma zone using mixed research approach and descriptive analysis. However she hasn't been used the statistical analysis such as regression and correlation coefficient. In addition she didn't checked relationship of internal audit role and good governance using hypothesis.

With regard to this, the researcher attempted and examined the role of internal auditors practice in promoting good governance in public institution of Ethiopia a case of Jimma zone. Specifically, how Formal mandate and Standards for the Professional Practice, management support, organizational independence, adequate competent internal audit staff, and risk management role of internal auditors will contribute for promotion of good governance using hypothesis.

Research Hypothesis

H1: Formal mandate and Standards for the Professional Practice of internal audit do play an important role in promoting good governance in public institutions

H2: Competent staffs of internal auditors do play an important role in promoting good governance in public institutions.

H3: Organizational independences and objectivity of internal auditors do play an important role in promoting good governance in public institutions

H4: Top management supports of internal audit do play an important role in promoting good governance in public institutions

H5: Risk managements of internal audit play an important role in promoting good governance in public institutions.

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This text is prepared as follows: in the primary section in cooperation theoretical and empirical literatures are reviewed and followed by the research methodology followed the third section contracts with data analysis, conclusion and recommendations on warded.

II. Literature Review

a) *Theoretical Literature Review*

i. *Definition of Internal Audit*

Institute of internal auditor of Australia (2014) defines internal audit as a key pillar of good governance. According to this definition it provides the board of directors, the audit committee, the chief executive officer, senior executives and stakeholders with an independent view on whether the organization has an appropriate risk and control environment, whilst also acting as a catalyst for a strong risk and compliance culture within an organization.

It assists an organization achieve its objectives by accompanying a systematic, disciplined method to examine and enhance the successfulness of risk management, control, and governance processes (Griffiths, 2006).

b) *Elements of Internal Audits*

i. *Formal mandate and Standards for the Professional Practice of internal audit*

The audit activity's powers and duties should be established by the public sector's constitution, charter, or other basic legal document (Stephen G. Goodson, 2012). Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services and shall perform internal auditing services in accordance with the International Standards for the Professional Practice of Internal Auditing as well as shall continually improve their proficiency and effectiveness and quality of their services (IIA, 2012). Professional audit standards, such as the International Professional Practices Framework promulgated by the Institute of Internal Auditors, support the implementation of the previous elements and provide a framework to promote quality audit work that is systematic, objective, and based on evidence (Stephen G. Goodson, 2012). The existence of proper audit charter helps the audit function to perform its role independently of management influence and objectively (Belay, 2007).

ii. *Competent Staffs of Internal Auditors*

Internal auditors should possess the knowledge, skills, and other competencies needed to perform their individual responsibilities both cognitive skills and behavioural skills (IIA, 2012). The audit activity needs a professional staff that collectively has the necessary qualifications and competence to conduct the full range of audits required by its mandate. Auditors must comply with minimum continuing education requirements established by their relevant professional organizations and standards (Stephen G. Goodson, 2012). Competency determines the efficiency of the auditor in setting a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes (Belay, 2007).

iii. *Organizational independences and objectivity of internal auditor s*

The chief audit executive should report to a level within the organization that allows the internal audit activity to fulfill its responsibilities. The internal audit activity should be free from interference in determining the scope of internal auditing, performing work, and communicating results and have an impartial, unbiased attitude and avoid conflicts of interest. Audit staff must have impartial attitudes and avoid any conflict of interest that create an appearance of impropriety and undermine confidence in the internal auditor, the internal audit activity, and the profession (Stephen G. Goodson, 2012). If independence or objectivity is impaired in fact or appearance, the details of the impairment should be disclosed to appropriate parties (IIA, 2012).

iv. *Top Management Supports of Internal Audit*

The legitimacy of the audit activity and its mission should be understood and supported by a broad range of elected and appointed public sector officials, as well as by the media and involved citizens (Stephen G. Goodson, 2012). Irrespective of the need for internal auditors to have access to the audit committee, the IAF must nonetheless, interact with senior management on a close and regular basis since, the character of the function is determined completely by senior management's resource allocated to it, and the support and credence it gives to the role of organization-wide (Alzeban and Sawan, 2013). Top management has an important say in the resources devoted to the internal audit units (Taiwo and James Unam , 2016). They are also likely to give input to the internal audit work plan which provides the internal audit department with the empowerment required for it to perform its duties and responsibilities (Ali, Gloeck, Ahm and Sahdan, 2007).

v. *Risk Managements of Internal Audit*

Auditors assess the sufficiency of corporate governance and the control environment and effectiveness of processes to determine, assesses, and manages risks (IIA, 2006).

The management of risk involves undertaking three tasks: defining the goals of the organization, identifying the potential drivers of risk and laying out appropriate risk responses (Ritchie & Brindley, 2007; Sitkin & Amy, 1992). Internal audit's concern with economy, efficiency and effectiveness (Al-Twaijry, Brierley, & Gwilliam, 2003; San Miguel & Govindarajan, 1984), i.e., 3Es, is closely aligned to the notion of risk management in complex organizations. This focus

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indicates that internal auditing assists management by making visible potential disturbances that could hinder the ability of organizations to achieve goals. Internal auditors should incorporate knowledge of controls obtained from consulting engagements into the process of identifying and evaluating significant risk exposures of the organization (IIA, 2006).

c) Good Governance

Ogundiya, 2010 Stated that large people may differ about the best means of achieving good governance, but they quite consent that good governance is very important for social and economic progress. The Organization for Economic Cooperation and Development (OECD) defines good governance "as a method including of a set of principles that make speech of the effective fulfilling of government, the relationship of citizens and the parliament as well as the relationship of government. These principles consist of: respect for rule of law, openness, transparency and accountability to democratic institutions, fairness and equity in dealing with the citizen's" (OECD, Principles of Corporate Governance, 2004). Researchers at the World Bank Institute have distinguished six main dimensions of good governance. These include voice and accountability, political stability, government effectiveness, regulatory quality, rule of law and control of corruption. Good governance is, among other things, participatory, transparent and accountable. It is also effective and equitable, and it promotes the rule of law. It ensures that political, social and economic priorities are based on broad consensus in society and that the voices of the poorest and the most vulnerable are heard in decision-making over the allocation of development resources.

Concerning to good governance Barasa, (2015) maintained the elements of good governance which united Nation, 2005 focused on their work of public governance such as:

Accountability, Government is able and willing to show the extent to which its actions and decisions are consistent with clearly defined and agreed-upon objectives.

Transparency, Government actions, decisions and decision-making processes are open to an appropriate level of scrutiny by others parts of government, civil society and, in some instances, outside institutions and governments.

Efficiency and Effectiveness, Government strives to produce quality public outputs, including services delivered to citizens, at the best cost, and ensures that outputs meet the original intentions of policymakers.

Responsiveness, Government has the capacity and flexibility to respond rapidly to societal changes, takes into account the expectations of civil society in identifying the general public interest, and is willing to critically re-examine the role of government. (Herbert, 2010).

i. *Auditing for Good Governance*

Public auditing that carry for a transparency, accountability, efficiency, effectiveness, openness, protecting of corruption and surplus expenditure, can assure good governance (Shimomura 2003). This is also assisted by Curtin and Dekker (2005) who stressed the principles of accountability, transparency, effectiveness and participation in public administration. They shared opinion that providing government accounting system and public sector auditing can supply accountability of public sector agencies which guide to good governance. Besides, Barret (1996) maintained that the audit institution is element of the governance context that influences the economic and social development.

Public sector offices are part of the public body which are partially or totally financed by government budget and concerned with providing basic government services to the whole society (Ministry of Finance and Economic Development, 2004). The arrangements of the public sectors are diverse by their function and purposes, but in greatest situations, they are planned in order to make possible the public sectors to attain their goals. The public sector provide services such as banking service, financing, education, communication service, healthcare, police, transportation, electric services, security and whatever, which help all of the society and inspire equal opportunity to benefit from the services (Mihret, and Yismaw, 2007).

The Ethiopian ministry of finance first publishes the audit directive in 1942, emphasized mostly on the public sector application of funds, and pronounced on the modernization of audit practice in the country. Next to this, the Office of the Auditor General (O.A.G) was originated in 1961 with the significant amendments with regard to the functions and responsibilities of the bureaus and the auditors; and from 1987 and onwards there have been important developments in public sector auditing systems in the country.

Office of Oromia Regional State Auditor General which was comes into existence by proclamation number 90/1997 and reestablished by proclamation number 154/2002 has been show greatest role towards stimulating improvements in the administration and management practices of public sector organizations. Suggestions made by Office of Auditor General auditors to auditees best part actions that are expected to advance entity performance when implemented and generally address risks to the successful delivery of outcomes. The appropriate and timely implementation of recommendations that has been agreed by auditee's management is an important part of achieve the full advantage of audit.

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d) Review of Empirical Studies

(Shamsuddin, 2014), examines the factors that influence the effectiveness of the internal auditors' functions in public sectors in Malaysia. Data were collected through semi-structured face-to-face interviews conducted on eight internal auditors from three government ministries as well as an auditor from the Auditor General (AG) office. The findings from this paper suggesting that internal auditors in public sector are facing difficulties in carrying out their functions effectively due to lack of independence since they have to audit their own "boss".

Study by (Alzeban and Sawan, 2013), revealed that It was confirmed by all interviewees that whilst internal auditors have their own separate departments in the organizational structure, these departments, nonetheless, operate under the administrative leadership of lower level managers, internal audit report to the same level in which they are placed in the organizational structure, a significant gap between the theoretical and the actual reporting structures, also interviewees a result indicated two other main causes of the restricted access faced by internal auditors in respect of their ability to meet with personnel and to obtain the relevant information needed to fulfill their duties. Furthermore, (Alzeban and Sawan, 2013), observed that even when the internal audit was located at a relatively senior managerial level, it might still be subject to pressure from more highly placed management Simultaneously, top level managers control organizational resources which they may withhold to prevent an in-depth investigation by internal auditors of a matter which they do not want to be probed. Also (Alzeban and Sawan, 2013) noted that some other reasons for the challenge to the independence of internal audit emerged as being the relationship between auditees and auditors.

(Okibo & Kamau, 2012), Exploring internal auditor independence motivators to Kenyan perspective, the study collected its data using a self-made questionnaire which was distributed among auditors in Kenya so as to establish the status of internal auditor's independence in Kenya. The researchers observed that the level of involvement by the internal auditors in the management activities significantly affects their professional independence. The study also observed that audit committees effectiveness also plays a significant role in enhancing audit independence. Organizations may therefore consider building capacity of the audit committees so as to improve internal audit independence. Additionally, (Okibo & Kamau, 2012) found out that there is a statistically significant causal relationship between the level of internal auditor's skills and auditor independence in Kenya.

(Alzeban and Sawan, 2014) shown that the internal audit activities had not expanded beyond the traditional audit of financial regularity and compliance; and that the primary work of internal audit continues to focus on the traditional roles of internal audit in terms of concentrating on the reliability of financial records and compliance with procedures and regulations. In addition (Alzeban and Sawan, 2014), argued that competence of internal audit was unanimously confirmed that the lack of qualified staff stands represents one of the most important problems facing internal audit in the Saudi public sector, and several reasons were offered for this situation, including staff recruitment, educational qualifications, professional qualifications, work experience and continuous development.

(Enofe, & Ehioroba, 2013), conducted research on, "the Role of Internal Audit in Effective Management in Public Sector" By employing survey design and analysed data by using Z-test statistical tool, the findings of the study reveal that effective management can be achieve in local government and IA effectiveness does play a role in ensuring effective management in public sector, while IA effectiveness does not affect management control in public sector.

(Alzeban and Sawan, 2014), have been conducted the research on "Factors affecting the internal audit effectiveness: A survey of the Saudi public sector" by obtaining the data from 203 managers and 239 internal auditors from 79 Saudi Arabian public sector organizations. Multiple regression analysis examines the association between IAE and five principal factors. Results suggest that management support for IAE drives perceived effectiveness of the internal audit function from both management's and the internal auditors' perspective. Management support is linked to hiring trained and experienced staff, providing sufficient resources, enhancing the relationship with external auditors, and having an independent internal audit department.

(Barasa, 2015), examined statistical analysis of the role of internal audit in promoting good governance in public institutions in Kenya. Internal audit function was measured by risk management, control process, and governance process, while accountability, transparency, effectiveness, efficiency and responsiveness measured good governance. Using correlation analysis, the study showed that there was a strong significant relationship between internal audit and good governance in public institutions.

(Barasa, 2015), conducted research on "Statistical Analysis of the Role of Internal Audit in Promoting Good Governance in Public Institutions in Kenya" by adopting the survey type of research in which a sample of 398 from the target population of about 100,000. He has been used a questionnaire for data collection and analyzed data using SPSS version 20 and presented in the form of tables. The result from the data revealed that that internal audit had the greatest effect on good governance within Kenyan Public institutions.

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(Taiwo etal; 2016), studied on "Promoting Good Governance through Internal Audit Function (IAF): The Nigerian Experience" by employing only primary data which was obtained through the administration of structured questionnaire. He has been captured census survey was adopted where all the 33 Local Government organisations in Oyo State revealed that the internal audit system in the public organisations was not absolutely independent and professional competence of the internal audit system was limited due to the challenge of insufficient funds to successfully carry out its duties. More over the researcher showed that however scope of internal audit work was comprehensive, examination process was scientific and systematic, and management gives adequate support to internal audit process. Thus, the effectiveness of internal audit function in public sector organisations in the Southwestern Nigerian is moderate.

The empirical studies showed that much research on the subject matter have been carried out even in different countries.

In Ethiopia, there are several studies reviewed regarding tax audit, Hailemariam, (2014), Mihret and Yismaw, (2007), Mulugeta, (2008), Fekadu, (2009), Kedir et al. (2014), Mebratu, (2015), Berhanu (2016). Hailemariam, (2014), studied determinants of internal audit effectiveness in the public sector, case study in selected Ethiopian public sector offices, Mihret and Yismaw, (2007) studied internal audit effectiveness in Ethiopian public sector, Mulugeta, (2008) studied internal audit reporting relationship in Ethiopian public enterprises, Fekadu, (2009) studied internal audit practices a case of Ethiopian governmental higher educational institutions, Kedir et al. (2014) studied internal auditing standards and its practice the case of east Arsi zone, Ethiopia, Mebratu,(2015), studied Internal audit function and its challenges in public sector governance: Empirical evidence from Amhara National Regional State, Ethiopia, Berhanu, (2016), studied on assessment of audit recommendations in public sectors in Oromia regional government public institution (2003-2006EC) Research findings by Hailemariam, (2014), based on questionnaire response from internal auditor officers and manager, working in Ethiopian public sectors office, suggests that the availability of approved IA charter were contributed for the internal audit effectiveness in the public sector significantly and positively. Mihret and Yismaw, (2007) studied internal audit effectiveness in Ethiopian public sector, commonalities in policies, procedures and organizational contexts of most public sector entities in Ethiopia and the same internal audit manual was used by all public bodies in Ethiopia (Ministry of Finance and Economic Development, 2004). The study argued organizational setting does not have a strong impact on audit effectiveness. The study results by Mulugeta, (2008) on internal audit reporting relationship in Ethiopian public enterprises based on both stratified and random sampling method and primary and secondary data collection method also Both quantitative and qualitative data analysis method were used, argued that the audit charter is not effectively communicated in those organizations.

Mihret and Yismaw, (2007) studied internal audit effectiveness in Ethiopian public sector the study highlight that internal audit effectiveness is strongly influenced by management support, additionally, Mihret and Yismaw, (2007) indicated that the auditors feel that the university does not sufficiently utilize audit reports and the management's response to the internal audit findings and recommendations is generally not adequate. Similarly, research finding by (Hailemariam, 2014) based on questionnaire response from internal auditor officers and manager, working in Ethiopian public sector office, suggests that the management support contributed for the internal audit effectiveness in the public sector significantly and positively. research findings by Hailemariam, (2014), based on questionnaire response from internal auditor officers and manager, working in Ethiopian public sectors office, suggests organizational independent of internal auditors were positively related with the IAE but their contribution for the IAE were statistically not significance. Kedir et al. (2014) studied internal auditing standards and its practice the case of east Arsi zone, Ethiopia. Accordingly competency, compliance, independency, risk management and quality assurance has been taken as major parameters for comparison. This study revealed that auditors independency is impaired because most of the time they are attached with internal functional areas. Also Fekadu, (2009) revealed that all sample respondents stated that their CAE functionally reports to the president office that has forced them to lose their independence. Study conducted by Mihret and Yismaw, (2007) indicated that the internal audit office reports to the President but the office does not administer its own budget.

Fekadu, (2009) noted that according to his sample response in Ethiopian higher governmental institutions internal auditors qualification is adequate for internal audit activities. Also, Mulugeta, (2008) revealed that majority of sample respondents noted that Size internal audit staffs are not sufficient but they are qualified. Similarly, Kedir et al. (2014) stated that the size of the IA staff is small due to the wrong perceptions that they are enough for financial and compliance audits. But ideally they are not sufficient.

Mebratu, (2015), studied Internal audit function and its challenges in public sector governance: Empirical evidence from Amhara National Regional State, Ethiopia and research finding by Mebratu (2015) based on Structured questionnaire survey of all internal audit directors and staff from 35 public sector bureau of Amhara National Regional State was used and

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analyzed the data by using OLS multiple regression statistical analysis method. The OLS regression results shows that the potential challenges of risk management role were: low level of organizational independence, low level of competent staff and low level of sufficient funding. For governance process role, low level of formal mandates, low level of top management support and low level of unrestricted access were the major challenges.

Amina Ahmed Muhammed, 2016 conducted the research titled "The Role of Internal Auditors in Private and Public Organizations of Jimma Zone Selected Weredas," by using both qualitative and quantitative data with purposive sampling technique and distributed 128 self administered questionnaires to members of the audit committee or equivalent found in both the public and private enterprises in the study area. The survey conducted showed that majority of internal auditors of private and public sectors have no professional certificate related to auditing, majority of public organization and some of private organization don't have an audit committee in their organization, majority of the public organization did not have an audit charter, the internal auditors still didn't free from interference in determining the scope of internal auditing, The majority of the audit executives of the public organization did not have direct communication with the board rather their communication is with the managers of the organization.

The review of empirical studies reveals that most of the studies were outside Ethiopia. But Few studies undertaken on the role of internal audit practices in Ethiopia and they were not focused to examine the role of internal audit using hypotheses. In addition there were no researchers that under taken the study on the role of internal audit practice to promote good governance using statistical model by testing hypothesis in Ethiopia generally and in Jimma zone particularly.

e) Conceptual Framework

Based on the preceding discussions of the previous research and related literature, this study postulates the following conceptual framework as shown in Figure 2.1 below:

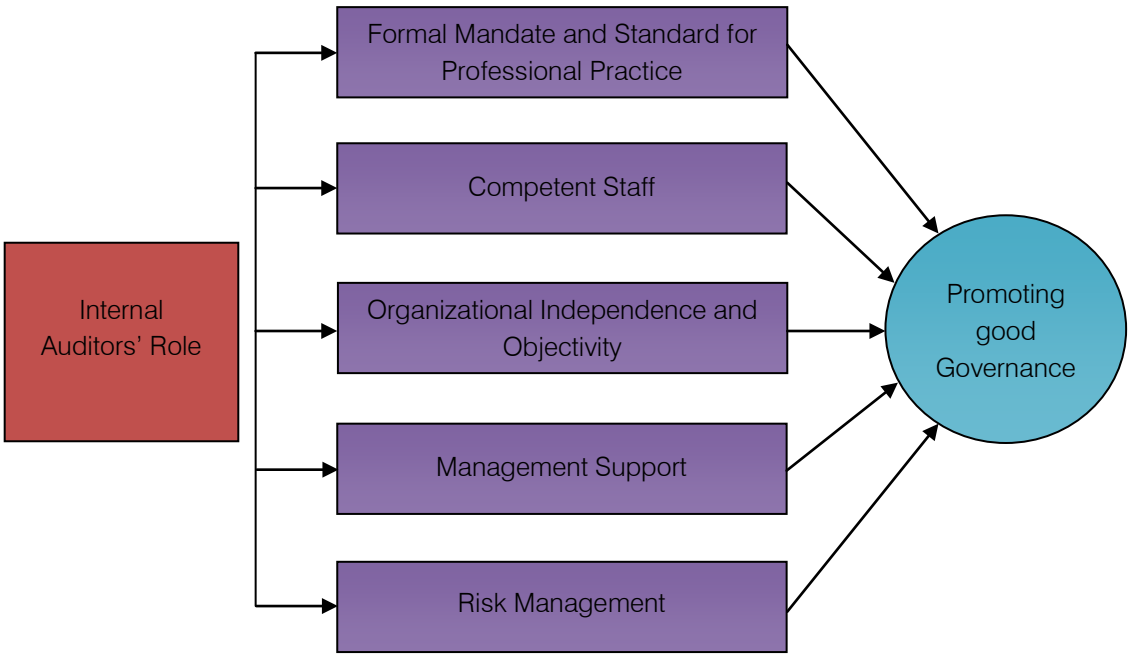

Figure 2.1: Shows the relationship the role of internal auditors and good governance

III. Research Design and Methodology

a) Research Design

In this study, descriptive research studies were used. Due to, it concerned with describing the characteristics of a particular individual and it enables the researcher to obtain complete and accurate information in the said studies, to define clearly, what the researcher wants to measure and must find adequate methods for measuring it along with a clear cut definition of 'population' the researcher wants to study, the methods of data collection the researcher wants to use, the procedure the researcher uses in Selecting the sample, the method of data processing and analyzing that the researcher employees, the way the researcher presents the reports and findings (Kothari, 2004).

b) Data Type and Source

The study investigated the role of internal audit practices in promoting good governance in public institutions of Jimma zone. The primary data were used to accomplish the study to collect the data from the respondents. The questionnaires were distributed to the senior managers and the internal auditors of the public institutions of Jimma Zone. Two types of questionnaires

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were prepared to deal with the role of internal audits and good governance, and both questionnaires were distributed for the managers and internal auditors. Hence, this is to cross check their responses and to test their professional and responsibilities whether they realize good governance in Jimma zone and to suggest with valid conclusions.

The researcher was also adopted and modified the questionnaires from different materials such as Supplemental Guidance: (IIA, 2012), (Alzeban and Sawan, 2014), (Barasa, 2015), Samuel Adebayo Adedokun of Nigeria 2016, Ethiopia Ministry of Finance and Economic Development, 2005 internal audit manual and those questionnaires are prepared in the form of Likert-Scale type (showing respondents agreement or disagreement) by constructing into five point scale where the lowest scale represent strongly disagree and the highest scale represent strongly agree (Likert, 1932). For taking definite decisions, a grand average was calculated by using spss for each respondent (i.e. each internal auditor) and the average remark will take to smooth the variables.

Target Population- The target populations for this research were Jimma Zone finance and economic development sector offices that include senior management team and internal auditors. As data researcher got from Jimma zone finance and economic development, human resource department office reveals, currently Jimma zone has one zonal governmental office administration, 20 woreda administration they are; Gomma, Guma, Satama, Sigmo, Gera, Sokoru, Omo Nada, TiroAfeta, OmoBeyam, Sarbo, Dedo, Mancho, Seka Chokorsa, ShabeSambo, Mana, LimmuKosa, ChoraBotor, Botor Tolay, LimmuSeka, and NunuBenjaworeda and two town administrations which are Jimma Town and Agaro town.

Sample Size and Sampling Techniques- the use of purposive sampling enables the researcher to generate meaningful insights that help to gain a deeper understanding of the research phenomena by selecting the most informative participants that is satisfactory to its specific needs (Hailemariam, 2014).

The data of Jimma zone finance and economic development, human resource and management department office reveals that, Jimma zone have 120 internal auditors. Each woreda has five internal auditors while two town administrations have 12 internal auditors and Jimma zone finance and economic development office has eight members of internal audit staffs. Two city administration towns and zonal administration office are selected purposively. Due to the difficulty of covering all the total existing Weredas in Jimma Zone, the researcher obliged to minimize its study area from 20 Weredas to 14 Weredas using random sample.

The 40 sample of senior management of zonal bureaus, woreda level and town administration are selected purposively, were as 92 samples of internal auditors of zonal bureaus, woreda level and town administration were selected using (Yamane, 1967) which is a simplified formula for Proportions. This formula will be used to calculate the sample sizes at a 95% confidence level and assumed P = 5% as follows

$$n = \left[\!\left[\frac{N}{1 + N(e)^2}\right]\!\right]$$

Where n is the sample size, N is the population size, and e is the level of precision.

Table 3.1: Sampling (Jimma Zone, Woreda and towns administration)

Total Population	Sampling Methods	Sample
senior management(head of internal audits and managers of finance and economic development office from zone, Weredas and towns =46	Purposive	40
Internal auditors from Jimma zone administration, Agaro and Jimma town and from Weredas=120	$n = \left[\!\left[\frac{120}{1 + 120(0.05)^2}\right]\!\right]$	92
Total = 160		132

Then the internal auditors from the two town's administration and internal auditors of Jimma zone finance and economic development office were selected purposively while 72 internal auditors were selected from 14 Weredas randomly as follows.

$$Sample\ number\ of\ werda = \frac{sample\ number\ of\ total\ internal\ auditors\ in\ all\ werdas}{number\ of\ internal\ Auditors\ in\ each\ werda}$$

$$Sample\ number\ of\ woreda = \frac{72}{5} = 14\ weredas$$

The fourteen Weredas selected randomly were Sokoru, Omo beyam, Omo Nada, Tiro Afeta, Serbo, Shebe Sombo, Seka Chokorsa, Mana, Gomma, Gumay, Satama, Sigmo, Limmu Kossa and Limmu Seka Weredas.

Moreover, the draft questionnaires were given to both main advisor and co-advisor to view it in the light of the research objectives, its relevance, the adequacy of the questionnaires items, and coverage. The questionnaires distributed to the respondents were organized in to two parts; the first part comprises the demographic questionnaires regarding the respondents, and the second part contains items related to the role of

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internal audit practices to promote good governance in government institutions of Jimma Zone. Personal contact of the researcher with the respondents gave him the opportunity to explain when necessary to some respondents.

c) Model Specification

The following model was formulated for this research in order to test the research hypotheses

$$goodgov = \beta 0 + \beta 1 + \beta 2 + \beta 3 + \beta 4 + \beta 5 + \varepsilon$$

Where, $\beta 0$, $\beta 1$, $\beta 2$, $\beta 3$, and $\beta 4$ are parameters estimate in the model, and ε is the residual value.

Goodgov ⟹ Good Governance
RM ⟹ Risk Management
FMSPP ⟹ Formal mandate and Standards for the Professional Practice
INDPO ⟹ Organizational Independences and Objectivity
MSUP ⟹ Top Management Supports
CS ⟹ Competent Staff

d) Data Analysis Method

Data analyses are conducted through a descriptive statistics to provide details regarding the demographic questionnaires and the inferential statistics role of internal audit to promote good governance. Descriptive statistics were employed to analyze the demographic status of internal auditors such as, position of internal auditors within the department, educational status of internal auditors, professional qualifications, work experience, annual training hours taken by internal auditors, internal audit courses taken by internal auditors, number of internal auditors assigned in department.

Correlation models were used to measure the degree of association between dependent and independent variables under consideration and to determine whether multicollinearity exists among variables where as multiple regression was used to check whether the role of internal audit functions such as risk management and control, Formal mandate and Standards for the Professional Practice, Competent staffs ,Organizational independences and objectivity, top management supports have significant relationship or not with good governance.

The Statistical Package for Social Sciences (SPSS) version 20 was also used for the data analysis. Descriptive statistics such as frequencies, percentages, mean, standard deviations, and Pearson product-moment correlation coefficient was used to analyze the data. To determine the relationship among the independent variables and to test the research hypothesis correlation and regression analysis were used by meeting the ordinary least square (OLS) assumptions of the linear regression.

IV. Research Findings: Analysis and Discussions

The questionnaires were distributed to both the senior managers and the internal auditors of the selected Jimma zone public sector offices. 132 questionnaires were prepared and distributed for both senior managers and internal auditors. All questionnaires, were collected (40 responses from managers and 92 responses from internal auditors) giving the response rate of 100%. This shows that, best response rate for this research.

a) Reliability Analysis

In terms of reliability, if the alpha value is less than 0.6, it is considered not acceptable, while the alpha value is over 0.6, the result (questionnaire) is acceptable (Hair et al, 2003).

Because of the advantages using Cronbach's alpha, the researcher used Cronbach's alpha to test the reliability of the questionnaires.

Table 4.1: Results of Reliability Test

Cronbach's Alpha	No. of Items
.689	6

Source: Survey data, 2017 SPSS output

Table 4.1 shows that Cronbach's alpha for all variables have the value of in between 0.689. This indicates that all questionnaires are acceptable and can be used for future analyses.

Table 4.2: Pearson Correlations Matrix

Variables	goodgov	MSUP	IND	FMSPP	CS	RMC
Good governance	1					
Management support for internal audit	.348**	1				
Independence of internal audit	.447**	.498**	1			
Formal mandate and Standards for the Professional Practice	.570**	.509**	.531**	1		
Competent staffs	.230**	-.033	.041	.420**	1	
Risk management and control	.301**	.383**	.231**	.570**	.301**	1

***. Correlation is significant at the 0.01 level (2-tailed).*

Furthermore, there were strong correlations between the dependent variable good governance (goodgov) and independent variables MS (r = .348), IND (r= 0.447), FMSPP(r =0.570), CS (r =0. 230), and

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(r =0. 301), with (P<0.01) level of significant, shows a strong support for all hypothesis. This finding indicates that the greater the role of internal audit function, the higher the Accountability, Transparency, Efficiency and Effectiveness and Responsiveness of public institution of Jimma zone to deliver quality services and manage public resources.

Table 4.10: Regression result for good governance

Model Summary[b]									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.640[a]	.410	.386	.591	.410	17.491	5	126	.000

a. *Predictors: (Constant), risk management and control, independency of internal audit, competent staff, management support, formal mandate and standard for professional practice, b. Dependent Variable: good governance*

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	30.544	5	6.109	17.491	.000[b]
	Residual	44.007	126	.349		
	Total	74.552	131			

a. *Dependent Variable: good governance, b. Predictors: (Constant), risk management and control, independency of internal audit, competent staff, management support, formal mandate and standard for professional practice*

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.427	.327		1.306	.194
	Management support	.032	.081	.034	.388	.699
	Independency of internal audit	.167	.083	.171	2.000	.048
	Formal mandate and standard for professional practice	.501	.096	.472	5.236	.000
	Competent staff	.155	.047	.240	3.326	.001
	Risk management and control	-.007	.064	-.009	-.105	.916

a. *Dependent Variable: good governance*

Moreover, the model summary also shows the significance of the model by the value of F-statistics

(P =.000) and F = 17.491. This meant that the probability of these results occurring by chance was less than 0.0005. Therefore, a significant relationship was present between the Management support for internal audit (MSUP), Independence of internal audit (IND), Formal mandate and Standards for the Professional Practice (FMSPP), Competent staffs (CS) and Risk management and control (RMC) to predict the good governance in the public institution. The beta (β) sign also shows the +ve or –ve effect of the independent variables coefficient over the dependent variable. And as shown in table 4.8 above, beta sign of all the independent variables except risk management and control shows the positive effect of the predicting dependent variable. That means, any increase in the independent variables lead to increase in the dependent variable good governance. This finding is consistent with (Samuel Adebayo Adedokun 2016).

Therefore, based on the coefficients of the dependent variable (β sign) five hypotheses proposed by the researcher such as Management support for internal audit (MSUP), Independence of internal audit (IND), Formal mandate and Standards for the Professional Practice (FMSPP) and Competent staffs (CS) are acceptable because of all the four hypotheses stated the positively relationship with the dependent variable are meet. However Risk management and control (RMC) hypothesis developed by the researcher stated the negative relationship with dependent variable. But based on the statistical significances of the independent variable over the dependent variable at 5% level of significance, only three independent variables Formal mandate and Standards for the Professional Practice (FMSPP), independency of internal audit and Competent staffs (CS)are significantly contributed for the Good governance at (P<0.05) level of confidence.

Thus, this implies the Formal mandate and Standards for the Professional Practice (FMSPP), independency of internal audit and Competent staffs (CS) are the most important elements that do plays an important role in promoting good governance in public institutions. Besides this, even if their relationships are positive the remaining two independent variables (Management support for internal audit (MSUP), and Risk management and control (RMC)) have not significant contribution for the predicted dependent variable (good governance) because they have a sig. value of greater than 5%. The variable with the level of

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significance (sig) value less than 5% could make a significance unique contribution to the predicted value of the dependent variable, beyond this level of sig. the variable are not making a significance contribution for the prediction of the dependent variable (Pallant, 2007; Somekh and Lewinn, 2005).

It is easiest to conceptualize the t-tests as measures of whether the predictor is making a significant contribution to the model (Field, 2009). Therefore, if the t-test associated with alpha and beta value is significant (if the value in the column labeled Sig. is less than .05) then the predictor is making a significant contribution to the model. The smaller the value of Sig the larger the value of t, the greater the contribution of that predictor (Field, 2009). The t-test results for the individual regression coefficients (shown in the first extract) for the four independent variables such as Independence of internal audit (IND), Formal mandate and Standards for the Professional Practice (FMSPP), Competent staffs (CS) were 2.000, 5.236, and 3.326 are positive respectively. This shows that these variables were made significant contributions to the model at Sig. less than 0.05. The t-test of Management support for internal audit (MSUP) was .388 which was positive. Due to it sig >0.05 it was made less contribution to the model. But the t-test results for risk management and control (RM) was -.105 which means it made negative contribution to the model.

b) Hypothesis Test

The regression analysis whose results are presented in table 4.8 above provides a more comprehensive and accurate examination of the research hypothesis. Therefore, the regression results obtained from the model were utilized to test these hypotheses. The hypotheses sought to test role of internal audit practices to promote good governance on the managements support (MS), Independence of internal audit (IND), Formal mandate and Standards for the Professional Practice(FMSPP), Competent staffs(CS) and Risk management and control (RMC) which was measure in terms of internal auditors ability to realize the Accountability, Transparency, Efficiency and Effectiveness and Responsiveness of public institutions of Jimma zone to deliver quality services and manage public resources.

As can be seen in table 4.10 above the p value for the Formal mandate and Standards for the Professional Practice (FMSPP, Independence of internal audit (IND)and Competent staffs (CS) are statistically significant at ($p < 0.05$) which suggests a strong support for hypothesis 1,2and 3; whereas, Management support for internal audit (MSUP), and Risk management and control (RMC) are not supported the developed hypothesis (hypothesis 4, and 5) because it was statistically insignificant at ($p < 0.05$).

The following hypotheses test were conducted based on the regression results of the good governance obtained from the regression output.

H1: Formal mandate and Standards for the Professional Practice of internal audit do play an important role in promoting good governance in public institutions

The first hypothesis of this research posted that the Formal mandate and Standards for the Professional Practice of internal audit do play an important role in promoting good governance in public institutions. Showing the strongly correlated relationship between the good governance and the Formal mandate and Standards for the Professional Practice, the positive beta sign and a statistically significant result of Formal mandate and Standards for the Professional Practice related with the good governance ($\beta = 0.447$, $t = 4.686$, $P<0.01$) support the proposed hypothesis acceptable. The Formal mandate and Standards for the Professional Practice do play an important role in promoting good governance in public institutions because the key and necessary components like Internal audit charter is established within the organizations appropriately, the organization internal audit mission statement is established, The purpose, authority, and responsibility of the internal audit activity should be formally defined in a charter, There is a complete internal audit manual to guide internal audit work , Internal auditing is required by law or regulation where the organization is based, Internal audit team is involved in the formal reporting of results, Conformance with the standard is seen as a key factor for the internal audit activity to add value to the governance process, Internal audit activity conforms to some or all of the standards, Verification of compliance with other standards or codes has been made in their institutions to realize good governance.

These were supported by previous auditing supplement guidance issued by institute of internal audit entitled the role of internal audit to promote good governance 2012. They maintained that the audit activity's powers and duties should be established by the public sector's constitution, charter, or other basic legal document. In addition to this they also explained that the Professional audit standards provide a framework to promote quality audit work that is systematic, objective, and based on evidence. Similarly, in this research finding the Formal mandate and Standards for the Professional Practice plays the role in terms of checking whether Internal audit charter is established within the organizations appropriately, the organization internal audit mission statement is established, The purpose, authority, and responsibility of the internal audit activity should be formally defined in a charter, the presence of complete internal audit manual to guide internal audit work , the requirement of internal auditing by law or regulation where the organization is based, involvement of internal audit team in the formal

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reporting of results, Conformance with the standard is seen as a key factor for the internal audit activity to add value to the governance process, Internal audit activity conforms to some or all of the standards, Verification of compliance with other standards or codes has been made in promotion of good governance within their institutions.

This result confirms with the previous research Agumas (2015), who found that governance process role of internal audit function is positively related with the existence formal mandate and compliance with professional audit standards.

Therefore, the Formal mandate and Standards for the Professional Practice of internal audit do play an important role in promoting good governance in public institutions were strongly supports the first proposed hypothesis (H1).

H2: Competent staffs of internal auditors do play an important role in promoting good governance in public institutions.

The existence competent internal audit staff also supposed to be the one element that does play an important role to promote good governance and is the second hypothesis of this research. The regression result highly supports this hypothesis at ($P<0.01$) level of significant and with the positive signs of beta and t statistics ($\beta = 0.238$ and $t= 3.290$, and $p<0.05$). This result was consistence with previous auditing researches, Samuel Adebayo Adedokun (2016), who found that Competent staffs of internal auditors was crucial to the operation and success of good governance in public sector.

Therefore, the existence of adequate and competent IA staff in the public sector office results with positively relationship with good governance and with high contribution for the good governance because Internal audit staff have professional certifications, they are member of the IIA Audit staff members and they have at least 40 hours of formal training per year . This results with the overall contribution of good governance and its positive relationship with good governance leads to highly support the proposed hypothesis (H2).

H3: Organizational independences and objectivity of internal auditors do play an important role in promoting good governance in public institutions.

The third hypothesis of this research which is assumed to promote good governance is the independence of the organization in which internal audit work were conducted. As shown in table 4.8 above the regression result highly supports this hypothesis at ($P<0.05$) level of significant and with the positive signs of beta and t statistics coefficient of ($\beta = 0.171$, $t= 2.000$ and $p= .048$) were positively related with the good governance.

Therefore, the presence of Organizational independences and objectivity of internal auditors in the public institutions results with positive relationship with good governance and with high contribution for the promotion of good governance by Internal audit staff are sufficiently independent to perform their professional obligations and duties, The head of internal audit reports to a level within the organization that allows the internal audit to fulfill its responsibilities, The head of internal audit has direct contact to the board (to the President for Government Organizations), The internal audit department has direct contact with senior management other than the finance director, Conflict of interest is rarely present in the work of internal auditors, Internal auditors rarely face interference by management while they conduct their work, Internal audit staff have free access to all departments and employees in the organization, The board of directors (the President for Government Organizations) approves the appointment and replacement of the head of internal auditing, Internal audit staff are not requested to perform non-audit functions. This result is can contribute to the overall of good governance and its positive relationship with good governance leads to highly support the proposed hypothesis (H3).

For instance, it is consistent with the previous studies conducted by (Samuel Adebayo Adedokun 2016) he find that, the more organizational independence to the internal auditors plays the vital role in promote good governance in terms of the purpose and authority of internal audit is clearly defined, internal auditors have full access to records and information they need in conducting audits, Internal auditors feel free to include any audit findings in their audit reports, internal audit unit is free to choose any transaction or area of interest for audit, and Internal audit provides reports directly to the Chief Executive Office freely and this all supports the promotion of good governance in their institutions.

H4: Top management supports of internal audit do play an important role in promoting good governance in public institutions.

The fourth hypothesis of this research posted that the promotion of good governance is directly related with the extent of the support internal audit receives from top management. Showing that to some extent correlated relationship between the good governance and the management support, the positive beta sign and positive t test a statistically significant result of management support related with the good governance ($\beta = 0.024$, $t =0.0275$,) however, $P>0.05$ does not support the proposed hypothesis acceptable. The management support in terms of Senior management supports internal audit to perform its duties and responsibilities, Senior management are involved in the internal audit plan, Internal audit provides senior management with sufficient, reliable and relevant reports about the work they perform and recommendations made, The response to internal audit reports by the senior management is reasonable,

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Internal audit department is large enough to successfully carry out its duties and responsibilities, Internal audit department has sufficient budget to successfully carry out its duties and responsibilities to promote good governance within their institutions.

This is also supported by Agyenim, obeng, opoku, owusu, and sackey, 2012 research that they realize managers in the public sector organizations do not support internal audit.

H5: Risk managements of internal audit play an important role in promoting good governance in public institutions.

The fifth hypothesis of this research which is assumed to be the role of internal audits to promote good governance is the risk managements of internal audits. As shown in table 4.8 above the coefficient of RM (β = -0.018, t= -0.223) were negatively related with the promotion of good governance. Also, because of its statistical result (P>0.05) the regression output result haven't statistically significant relationship between the risk management and control and the promotion of good governance reveals not to support the fifth hypothesis. This is also supported by Kampata, (2015) who stated that Internal auditing can provide consulting services (e.g. tools to used, co-ordinate) so long as they have no role in actually managing risks -that is management responsibility. In addition he maintained that the internal auditor should never assume any management responsibility for risk and should avoid being involved in any risk management activities that might compromise their independence or objectivity.

V. Conclusions and Recommendations

a) *Summary of Major Finding*

Based on findings of the study related to the Management support for internal audit, Independence of internal audit, Professional Competency, Formal mandate and Standards for the Professional Practice, Competent staffs and presence Risk management and control roles of internal audit in the public sector offices, the conclusions and recommendations are drawn.

According to the regression output, four of predictors were positively contributed in promotion of good governance in Ethiopia a case of Jimma zone, public sector offices. Therefore, the public sector offices should emphasis using these elements of internal audit to be accountable, transparent, effective, efficient and responsive throughout their service delivery. However, the finding of this research shows that risk management and control was negatively contributed in promotion of good governance.

Moreover, the Formal mandate and Standards for the Professional Practice of internal audit, competent staff of internal auditors and Organizational independences and objectivity of internal auditors were the major elements of internal audit that play an important role to promote good governance. However, the finding also reveals management supports of internal audit and risk management role of internal audit were not significantly important for the promotion of good governance of public sectors.

This study found that, the composite Management support for internal audit , Independence of internal audit, Formal mandate and Standards for the Professional Practice, Competent staffs and Risk management and control accounted for 38.6% (adjusted R2 = 0.386) of the variation in the Good governance, the rest 61.4% are other variables not included in this study.

b) *Conclusions*

Internal audit is the major mechanism to ensure good governance in public institutions. It plays an important role to the overall management system and acute service deliverance. The existences of good governance in the offices enhances the accountability, and transparency of the government institutions to their people, improves organizational efficiency and effectiveness, reduce information asymmetry during decision making, and responsiveness. By taking this aspect into consideration, this study was identified internal audit roles that promote good governance in the public sector offices and then analyzed the organizational dimensions in which the public sector offices should carry out to promote good governance. And also by testing the proposed hypotheses in relation to these independent variables, for the realization of good governance, the following conclusions were drawn.

- The good governance of the public sector office promoted, when there were formal mandate, Standards for the Professional Practice, competent staff of internal auditors and Organizational independences and objectivity of internal auditors. The regression analysis of this research shows strong contributions of these variables for the promotion of good governance.
- Therefore, the overall effect of the Formal mandate and Standards for the Professional Practice of internal audit, competent staff of internal auditors and Organizational independences and objectivity of internal auditors are very important for the promotion of good governance in the public sector offices without neglecting the management support role of internal audit. Because it has a positive sign of beta and contributing 38.6% of the variances for the promotion of good governance. Thus, neglecting these variables may cause to decrease the value of good governance promotion variance that was obtained from collective contribution of the four independent variables.
- On the other hand, since risk management and control of internal audit to promote good governance has negative sing of beta (-.018) and

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negative sign of t value (-.0223), it should be neglected because it will not cause to decrease the value of good governance promotion within the organizations because they have no role in actually managing risks rather they provide consulting services (Kampata, 2015).

- In addition, the correlation analysis shows all the independent variables have the positive effects on the good governance and the regression result also depicts all the independent variables except of risk management and control have a positive sign of coefficients (shown on table 4.10) with good governance in the public institutions.
- However, the management support role of internal audit was statistically not significant enough at 5% significant level to contribute for the promotion of good governance. Moreover, the risk management and control of internal audit was insignificant and have negative sign of beta values. Hence, this conclusion requires further research should be considered for obtaining the role of these variables in advance.
- Furthermore, the correlation analysis (see table 4.9) shown the contributions of the independent variables in promoting good governance. For instance, all variables were weekly correlated with promotion of good governance to the public institutions. Besides, this conclusion requires additional research should be considered so as to explicitly indicate the role of these elements in promoting good governance.

c) Recommendations

After the research had conducted, the researcher come up with findings and achieved results with regard to identify the major roles of internal audit practice to promote good governance in public institutions and also to prove the hypotheses, the following recommendations were made.

- The finding of this research proved that the formal mandate, Standards for the Professional Practice, competent staff of internal auditor and Organizational independences and objectivity of internal auditors were statistically significant and positively related with the promotion of good governance in the public institutions of Jimma zone. Thus, Jimma zone finance and economic development coordination office were recommended to provide continually evaluation to the internal audit charter for each woreda office;
- Jimma zone finance and economic development coordination office also should support the internal audit works by hiring sufficient number of internal auditors and funding the certification fees for the internal auditors.
- Facilitate, structure, and set the way of certifying them as well as provide additional trainings to advance their skills and ability to add their efficacy.
- The public institutions of Jimma zone should also give independency and autonomous right to their internal auditors to perform their professional obligations and duties by allowing the head of internal audit reports to a level within the organization that allows the internal audit to fulfill its responsibilities.
- This can be accomplished by letting the head of internal audit to have direct contact to the board (to the President for Government Organizations), making the internal audit department to have direct contact with senior management than the finance director, avoiding the presence of Conflict of interest in the work of internal auditors, avoiding interference faced from management to Internal auditors while they conduct their work, letting Internal audit staff to have free access to all departments and employees in the organization, directly approving the appointment and replacement of the head of internal auditing, restricting themselves from requesting Internal audit staff to perform non-audit functions.
- The internal auditors of the public sector office should recommended to maintain and improve their vital role for the promotion of good governance in their office, improving their professional certification in line with the institute of internal audit standards and organizational guidelines and introducing themselves with modern technologies that improve their internal audit function for their office.
- Finally, the internal audit staffs of the public sector recommended to work in accordance with the available internal audit charters, since it formally define the purpose, authority, and responsibility of the internal audit activity, and it also helps the internal auditors to provide the appropriate reports and to know the extent of their relationships with the managements, briefly describes their rights and duties of internal auditors and the employers.

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The FARSBA member can apply for grading and certification of standards of their educational and Institutional Degrees to Open Association of Research, Society U.S.A. Once you are designated as FARSBA, you may send us a scanned copy of all of your credentials. OARS will verify, grade and certify them. This will be based on your academic records, quality of research papers published by you, and some more criteria. After certification of all your credentials by OARS, they will be published on your Fellow Profile link on website https://associationofresearch.org which will be helpful to upgrade the dignity.

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The FARSBA is eligible to earn from sales proceeds of his/her researches/reference/review Books or literature, while publishing with Global Journals. The FARSBA can decide whether he/she would like to publish his/her research in a closed manner. In this case, whenever readers purchase that individual research paper for reading, maximum 60% of its profit earned as royalty by Global Journals, will be credited to his/her bank account. The entire entitled amount will be credited to his/her bank account exceeding limit of minimum fixed balance. There is no minimum time limit for collection. The FARSC member can decide its price and we can help in making the right decision.

The FARSBA member is eligible to join as a paid peer reviewer at Global Journals Incorporation (USA) and can get remuneration of 15% of author fees, taken from the author of a respective paper. After reviewing 5 or more papers you can request to transfer the amount to your bank account.

MEMBER OF ASSOCIATION OF RESEARCH SOCIETY IN BUSINESS (MARSBA)

The ' MARSBA ' title is accorded to a selected professional after the approval of the Editor-in-Chief / Editorial Board Members/Dean.

The “MARSBA” is a dignified ornament which is accorded to a person’s name viz. Dr. John E. Hall, Ph.D., MARSBA or William Walldroff, M.S., MARSBA.

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

The following benefitscan be availed by you only for next three years from the date of certification.

MARSBA designated members are entitled to avail a 25% discount while publishing their research papers (of a single author) in Global Journals Inc., if the same is accepted by our Editorial Board and Peer Reviewers. If you are a main author or co-author of a group of authors, you will get discount of 10%.

As MARSBA, you will be given a renowned, secure and free professional email address with 30 GB of space e.g. johnhall@globaljournals.org. This will include Webmail, Spam Assassin, Email Forwarders,Auto-Responders, Email Delivery Route tracing, etc.

We shall provide you intimation regarding launching of e-version of journal of your stream time to time.This may be utilized in your library for the enrichment of knowledge of your students as well as it can also be helpful for the concerned faculty members.

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

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

It is mandatory to read all terms and conditions carefully.

Auxiliary Memberships

Institutional Fellow of Open Association of Research Society (USA)-OARS (USA)

Global Journals Incorporation (USA) is accredited by Open Association of Research Society, U.S.A (OARS) and in turn, affiliates research institutions as "Institutional Fellow of Open Association of Research Society" (IFOARS).

The "FARSC" is a dignified title which is accorded to a person's name viz. Dr. John E. Hall, Ph.D., FARSC or William Walldroff, M.S., FARSC.

The IFOARS institution is entitled to form a Board comprised of one Chairperson and three to five board members preferably from different streams. The Board will be recognized as "Institutional Board of Open Association of Research Society"-(IBOARS).

The Institute will be entitled to following benefits:

The IBOARS can initially review research papers of their institute and recommend them to publish with respective journal of Global Journals. It can also review the papers of other institutions after obtaining our consent. The second review will be done by peer reviewer of Global Journals Incorporation (USA) The Board is at liberty to appoint a peer reviewer with the approval of chairperson after consulting us.

The author fees of such paper may be waived off up to 40%.

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

The IBOARS can organize symposium/seminar/conference in their country on behalf of Global Journals Incorporation (USA)-OARS (USA). The terms and conditions can be discussed separately.

The Board can also play vital role by exploring and giving valuable suggestions regarding the Standards of "Open Association of Research Society, U.S.A (OARS)" so that proper amendment can take place for the benefit of entire research community. We shall provide details of particular standard only on receipt of request from the Board.

The board members can also join us as Individual Fellow with 40% discount on total fees applicable to Individual Fellow. They will be entitled to avail all the benefits as declared. Please visit Individual Fellow-sub menu of GlobalJournals.org to have more relevant details.

We shall provide you intimation regarding launching of e-version of journal of your stream time to time. This may be utilized in your library for the enrichment of knowledge of your students as well as it can also be helpful for the concerned faculty members.

After nomination of your institution as "Institutional Fellow" and constantly functioning successfully for one year, we can consider giving recognition to your institute to function as Regional/Zonal office on our behalf.
The board can also take up the additional allied activities for betterment after our consultation.

The following entitlements are applicable to individual Fellows:

Open Association of Research Society, U.S.A (OARS) By-laws states that an individual Fellow may use the designations as applicable, or the corresponding initials. The Credentials of individual Fellow and Associate designations signify that the individual has gained knowledge of the fundamental concepts. One is magnanimous and proficient in an expertise course covering the professional code of conduct, and follows recognized standards of practice.

Open Association of Research Society (US)/ Global Journals Incorporation (USA), as described in Corporate Statements, are educational, research publishing and professional membership organizations. Achieving our individual Fellow or Associate status is based mainly on meeting stated educational research requirements.

Disbursement of 40% Royalty earned through Global Journals : Researcher = 50%, Peer Reviewer = 37.50%, Institution = 12.50% E.g. Out of 40%, the 20% benefit should be passed on to researcher, 15 % benefit towards remuneration should be given to a reviewer and remaining 5% is to be retained by the institution.

We shall provide print version of 12 issues of any three journals [as per your requirement] out of our 38 journals worth $ 2376 USD.

Other:

The individual Fellow and Associate designations accredited by Open Association of Research Society (US) credentials signify guarantees following achievements:

- The professional accredited with Fellow honor, is entitled to various benefits viz. name, fame, honor, regular flow of income, secured bright future, social status etc.

- In addition to above, if one is single author, then entitled to 40% discount on publishing research paper and can get 10%discount if one is co-author or main author among group of authors.
- The Fellow can organize symposium/seminar/conference on behalf of Global Journals Incorporation (USA) and he/she can also attend the same organized by other institutes on behalf of Global Journals.
- The Fellow can become member of Editorial Board Member after completing 3yrs.
- The Fellow can earn 60% of sales proceeds from the sale of reference/review books/literature/publishing of research paper.
- Fellow can also join as paid peer reviewer and earn 15% remuneration of author charges and can also get an opportunity to join as member of the Editorial Board of Global Journals Incorporation (USA)
- • This individual has learned the basic methods of applying those concepts and techniques to common challenging situations. This individual has further demonstrated an in–depth understanding of the application of suitable techniques to a particular area of research practice.

Note :

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- In future, if the board feels the necessity to change any board member, the same can be done with the consent of the chairperson along with anyone board member without our approval.
- In case, the chairperson needs to be replaced then consent of 2/3rd board members are required and they are also required to jointly pass the resolution copy of which should be sent to us. In such case, it will be compulsory to obtain our approval before replacement.
- In case of "Difference of Opinion [if any]" among the Board members, our decision will be final and binding to everyone. "

Preferred Author Guidelines

We accept the manuscript submissions in any standard (generic) format.

We typeset manuscripts using advanced typesetting tools like Adobe In Design, CorelDraw, TeXnicCenter, and TeXStudio. We usually recommend authors submit their research using any standard format they are comfortable with, and let Global Journals do the rest.

Alternatively, you can download our basic template from https://globaljournals.org/Template.zip

Authors should submit their complete paper/article, including text illustrations, graphics, conclusions, artwork, and tables. Authors who are not able to submit manuscript using the form above can email the manuscript department at submit@globaljournals.org or get in touch with chiefeditor@globaljournals.org if they wish to send the abstract before submission.

Before and during Submission

Authors must ensure the information provided during the submission of a paper is authentic. Please go through the following checklist before submitting:

1. Authors must go through the complete author guideline and understand and *agree to Global Journals' ethics and code of conduct,* along with author responsibilities.
2. Authors must accept the privacy policy, terms, and conditions of Global Journals.
3. Ensure corresponding author's email address and postal address are accurate and reachable.
4. Manuscript to be submitted must include keywords, an abstract, a paper title, co-author(s') names and details (email address, name, phone number, and institution), figures and illustrations in vector format including appropriate captions, tables, including titles and footnotes, a conclusion, results, acknowledgments and references.
5. Authors should submit paper in a ZIP archive if any supplementary files are required along with the paper.
6. Proper permissions must be acquired for the use of any copyrighted material.
7. Manuscript submitted *must not have been submitted or published elsewhere* and all authors must be aware of the submission.

Declaration of Conflicts of Interest

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

Policy on Plagiarism

Plagiarism is not acceptable in Global Journals submissions at all.

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

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

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

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

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

Changes in Authorship

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

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Appealing Decisions

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

Acknowledgments

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

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Preparing your Manuscript

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

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

Manuscript Style Instruction (Optional)

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

Structure and Format of Manuscript

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

A research paper must include:

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

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

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

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

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

Format Structure

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

All manuscripts submitted to Global Journals should include:

Title

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

Author details

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

Abstract

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

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

Keywords

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

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

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

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

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

Numerical Methods

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

Abbreviations

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

Formulas and equations

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

Tables, Figures, and Figure Legends

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

Figures

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

Preparation of Eletronic Figures for Publication

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

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

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

Tips for writing a good quality Management Research Paper

Techniques for writing a good quality management and business research paper:

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

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

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

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

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

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

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

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

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

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

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

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

13. Use good grammar: Always use good grammar and words that will have a positive impact on the evaluator; use of good vocabulary does not mean using tough words which the evaluator has to find in a dictionary. Do not fragment sentences. Eliminate one-word sentences. Do not ever use a big word when a smaller one would suffice.
Verbs have to be in agreement with their subjects. In a research paper, do not start sentences with conjunctions or finish them with prepositions. When writing formally, it is advisable to never split an infinitive because someone will (wrongly) complain. Avoid clichés like a disease. Always shun irritating alliteration. Use language which is simple and straightforward. Put together a neat summary.

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

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

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

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

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

19. Refresh your mind after intervals: Try to give your mind a rest by listening to soft music or sleeping in intervals. This will also improve your memory. Acquire colleagues: Always try to acquire colleagues. No matter how sharp you are, if you acquire colleagues, they can give you ideas which will be helpful to your research.

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

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

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

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

Informal Guidelines of Research Paper Writing

Key points to remember:

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

Final points:

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

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

The discussion section:

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

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

General style:

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

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

Mistakes to avoid:

- Insertion of a title at the foot of a page with subsequent text on the next page.
- Separating a table, chart, or figure—confine each to a single page.
- Submitting a manuscript with pages out of sequence.
- In every section of your document, use standard writing style, including articles ("a" and "the").
- Keep paying attention to the topic of the paper.

- Use paragraphs to split each significant point (excluding the abstract).
- Align the primary line of each section.
- Present your points in sound order.
- Use present tense to report well-accepted matters.
- Use past tense to describe specific results.
- Do not use familiar wording; don't address the reviewer directly. Don't use slang or superlatives.
- Avoid use of extra pictures—include only those figures essential to presenting results.

Title page:

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

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

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

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

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

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

Approach:

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

Introduction:

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

The following approach can create a valuable beginning:

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

Approach:

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

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

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

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

Materials:

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

Methods:

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

Approach:

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

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

What to keep away from:

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

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

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

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

Content:

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

What to stay away from:

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

Approach:

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

Approach:

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Describe generally acknowledged facts and main beliefs in present tense.

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Methods and Procedures	Clear and to the point with well arranged paragraph, precision and accuracy of facts and figures, well organized subheads	Difficult to comprehend with embarrassed text, too much explanation but completed	Incorrect and unorganized structure with hazy meaning
Result	Well organized, Clear and specific, Correct units with precision, correct data, well structuring of paragraph, no grammar and spelling mistake	Complete and embarrassed text, difficult to comprehend	Irregular format with wrong facts and figures
Discussion	Well organized, meaningful specification, sound conclusion, logical and concise explanation, highly structured paragraph reference cited	Wordy, unclear conclusion, spurious	Conclusion is not cited, unorganized, difficult to comprehend
References	Complete and correct format, well organized	Beside the point, Incomplete	Wrong format and structuring

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