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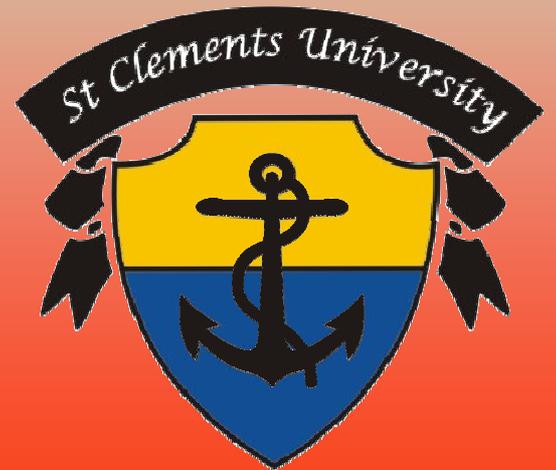
**Nature and Nurture
Interaction**

**Crossroad of Strategic
Planning - Evaluation of
Strategic Planning Tools**

**Opportunity of Financial
Investment in Cambodia**

**Repositioning NGO
Operations to Address Rural
Socio-Economic Development
Initiatives in a Post-Conflict
Scenario**

**Harnessing Nigeria's
Economic Potentials
for African Dominance
and Global Competitiveness**



**Syrian Minority Issues
and Kurds of Rojava**

**Sales Problems and
the Solutions of SMEs
in Cambodia**

Money in History

**Democracy and Popular
Right to Revolution:
Lessons from the
Arab World**

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**Veritas* is Latin for truth, reality.

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Old Greek Drachma coins that were replaced by Euro in 2002.

Photo: EPA/ORESTIS PANAGIOTOU

IN THIS ISSUE

Nature and Nurture Interaction – Olusegun Emmanuel Afolabi

Crossroad of Strategic Planning - Evaluation of Strategic Planning Tools – Ernest Ofori Asamoah

Opportunity of Financial Investment in Cambodia – Chhiv S. Thet

Repositioning NGO Operations to Address Rural Socio-Economic Development Initiatives in a Post-Conflict Scenario – Giacomo S. Bangura

Harnessing Nigeria's Economic Potentials for African Dominance and Global Competitiveness
– Gabriel Udendeh

Money in History – George Reiff

Syrian Minority Issues and Kurds of Rojava – Kemal Yildirm

Sales Problems and the Solutions of SMEs in Cambodia – Kao Kvang Hong

Democracy and Popular Right to Revolution: Lessons from the Arab World – Frederick Ozor

NATURE AND NURTURE INTERACTION - THE BASIS OF WHO WE ARE AND HOW WE BEHAVE

Olusegun Emmanuel Afolabi*

Historical Perspectives

The introduction of heredity and environment to human development has received mixed reactions since 1865. According to Galton, (1865), the first research work on heredity and environment was issued earlier before Mendel's paper. In 1924 the primary work on adoption and twin research on human development was reported (Merriman 1924; Theis 1924).

The start of the Second World War and the war crimes committed by the Nazi regime stopped the growth and development recorded in genetic science. Evidence documented high rates of abuse in genetics by the Nazi regime and this significantly threatened the world peace and human development.

The rise of behaviorism during this period (Watson 1930) showed the barrier faced in the advancement of hereditary science, and have a bearing on the behavioral sciences despite its supposedly reassuring concept that we are who we are because of our inherited gene.

Nevertheless, the work of genetic research on human behavior continues to push for the recognition of the significance of heredities and milieu on behaviour. The review of literature on the concept reported how psychology documented the influence of genetic and environment on twins and adoption studies (Plomin, DeFries, et al., 2001). Evidence shows that most studies on hereditary reported on the genetic impact on psychological disorders, behavior, intellectual infirmities and skills, and substance use and misuse.

A latest survey reported that over 90 percent of caregivers and educators described heredities as the lowest contributor to mental disorder, behavior, learning disabilities and intellect compare to the environment (Walker and Plomin 2005).

Nature and Nurture

There is a general assumption among scientist that support the causal correlation between environment, individuality and race. Consequently, the explanation of environment and heredity is based on their interpretation of the developing organism. Moreover, to accept and apply the definitions to human development, literatures are analyzed from the following perspectives: different evolutionary theory, contributions of modern experimental genetics, and the findings of the social sciences.

Nonetheless, the review of literature established that genetic and environment factors influence development of human behavior. The human being is a creation of genetics and background, while the present environment offers the basis for a proper explanation of current behavior. Therefore, the interaction between hereditary and environmental factors are peculiar, to humans, and any differences associated is linked to either nature or nurture influence. However, most researchers and traditional investigations have yielded inconclusive answers.

Most research work highlights and review diverse area under discussion to analyze human behavior and psychopathology, this includes learning about person approaches to mental disorder schizophrenia. Evidence shows that most assessments focus on the assumption that genetic and environmental interest in an additive way. This assertion support the general opinion of both geneticists and psychologists which explain that human behavior is grounded in the interaction of heredity and ecological (Haldane, 1938, Bjorklund & Pellegrini, 2002, Loevinger, 1943, Schwesinger, 1933 & Woodworth, 1941, Chiappe & MacDonald, 2005), and that the level of influence of each reason is based on role carried out by the other. Based on that, it is assumed that the relative connection of heredity to differences in a specified trait, not stable, will definitely differ under different ecological conditions. Though, these studies may offer answers to the debate concerning the influence of environment and genetics in human development, nevertheless, there is a need for further investigation that focuses on developing new ideas and in analyzing earlier studies.

Additionally, evidence shows that in diverse inherited settings, there is a high chance that relative support of the environment will vary. Similarly many research evidence shows that studies that measure the relative role of heredity and milieu, rarely explain how to measures such interaction. Literature showed that environment works in different manners from the way people assumed. This is evident in the socialization theories which explained that some part of the environment like socioeconomic status or couple's separation variably or invariable created a situation whereby children raise in the same environment are similar to each other. Moreover, environmental literature confirmed that heritable sensitive strategies have reliably initiated a varied design, by indicating how the situation that influences behavioral growth operate by making children reared in the household to behave differently (Plomin and Daniels 1987). Therefore, genetics and milieu influences all human conducts but the degree of each contribution is not measurable in some trait. This assertion further confirmed why some scholars regard the debate on heredity-environment as unworthy.

This assumption is quietly understood because children who did not share the same genetic factors, but reared in a similar adoptive household hardly take after or shared the same characteristics after the teenage years.

Research agreed that, siblings are a lot alike, nonetheless their resemblance is entrenched in their DNAs rather than in the shared situation. Though studies confirmed the significance of environment for lifespan development, however research on hereditary continue to proof that ecological factors influences children raised in the same household or families to behave differently and not shared similar characteristics. These situations are referred to as uninsured, and the reason for that is because they are not commonly experienced by children developing in a similar household. This notion consistently raised the question, why are the differences in behavior among children developing in the same household? On the other hand, evidence from literature pointed out that efforts has been made in the past two decades to determine the particular bases for nonshared setting, and at the same time, examine the degree of differences in parenting, companionships, well being, and casual know-hows that related to a wide array of conduct . But, until now, little success has been reported with various situations displaying considerable but minor effects (Plomin, Asbury, and Dunn 2001; Turkheimer and Waldron 2000). While, it was reported as very hard to deduce a particular nonshared ecological issues responsible for huge amounts of difference, it's worth mentioning that uncommon situation is, in a broader sense, refer to how circumstances operates to impact on behavior.

Methodological Approaches

The past decade has demonstrated a significant rise in studies that outline the link within a particular feature in the hereditary conditions of persons and their characteristics manners and features. This experience continues to show a major shift from expressive and correlation strategies of the past years to new purposeful challenges that validate illustrative hypotheses. Besides, categorizing differences in psychological traits have lent credence to the general beliefs about significant changes in a group features following situational adjustment.

Therefore, there is an urgent need to explore various ways that explain the interaction between heritable and ecological factors in the course of behavioral growth and at the same time, shows the etiological mechanism that supports the assumptions that any inherited or natural situation will eventually lead to a change in human trait. These assertions, though debatable, continue to dominate various research studies on human development particularly, the words, "how" of heredity and environment. Therefore, the following ideas and promising methodological approaches will answer the question "how" in this paper.

The Impact of Genetic Factors in Continuity and Change in Life Span Development

The use of genetically informative designs to analyze human behavior has demonstrated and unravels importance of, interindividual differences in trait scores

that come as a result of inherited attributes (i.e., genetics) and environmental influences. Similarly, recent studies on genetically informative longitudinal designs has unravelled the genetic and environmental factors that measured occasions, these include the process that estimate and explain the intensity of the stability of each element (i.e., hereditary and environmental continuity). Besides, recent literature shows that despite the assumptions of genetic continuity, it is not ideal and faultless (i.e., reliability coefficients are constantly minus 1) from childhood to adolescence stage (De Fruyt et al., 2006; Gillespie, Evans, Wright, & Martin, 2004; Spengler, Gottschling, & Spinath, 2012). On the other hand, most reviewed studies emphasis that during childhood and adolescence periods, fresh hereditary factors appeared and add to interindividual variation and sequential changes that exist in behaviour. Also, past and recent evidences on genetic influence showed that, similar to rank-order stability, genetic stability is enhanced from teenage years to middle age (Hopwood et al., 2011; Viken, Rose, Kaprio, & Koskenvuo, 1994) pending middle and late adulthood when it becomes stabilized and perfect (W. Johnson, McGue, & Krueger, 2005; Pedersen, 1993; Read, Vogler, Pedersen, & Johansson, 2006).

DNA

The most significant event in hereditary study was the invention of the organization of DNA. This discovery led to the appreciating of the major structure that constitutes DNA, i.e. heredity and DNA codes for protein. The review of literature maintained that the future of the hereditary study of behavior is based on molecular heritable research of DNA that detect precise DNA variations accounted for the general effect of genetic factors in behavioral change. Most research evidence shows that detecting the DNA variations helped in solving problems or matters that continually generating debates i.e. nature- nurture interaction, evolving, and multivariate instruments, with higher accuracy and influence. Research established that molecular inheritance significantly influences behavioral research and that studies do not need exceptional illustrations like in empirical hereditary research of twins and adoptee.

Similarly, research established that DNA can be acquired without much difficulty (from cheek wipes rather than blood), and this experience is also applicable to genotype of a DNA sign, which is also seen as economically (around 10¢ per person). Besides, research recognized the importance of the technique called gene chips (microarrays) that can be used to determine the genotype gene for hundreds of thousands people within a period of three days (Butcher et al. 2004). Thus, research literature on genetic influence on behaviour maintaining that it is easier and cheaper to implore a recognized gene than looking for genes related with difficult personalities. This is because such practice brings an important

heritable element to behavioral study (Plomin et al. 2003b).

Research also indicated that gene is the most single recognized threat feature for usual late-onset Alzheimer (LOAD) and that apolipoprotein E (APOE), significantly engaged in transporting saturated fatty acid. Studies confirmed that allele 4 genes definitely upsurges the danger fivefold for LOAD and documentation of the relationship amongst APOE allele 4 and LOAD was detailed ten years ago (Corder et al. 1993). Thus, there is abundant study currently focusing on the dementia of genotypes members for APOE which determine if it has different implication for persons with or devoid of this inherited threat features (e.g., Laurin et al. 2004; Mukamal et al. 2003; Podewils et al. Besides, studies maintain that genotyping APOE will turn out to be monotonous in a health setting if heritable threat influence is recognized as a predictor of differential reaction to mediations or cures. Therefore, based on the recent development in the area, quite a lot of extensive behavioral works are presently procuring DNA on their models in hopes for the period when genetic factor is recognized as applicable to their field of interest.

The Effect of Environmental Factors in Continuity and Change in Life Span Development

The results from environment studies on behavior do without question, offers evidence to support the statement that the secured inherited gap that happened in a person's when he or she become 40yrs, is not related to the putrefaction of stability coefficients reported in older age. Though, whether this assumption is convincing enough or merely suggestive is debatable among researchers. Nevertheless, review of literature showed that those nongenetic influences add to rank-order continuousness. In a similar findings from a broad range of genetically informative studies, Johnson, Vernon, and Feiler, (2008) reported that the main nongenetic basis of a person's dissimilarity in neuroticism and extroversion is unambiguous (i.e., not distributed through relatives nurtured as one) and this according to their findings are referred to as *nonshared environmental effects*.

However, from a behavioral genetics perception, "environmental" include physiologically and biochemically intervened consequences, such as situational or ecologically triggered epigenetic influences. This illustrates that shared environmental factors demonstrate the disparity in permanence (i.e., environmental continuity) in term of age analyzed. In a similar study conducted by Gillespie et al., (2004) they reported that children who are twins and age between 12yrs and 16yrs, showed significant low coefficients in ecological continuity for extraversion (i.e. .17 and .18 was reported for males and females respectively) and neuroticism (.12 and .36 for male and females) respectively.

Additionally, Hopwood et al, (2011) conducted a study on developmental changes commencing teenage years

on the way to adulthood (i.e. 17- 24yrs) and reported natural-continuity constants of .36 for negative emotive (neuroticism), .37 in support of common positive expressivity, and .39 for inherited constructive emotive in behavior, while (the last two qualities represent parts of extraversion). Moreover, the study also investigates the continuity sequence within the ages of 24 - 29, and for this intermission, they reported larger ecological continuity, with constants varied between .56 - .60. Moreover, in another related study, Johnson et.al, (2005) detailed 5-year ecological-stability constants over .70 for middle adulthood. In addition, findings from other studies show high decrease in environmental continuity in old age (Pedersen & Reynolds, 1998; Read et al., 2006).

The Genetic - Environmental Interaction

The evidence often cited in various research studies in support of genetics and environment interaction shows that there is a high correlation between life narratives, memories and experiences, and this may have cumulative effects across the life span. Accordingly, results confirmed that environment has significant consequences of interindividual disparities on neuroticism and extraversion and also enhance through age, hence, results to ecological variance (McCartney, Harris, & Bernieri, 1990). Nevertheless, research also established that an increase in interindividual difference as a result of the ecological effects that rise with age, will lead to decrease in gaps that come from genetic effects and that inherited assessed qualities decrease with age. Thus, most studies on genetics that have measured heritability assess for diverse age cluster (e.g., Loehlin & Martin, 2001) reported no considerable disparities between age groups.

On the contrary, findings from studies combining cross-sectional information (on diverse age cohorts) and longitudinal information continue to show how heritability estimation lessening by age (Kandler et al., 2010; Viken et al., 1994). Besides, recent evidence from review of literature confirmed that other researchers have derived various methods that ascribe various personality changes to ecological factors like personal necessities in social roles (e.g., worker, partner, caregiver) associated capitals ([Roberts & Wood, 2006](#)), normative life expectancy stages (e.g., moving from one's paternal home, finishing education/ a trade, leaving job due to old age), personal life situation that influence action that changes ones life (e.g., accidents, having a child or, marriage). To sum it up, research maintained that everything being equal; personality growth and adjustment are significantly linked with age-graded social functions and correlated expertise ([Roberts, Wood, & Caspi, 2008](#)).

Therefore, another genetically revealing meta-analytic review study of fifteen diverse age groups showed high correlation between the amount of irritability of neuroticism and extraversion and age studied. This heritability of extraversion has a propensity to increase in people in their early 40s, and later declines continue,

while for neuroticism, research shows that heritability progressively decreases when people have reached adulthood. The model observed amid cognitive ability with age, shows differences in the genetic contributions to interindividual disparities in neuroticism and extraversion. However, studies on cognitive abilities continually show how genetics rise with age (W. Johnson, 2010) and this confirmed that genetic material and environmental effects differentially contribute to human behavior (i.e. Personality) and the level of their competence (i.e. abilities or skills). Therefore, a boost in the degree of behavioral trait inherent may replicate high consequence of dynamic and complex inheritable factor- environment correlations.

This assumption proves that individuals actively manipulate and influence their surroundings (e.g., by change their acquaintances, abodes, or professions) or exhibit social responses that relates to their heritable susceptible qualities. Similarly, environments and social reactions, influences the individual's disposition. For instance, a hereditarily extroverted person may perceive life expectancy events as manageable and constructive. Nonetheless, understanding life expectancy as manageable and productive will definitely enhance that kind of person's strengths of extraversion (Kandler, Bleidorn, Riemann, Angleitner, & Spinath, 2012). This shows that, inherited effects to a degree build the ecological effects accounting for the mounting genetics components. Therefore, the procedures needed in inheritable factor -environment correlations determine the progression of reasoning abilities through the lifespan and the growth of extraversion in the earlier year.

Cultural Studies

Another potential study about the environment and genetic influence on human development was sighted in the relative study of nurturing practices in diverse beliefs and cultures. One of the earlier researches on culture was reported in the study conducted by Whiting and Child (1953). The study makes use of data on 75 local people from the Cross-Cultural Files of the Yale Institute of Human Relations, to check the amount of assumptions concerning associations on nurturing practices and behavioral growth. This investigation was trailed by field remarks in five cultures, the effects of which up till now are not documented (Whiting, et al, 1954). However, evidence on similar studies conducted emphasized more on various psychological situations offered by diverse social classes (Davis, et al., 1946).

Nevertheless, one of the most interesting studies is the one conducted by Williams and Scott, (1953) which focused on the relationship concerning socioeconomic level, broad-mindedness, and motor -progression amongst Negro children, and the investigative study by Milner, (1951) on the connection involving the reading willingness in first-grade youngsters and methods of parent-child relations. Milner, in his findings reported disparity between the lower-class child and the middle-class child. Moreover, the study analyzed the disparity

between the two classes of children as "a heartfelt progressive family situation or adult-engagement system which act or seen as a motivational requirement for adult-controlled learning." However, the findings indicated that children from the lower-class see adults as mostly hostile. Furthermore, the study reported a broad prospect to relate orally to adult members in a household as a motivating factor. i.e. (attitude demonstrated by parents on chatting during meal time), Besides, study showed that parents from lower background tend to suppress and dampen down such discussion, on the other hand, parents from well to do family background will encourage such engagement in their home.

Twin Studies

It has been well established that the argument about nature and nurture influence on human behavior cannot complete without exploring research on twin studies. However, recent evidence shows that most well-liked research on twin studies focuses on evaluating the resemblance between MZ and DZ twins jointly raised in the same environment or on a variable of interest (Jang, 2005). Research shows that both Identical twins, and monozygotic twins, are siblings with shared genotypes. Besides, study of identical twins serves as the best indicator that measures the significant influence of biology on traits and psychopathology in human development. For example, for a twin to have a dark hair or brown eyes, then the other twin will share the same characteristic of dark hair or brown eyes as well; nevertheless, the concept of identical genes perfectly match the phenotypes that forms the orientation and character of identical twins (Plomin, DeFries, McClearn, & Rutter, 1997).

Also, earlier studies of identical twins, or dizygotic twins, shows that they shared half of their genetic traits with one another. Moreover, despite sharing 50% genetic traits, they provide less interpretation like identical twins in interpreting the level of heritable effect, but, they act as a commendable point of reference meant for evaluating identical twins. The study of fraternal twins shows the similarity that exists in first-degree family, except that they are not sharing the precise same age, like identical twins. Consequently, twin research typically depends on an illustration of monozygotic and dizygotic twins; however, in a situation where biological influence is much more than ecological influence, dizygotic twins would have or display psychopathology behavior similar to each other compare to monozygotic twins (Plomin et al., 1997).

This assertion further highlights the significant influence of heritability coefficient in human behavior i.e. the estimate of how individual's particular trait compares to others with similar characteristic is related to genetic materials (Olson, Vernon, Harris, Aitken, & Jang, 2001). Hence, research shows that the coefficient is significantly higher in identical twins compare to fraternal twins. On the other hand, research confirmed

that identical twins often show diverse phenotypes (outside manifestation of genes) for similar genotypes (inherited composition). Therefore, studies explained that these attributes if noticed, represent nonshared situations. Moreover, despite identical twins sharing the same genetic composition, they may experience different orientation all through their lives and this actually form the personality, behavior, and psychopathology that further express and uphold their uniqueness from one another (Hughes et al., 2005).

Attitudes

In addition Olson et al., (2001) conducted a study that defines the inherited of mindset and the innate features, such as cognitive which influence feelings and behavior among pairs of twins. Their findings show that there is significant correlation between attitudes displayed by the participants and genetic factors. The results also identified that assertiveness linked to self-reported perceptions or actions are frequently connected. The study for instance, asked the participants to grade the characteristic of their friendliness, and the findings show that the trait was related to 5 out of 6 behavioral features the participants displayed toward friendliness. Also the reports confirmed high correlation between attitudes toward athleticism and self-reported athletic abilities. The research highlights that a contributory model was particularly sustained for the reason that the physical ability (the mediator), is related to approaches toward athleticism. However, despite the general assertion on this model, it was revealed that the model is not free of criticisms, for example, it is difficult to believe that X is the source for the occurrence of Y in all circumstances. However, the approach to governance seemed to be connected to soaring self-ratings of physical attraction, friendliness, and fierceness. Nevertheless, the implication of these factors on behavior, showed that it is not probable to correctly think of constant associations regarding inherited traits and approaches to life (Olson et al., 2001).

Additionally, studies proofs that uninsured background experiences between duos of twins played significant impacts in determining the level of attitude variances and this overriding heritable predisposition and collective environment involvements (Olson et al., 2001). Moreover the term nonshared setting refers to as the element within the environment that have direct influence on one of the twins while the other one remain constant (Van den Oord, Boomsma, & Verhulst, 2000). However, some of the nonshared environment experiences are highly related to feelings and self-assessment of physical features and cleverness (Olson et al.). This debate and findings lead to the need for future research and questions about nonshared environments: why twins' behaviors and personalities are influenced by different environments? And why are some behaviors are linked to heredity, while others are not?

Theory of Mind

A study shows that beliefs, intents, and desires are very paramount to the development of human mental state. This assertion is well mentioned in various studies on human development as a theory of mind and clearly explained falsely interpretation or representation of the object and situation of a child at the age of four. However, based on these findings, research continues to search for answer on what really accounts for the variation in children false-belief grasp between biology and environment? Though, numerous evidences proved that children from extended families developed fast attainment of assumption of mind, but hearing-impaired children born to families of hearing adult's shows slow accomplishment of theory of mind. Though, this situation is due to cultural influences that come because of environmental influences. Moreover research also reported that children with autism disorder also exhibit impaired theory of minds, these include girls diagnosed of chromosomal disorder Turner's syndrome. However the development is linked to heritable effects (Hughes et al., 2005).

Hughes et al., (2005) conducted a research on identical and fraternal twin to test the implication of genetic and environment of theory of mind. The study explores social status, spoken ability, and last but not the least, the assumption of mind of each subject. The survey questions contained information that tested the aptitudes of participant to tie a phony conviction around a character presented the stories given, while the second phase of the survey package contains questions that measured the participants' skills to assume and abilities to deduce an untrue conviction about behavior in a given story. However, their finding shows that the recorded variation that existed between the twin's theories of minds is due to uninsured environments and the proportional power in lessening direction were linked to common situations, vocal aptitudes, and heredity. Therefore, a family with twins is associated with high sense of competitiveness. The more the people in a household talk about issues, the faster the concept of mindfulness. This study further confirmed that environmental influences are more significant than heritable influences in the growth of concept of awareness in children. This situation does not overshadow the reality of genetic materials and features completely (Hughes et al., 2005).

Adoption Studies

Interestingly, research on adoption and how it influences human behavior and psychopathology is highly debated by researchers studying heredity and environment. Numerous evidence shows that adoption studies are very vital to human development and contain factors that invariably responsible for the disparities in human behavior: biological caregivers and environmental caregivers. Similarly, evidence shows that the significant relationship that is associated biological ancestries and the adopted youngster is influenced or related to genetics. Likewise, research

also revealed that any association or links involving the adoptive parents, and the adopted youngster is typically ascribed to the contextual setting (Plomin et al., 1997).

Additionally a review of literature consistently mentioned that the basis for research on adoption is to ascertain if the adopted offspring have the same characteristic like their blood relatives which is a sign of heredity effects, and their common environmental effects which signifies their connection with their adoptive families. Reports show that most of the work on adoption studies was carried out in Scandinavian countries, where the researchers are allowed to assess and use the national records to determine relatively vast and representative cohorts of adopted persons along with their adoptive and biological relatives. Similar to twin studies, most research work on adoption studies are exploring from empirical research, the majority of which supported the effectiveness of this method (Cadoret 1986, Plomin et al 1990b). However, an adoptive household represent those who are poor and the underprivileged people in the society thus limited the significance of ecological effects in adoption research. Therefore, ecological implications are related to the few fortunate or generally established middle classes.

Intelligence

Research has continued to associate individual uniqueness in intelligence as a noticeable feature of human psychology, and as a strong predictor of individual life outcome. The source of individual differences in IQ is mostly discussed, and this discussion continuously ponders on whether differences noted in IQ are related to heredities or the environment, usually denoted as the “nature vs nurture” discussion. Evidence long established that the origin and heritability of intelligence continue to divide scholars’ opinion particularly how differences in human intelligence is attributed to genetics and not environmental. Recent evidence shows that most of the argument is based on whether the elements of IQ instability alter with age or splitting ecological effects into common and uncommon elements. Thus absence of empirical foundation that supports both the natural and the ecological theories is confirmed by a huge chain of data collated in the past years. In fact, reports showed that inconsistency in reasoning skills and behavior in person is due to the interaction of inherited and ecological factors. Therefore common environment is seen as all ecological factors that make people who grew up or reared in the same household to behave in the same way. This situation includes family features such as socioeconomic status, parenting practices, ethnic factors (Jensen, 1997).

The reviewed literature established that most of the research work that reported low significant effect of a common environment on adult intelligence originated from adoption studies. In fact, most of the reviewed literature established nine studies on the topic. However, evidence shows that seven of such studies,

Petrill et al. (2004) — mostly contain IQ scores of children and adolescence, age between 0-16 years who participated in the studies. Moreover, one of the nine research work engaged young people between the age of 16 - 22 years, and the average age of 18 years. (Scarr & Weinberg, 1978) Also, Teasdale and Owen, (1984) in their study engaged mostly 18yrs older people; and last but the least Loehlin et al., (1997) used a longitudinal research and administered IQ tests on participated member one time at a median age of 8 and 10 years respectively. Research documented high rise in the transmission of IQ through age by reported about 30% in infancy to 80% in adulthood (Spinath et al, 2006; Johnson et al, 2007; Jacobs et al, 2007; Edmonds et al, 2008; Deary et al, 2009). However, existing models of genetics-environment associations of human intellect assume that every age indicates particular genetic and environmental effects, and this resulted in variation of IQ in the same person (Brant et al, 2009). This according to research is related to the inherent regulator on the morphological modifications that disturb brain in the course of development, with the galvanization of varied genetic factors at diverse ages (Deary et al, 2009).

However, apart from the impact of the hereditary influence rise through growth, reports documented that non-shared setting adds significantly to adjust through the ages, while common ecological effects decline, and unassertive in adulthood as related to infancy (Brant et al, 2009). Thus, non-common setting comprises elements expected of each person, and these practices are denoted by several ethnic and societal factors. Therefore, individual interest such as , reading, viewing TV, interests, are deduced as non-shared settings and they play a significant impacts in determining reasoning abilities in later life. Interestingly, most evidence of adoption studies also buttressed the general assumption that significant effects of common environment on intelligence are limited to infancy and early teenage years. This statement continues to raise serious debate because most of the adoptive families might not be a true representative of the whole population. This is because the adoptive parents are either chosen by the organizations or select themselves and apart from that evidence shows that they are well positioned, considerably older, educated and richer than natural parents. Most of the adoptive parents took the decision to adopt because of their flair for raising children. This they do after serious consideration and planning and it’s quite different from biological children that were a result of unintended gestations. Also, in most cases, people who are unfortunate in life, particularly those who are poor, those with a history of drugs, alcohol, conduct disorders and last but not the least those who have problems of having their own kids are mostly excluded from adopting children.

Schizophrenia

An earlier study on adoption shows that family environment has a less significant influence on child's mental disorder such as schizophrenia. However, in a study carried out on adopting offspring of biological mothers who have a medical condition of schizophrenia, and that of adopted offspring whom biological parents are free of mental disorder, reports show that there is a significant relation between adopted children of schizophrenic mothers and schizophrenia, while adopted children of parents who didn't suffer schizophrenia show no sign of schizophrenia in life. Moreover, this supports the general assumption that no matter the theoretical perspectives, the particular environment that a child grew up did not influence risk for a disorder. For instance, if a child's parent or parents have a medical condition of mental disorder, there is a high tendency that the child will experience the same risk disorder even if he or she is nurtured by biological or adoptive parents (Plomin et al., 1997). Furthermore, evidence from the review of literature on adoption studies showed high proportion and significant correlation between adoptees of birth parents with schizophrenia, and flaunted schizophrenic-like behaviors. Most research findings on child adoptees whose real parents did not have schizophrenia or having a condition of schizophrenia themselves, shows that only a small proportion of them have a schizophrenic - type condition. Besides, review of current studies on adoption maintained similar findings and reported that a large percentage of proband adoptees showed signs of psychotic symptoms; while other evidence confirmed that little percentage of control adopted children demonstrated the symptoms.

Additionally, the adoptees whom his/her natural caregiver experienced schizophrenia will show greater chances of schizophrenia or related associated syndromes if the adoptive relatives have low functioning. Therefore, these and other related findings continue to support the assumption of genotype-environment interaction theory, and further lay credence to the general expression that genotype is related to the environmental background (Plomin et al., 1997). Despite the success recorded in earlier research about genotype-environment interaction; evidence continues to indicate the difficulties encounter in answering what openly causes schizophrenia, and why it is not highly noticed amongst adopted children. Consequently, one of the main concerns recorded in literature is the lack of information of a genetic material that bears the syndrome schizophrenia. Hence, it is new to figure out whether such genetics factor exists in human beings, and if so, results show that it is doubly difficult to comprehend at what level does this potential gene control these forms of adoption studies (Loehlin, Willerman, & Horn, 1988).

Conclusion

This paper emphasized mainly on research evidence of the interaction between nature and nurture on behavior. Although the idea of a correlation between heredity and environment are well mentioned in various literature, the debate about various problems associated with heredity-environment issues, including the feasibility of these problems is ongoing till date. However the argument about, "Which one?" and "How much?" is now replaced by more fundamental and suitable question, "How?" genetic influences— as well as environmental issues of an organic environment— differ along a "continuum of implicitness." Therefore, it was established that the more circuitous their relationship with behavior, the wider will be the range of disparity of possible effects. For example, one powerful instance of a range of indirectness is clarified by analyzing metal deficiency that comes as a result of brain damage; moreover other examples illustrate the physical quality linked with social stereotypes. In addition studies show that factors such as deafness, physical diseases, and motor disorders deteriorating at middle points.

Furthermore, reports confirmed that ecological factors which directly influence behavior is well-organized along a continuum of the breadth or stability of effect, as demonstrated by being part of a social class, level of education attained, speech handicap, and acquainted with specific test items. Recent studies give clear facts and method that look at the modus operandi of hereditary and environmental factors. However, the most mentioned among them includes: the explorations of, (a) inherited conditions that explain or trigger differences in behavior among selectively bred groups of animals; (b) associations between physiological variables and personality differences, particularly in the case of pathological deviations; (c) function of prenatal physiological issues in behavior development. At the same time, the evidence confirmed that environmental bases add to this rising continuity and declining stability that develop in old age. Therefore, environmental influences become visible and cumulate across the life span and lead to the decline of the inherited contribution to differences in neuroticism and extraversion with age, a guide indicating enduring changes in personality owing to ecological effects.

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AT THE CROSSROAD OF STRATEGIC PLANNING - EVALUATION OF STRATEGIC PLANNING TOOLS

Dr Ernest Ofori Asamoah*

Abstract

Nothing is more obvious than the unpredictability of the future. Uncertainty has become so pronounced as to render futile the kind of planning traditionally employed by governments and corporations – forecasting based on probabilities.

A special approach toward projecting potential futures, so as to improve present decisions, is thus required. Scenario building, and the learning process that goes with it, is such a technique.

Scenario building is a process that is used in strategic planning in providing possible future scenarios for an organization and helping the organization to better understand its environment.

Scenario building offers a methodology for understanding a whole range of forces, factors and possibilities that present themselves in future planning. This paper reviews related literature on scenario building including its origin, purpose and uses, processes in developing scenarios and adopt a model scenario building process which will be the pattern to be used.

Further to these is a review of literature on related methods of analysing the future such as SWOT, Delphi, simulations, BCG Matrix, GE, etc.

Keywords: Strategic Planning, BCG Matrix, Delphi, GE Matrix, TOWS Matrix.

1.0. The Concept of Strategic Planning

Strategic planning has been defined differently by various authors. Young (2003) defined strategic planning as 'a formal yet flexible process to determine where an organisation is currently and where it should be in the future. The substantive issues are however, the same; they focus on making plans and taking actions today for the future prosperity and competitiveness of a firm in its environment with the optimal use of available resources. According to Ilesanmi (2011), strategic planning refers to the formulation and implementation of plans and the carrying out of activities relating to the matters which are of vital, pervasive or continuing importance to the organization. In short, it implies a set of activities related to the formulation and implementation of strategies to achieve organizational objectives. McNamara (2008) identifies some of the major activities that are common to all strategic planning processes as conducting a strategic analysis; setting the strategic direction, action planning that is, carefully

laying out how the strategic goals will be accomplished.

Chandler (2005), Andrews (1980) and Porter (1980) are unanimous in stating that strategic planning is a systematic process by which an organization formulates achievable policy or objective for the future growth and development over the long term, based on its mission, vision and goals and on a realistic assessment of the human and material resources available to implement the plan. Dubrin (2006) suggest that SP encompasses all those activities that lead to the statement of goals and objectives and the choice of strategies to achieve them. Gluck, Kaufman and Walleck (1980) add that it is a unified, comprehensive and integrated plan designed to ensure that objectives of the enterprise are achieved. This intricate and complex nature is borne out by David (2003) who espouses that strategic planning takes an organization into uncharted territories and does not provide ready-to-use prescriptions for success.

Based upon the discussion to this point there is a fairly common denominator or consensus of the authors that strategic planning is a process whereby an organization looks at its resources and the environment, and tries to determine where the organization should be going in the near future (three to five years typically). The question therefore is what tools are available to assist top management in planning strategically and how reliable are these tools? Are there future planning tools that makes strategic planning more reliable? Strategic planning tools and related methods of analyzing the future such as SWOT, Delphi, simulations, BCG Matrix, GE, etc. are used but scenario planning generally provides more reliable results.

2.0. Strategic Planning Tools

Several tools are available to improve the quality of decisions for strategic planning. Some of the well-known techniques are BCG Growth Share Matrix, GE Matrix, Delphi, SWOT analyses, portfolio analysis, and simulations of present realities, to name a few (Georgantzas & Acar, 1995; Ringland, 1998).

2.1. BCG Growth Share Matrix

Developed by the Boston Consulting Group (BCG), the growth- share matrix proposes that all except the smallest simplest organizations are composed of more than one business.

The BCG approach proposes that a separate strategy be developed for each of these largely independent units, i.e. the SBUs.

In order to visually display an organization's portfolio, BCG developed a four- quadrant grid. The horizontal axis indicates the market share of the business relative to its major competitor and characterizes the strength of the organization in that business.

The market share for any particular year is calculated as follows:

$$\text{Relative Market Share (Current year)} = \frac{\text{Business Unit Sales (Current year)}}{\text{Leading Competitor's Sales (Current year)}}$$

The vertical axis indicates the percentage of growth in the market (i.e. annual industry growth rate) in the current year and characterizes the attractiveness of the market for the business unit

The market growth rate is calculated as follows:

$$\text{Market Growth Rate (Current year)} = \frac{\text{Total Market (Current year)} - \text{Total Market (Previous year)}}{\text{Total Market (Previous year)}}$$

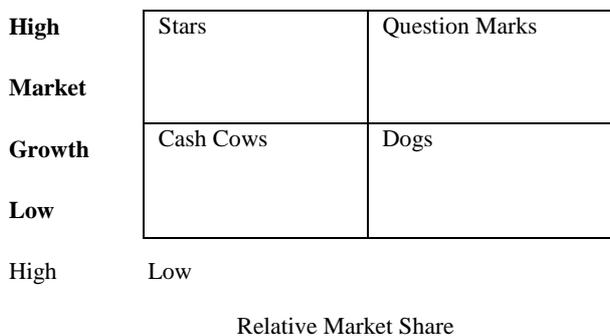


Fig. 1: Boston Consulting Group Matrix

The lines that divide the matrix into four quadrants are somewhat arbitrarily set.

BCG describes the four quadrants of the growth- share matrix as follows:

Cash cow is a leading SBU (high market share) in a mature or declining industry (low growth). Because of high market share, profit and cash generation should be high. The low rate of growth means that the cash demands should be low. Thus, large cash to meet company needs and are thus the foundation of the company. Cash cows pay the dividend and interest, provide the debt capacity, pay the corporate overhead and provide the cash for investment elsewhere in the company's portfolio of business (Hedley 1977). They are not attractive areas for investment and their goods earnings should not be used incorrectly to justify continued investment in the hope that growth can be increased. The objectives should be to maximize cash flow consistent with retaining markets dominance, including investments in the retention of technological leadership.

A **Dog** is an SBU with low market share and low market growth. The former normally implies poor profits. Because the growth rate is low, investments to increase market share are often prohibitive. Unfortunately, the cash required to maintaining a competitive position often exceeds the cash generated. Thus, dogs often become cash traps.

According to Evans and Berman (1995), a dog usually has cost disadvantages and few growth opportunities. A firm with such an SBU can appeal to a specialized market; harvest profits by cutting support services, or leave the market. Generally, dogs are harvested or divested.

A **Question Mark** is an SBU with low market share and high market growth rate. Their cash needs are high because of their growth, and the cash generated is low because of their market share. Because growth is high, one strategy for a question mark is to make the necessary investments to gain market share and become a star. Evans and Berman (1995) assert that to improve, there must be a big marketing investment in the face of such strong competition. The firm must decide whether to beat up promotion, add distributors, improve product attributes, and cut process – or to abandon the market. When the market growth rate slows, the unit can then become a cash cow. Another strategy is to divest the question mark that management feels cannot be developed into stars. If the market position is not improved before market growth slows, the business will become frozen in and become a dog.

2.2. Planning Grid (General Electric)

General Electric (GE) was a pioneer in the development of corporate portfolio analysis. GE's approach was inspired by its need to fund the plans with the greatest potential for success. GE felt that a wide variety of factors needed to be identified and assessed in order to develop an effective display of its business units. The two dimensions chosen to evaluate business units were business strength and industry attractiveness. Some of the factors that influence business unit strength include market share held, profitability, competitive position, image and quality of the management and employees of the business unit. Industry attractiveness is also judged on a number of factors- sizes of market, market growth rate, industry profitability, technological advances, competitive structure, and pricing practices. Industry attractiveness is rated as either low, medium or high. The same rating is used for business unit strength.

Industry Attractiveness

		←		
		High	Medium	Low
Business unit strength	Strong	Very Attractive	Attractive	Acceptable
	Medium	Attractive	Acceptable	To be avoided
	Weak	Acceptable	To be avoided	To be avoided

Fig. 2: Planning Grid

The choice of factors and the weight assessed for each factor may vary from business unit to business unit. Critical external factors are not directly controllable by the organization and help determine the overall attractiveness of the industry in which the business units factors. After identifying and assessing these critical external factors, the management of the organization must make a decision on whether the industry has a low, medium, or high attractiveness. Critical internal factors, or critical success factors as they are frequently called, are generally controllable by the organization and help determine the business unit’s strength. Again, management must make a decision on whether the business unit’s strength is low, medium or high. Considerable expertise and experience are required if the rating process is to be effective. The rating process is valuable because it requires the management of an organization to examine the critical external and critical success factors and judge where a particular business unit stands in relationship to these factors.

Portfolio models may not apply to all business units, and detailed strategic planning is required for each business unit to avoid the problems associated with unquestioning applications of the models.

2.3. TOWS Matrix

TOWS can also be used to generate a number of possible alternative strategies. According to Wheelen and Hunger (2008), the TOWS Matrix illustrates how the external opportunities and threats facing an organization can be matched with its internal strengths and weaknesses to result in four sets of possible strategic alternatives. To Wheelen and Hunger, this is a good way to use brainstorming to create alternative strategies that might not otherwise be considered. It forces strategic managers to create various kinds of growth as well as retrenchment strategies. It can be used to generate corporate as well as business strategies. To build a TOWS Matrix the following steps are suggested (Wheelen and Hunger 2008).

INTERNAL FACTORS	Strengths (S) List 5-10 internal strengths here	Weakness (W) List 5-10 internal weaknesses here
EXTERNAL FACTORS	Opportunities (O) List 5-10 external threats here	Threats (T) List 5-10 external threats here
Opportunities (O) List 5-10 external threats here	SO Strategies Generate strategies here that use strengths to take advantage of opportunities.	WO Strategies Generate strategies here that take advantages of opportunities by overcoming weaknesses
Threats (T) List 5-10 external threats here	ST Strategies Generate strategies here and use strengths to avoid threats.	WT Strategies Generate strategies here that minimize weaknesses and avoid threats.

Fig. 3: TOWS Matrix

As Wheelen and Hunger (2008) emphasize, the TOWS Matrix is very useful for generating a series of alternatives that the decision-makers of a company or business unit might not otherwise have considered. It can be used for the company as a whole or it can be used for a specific business unit within a company in terms of possible competitive and cooperative strategies. Socio-political changes in the external environment have become critical in making strategies. Facing the rapidly changing environment, organizations' executives have become increasingly interested in understanding environmental factors (Georgantzas & Acar, 1985). Since the 1960s, organizational theorists paid much attention to the relationship between organizations and their environments (Aldrich 1979).

2.4. Delphi

Many business and government organizations have actively used environmental forecasting; one of the popular techniques is the Delphi technique. This method, developed by the RAND Corporation in the 1950s, estimates the future based on experts' evaluation. It asks an anonymous panel of experts to estimate individually the probability of certain events occurring in the future. After scoring or weighting their estimates, the panel members are given several chances to revise their answers, and receive feedback on the distribution of the panel's evaluation. The goal of this technique is to have participants converge on future views by comparing their answers with those of others.

2.5. Portfolio Analysis

This technique is often used for analyzing market attraction or market growth based on a number of widely differing factors. It shows the present situation of an organization with its various strategic business parts with regard to the organization's competitors. However, it has limits in predicting the future because it takes a present situation and portfolio as a starting point without knowing how the environment will change in the future. Rather, it is a useful tool to define an existing situation with reference to competitors (von Reibnitz, 1988).

2.6. Simulations

Simulation models enable managers and strategists to evaluate and depict systematically possible future developments. These models use statistical analyses and government-supported research programs to evaluate diverse results. Von Reibnitz (1988) maintained that this technique has a major problem in that no individual strategist is humanly able to conceive future situations and comprehend their diversity appropriately. Although this method theoretically assumes that simulation models can depict all conceivable factors, individual planner's capacity to digest the future situations and make decisions is limited.

2.7. The Concept of Scenario Building

Scenario building is a useful tool for planning as managers found errors in general planning methods in the past.

A scenario approach involves developing future environmental situations and describing the path from any given present situation to these future situations.

Scenario building is an instrument that assists decision-makers by providing a context for planning and programming, lowering the level of uncertainty and raising the level of knowledge in relation to the consequences of actions which have been taken, or are going to be taken, in the present.

The use of scenario techniques has several strengths:

The strengths of scenarios are that they do not describe just one future, but that several realizable or desirable futures are placed side by side (multiple futures).

- Second, scenarios open up the mind to hitherto unimaginable possibilities and challenge long-held internal beliefs of an organisation; moreover, the use of scenarios can change the corporate culture, compelling its managers to rethink radically the hypotheses on which they have founded the strategy.

Scenarios beyond the planning aspect are improving communication: scenarios can lead to the creation of a common language for dealing with strategic issues by opening a strategic conversation within an organization (this issue is emphasized by van der Heijden 1996).

During the scenario process the aims, opportunities, risks, and strategies are shared between the participants which supports the coordination and implementation of actions. In fact, the organizational learning and the decision making process is improved.

- Fifth, the large number of different scenario techniques points out that the ways of building a scenario are very flexible and can be adjusted to the specific task/situation.

2.7.2. Scenario Building Process

A variety of processes by which scenarios are constructed have been developed over the years, but certain common characteristics and elements can be discerned.

Many scenario researchers and scholars have argued that scenarios are different from forecasting in many ways. According to von Reibnitz (1988), conventional forecasting emphasizes the analysis of an existing status quo situation as well as how the present situation may be predicted into the future. This technique does not consider influences from external environments, but only explores existing internal conditions. Consequently, it is only applied to a limited range of areas within an organization. Scenario building is a superior planning method because it 1) explores various uncertainties, 2) is sensitive to every variable as a possible change maker, and interprets output based on

patterns and clusters (Schoemaker, 1995).

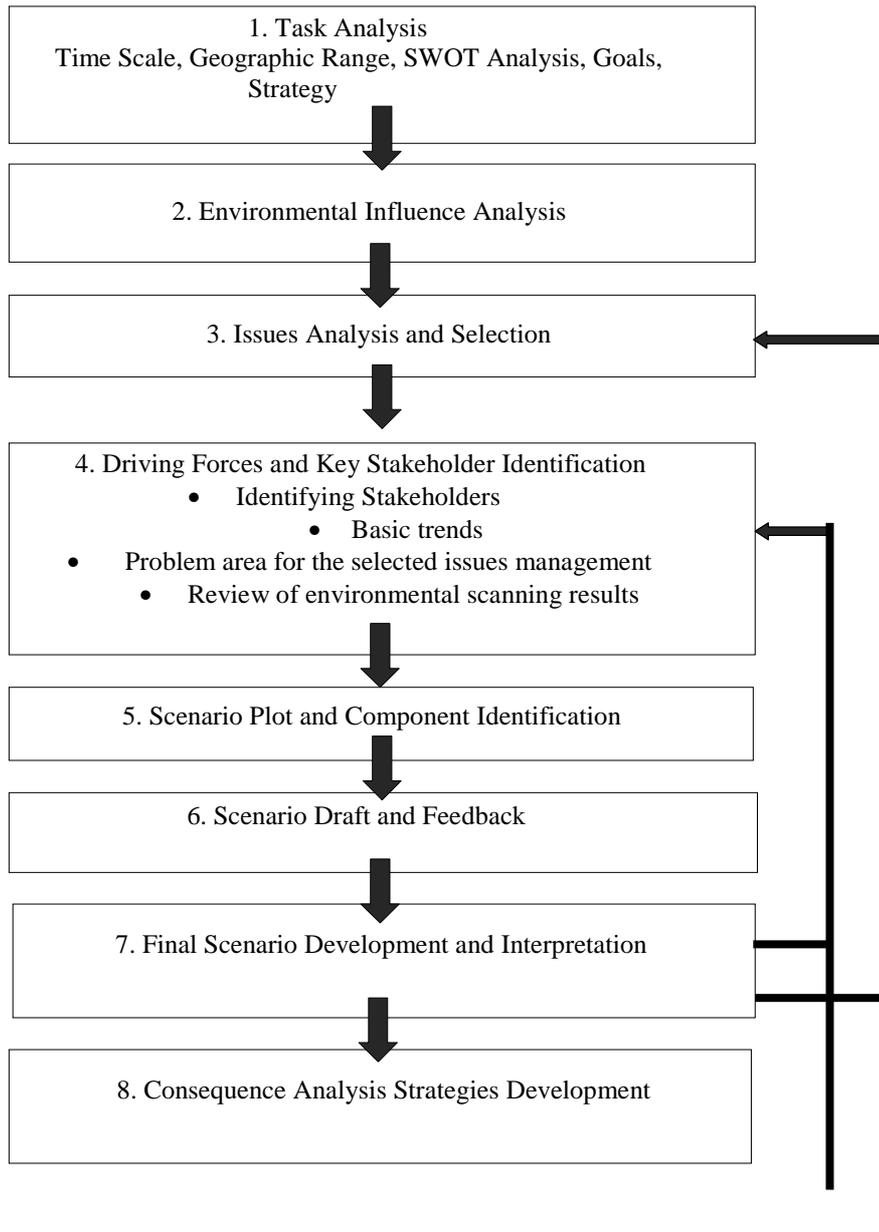


Fig. 4: Scenario Building Process for Strategic Planning

3.0. Conclusion

From a rationalist perspective, organizations and managers had firm faith in conventional forecasting methods that usually used historical data with the assumption of continuous economic growth. However, unanticipated changes and development in politics, economy, technology, and society made them realize that the old tools did not work as well as before (von Reibnitz, 1988).

Predictions of the consequences of environmental changes are much more difficult than anticipating the primary changes themselves. Hence, as von Reibnitz (1988) pointed out, managers came to seek a new type of forward-looking planning tool that provides alternative choices and variations, allows early detection of threats and risks as well as opportunities, and involves external factors. Scenario building provides answers to these and the deficiency in the other strategic planning tools.

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OPPORTUNITY OF FINANCIAL INVESTMENT IN CAMBODIA

Dr Chhiv S. Thet*

Abstract

The financial markets have performed a vital function within global financial and economic system. The financial market is the heart of global financial system, which were mobilizing and allocating savings from the households and setting the interest rates and prices of financial assets (Rose and Marquis, 2008). The financial market was used as a facilitator between lenders and borrowers or sellers and buyers of financial instruments such as stock, bond and other securities. Besides, it channels savings to the business firms and institutions needing more funds for business and investment project and meet their business spending.

Thus, the financial market offers the significance to the financial system like financing, financial information, equities and corporate governance and financial investment. The flow of funds through financial market around the world divided into different segments depends on characteristics of financial claims being traded. One of the most important divisions is the money market and capital markets to finance for short-term and long-term investments raised by business firms, government units and other organizations (Rose, 2003).

Therefore, in order to sustain the financial system in the country, it's necessary to develop the capital and money markets to support the economic growth. When the financial markets were developed, the financial investment mechanism also produced, that is, corporations, government units and other institutions have chance to raise funds through issuance of financial instruments such as stock, bond and other securities to support the business and investment project. In this regards, investors also take an opportunity to invest their money into the securities investment. The opportunity is a choice for corporations to plan their investment development in the future and build their value depends on the capability of management with confidence of publics (Myers, 1977).

Also, it is an expectation of companies to find possibility to enlarge their investment project in the future and paying compensation to the shareholders and debtors in dividend and interest (Smith, 1986). The study aims to describe and focus on the opportunities and challenges of financial investment in Cambodia.

Key Words: Financial Market, Security Market, Stock Market, Financial Opportunity, Financial Investment, Investment in Cambodia.

I. Background

Cambodia is developing financial markets aiming to deal with risks arising in the financial system and also, remove obstacles to the financial development and build an alternative mechanism for financing and investment. Moreover, Cambodia today is attempting to integrate into the financial globalization, and especially into ASEAN's financial integration in 2015.

Accordingly, the Government of Cambodia has to improve the national economic growth and poverty reduction which was set out the Financial Sector Development Strategy (FSDS) 2006-2015 (RGC, 2007) for strengthening the financial system through the capital market development for improving benefits to support the national economic growth and assure Cambodia's competitiveness within the globalization framework.

The FSDS is a major strategy and roadmap to establish the Securities Market of Cambodia in order to mobilize the savings and capital for financing the government units and business firms to raise funds for investment and business projects, besides the banking system. However, the securities market is newest to Cambodia, which was required building the strong laws and regulations and international standard accounting and auditing system to insure the transparency, accountability, and good governance for both issuers and investors to perform the financial investment in the good manners, fairness and confidence. The Securities Market of Cambodia (CSX) was established on July, 2011 and it is a new mechanism of the financial investment to improve the local financial and economic system to meet the existed banking system. The mechanism allows government units and corporations to take this opportunity to obtain finance from the capital markets through issuance of financial assets such as equities and debt securities and other assets. At the same time, publics and investors take this opportunity to invest their money into the financial assets to obtain earnings from the interest rate, dividend and price appreciation of financial securities.

In this context, the mechanism provided the opportunity and benefits to development of Cambodia's financial and economic system in order to improve the national economic growth by producing more goods and services to complete the requirement of the domestic markets.

Although, financial investment is a source of economic growth, but it is a basis of financial crises, because this mechanism has created many challenges in the country, the most capital flow in the capital markets is a source of debt and currency crisis. Moreover, most important concerns is that most of people are still not participative in the securities investment because their knowledge is still low and limited in terms of investment awareness, speculation, risk reduction, management and protection of investor's right, transparency and good governance, securities market

operation, and securities laws and implementation of regulations and other policies involving financial investment.

Therefore, in order to assure Cambodia's financial investment process operates effectively and efficiently, Cambodia has to build strong laws and regulations to insure that those policies were efficiently carried out and protection of investor right along with public awareness education as well as confidence of investor. If do not so, Cambodia has to face many challenges to this investment. Because of the financial investment is an opportunity for all corporations to develop their investment in the future; but their value has to depend on company's management competence with publics' confidence. For securities issuance proportion of companies must be lower than company's total assets and properties (Myers, 1977) and paying compensation to shareholders and debtors in dividend and interest (Smith, 1986).

Although, the financial investment provides benefits to the national economy growth, but it take along famous risks with the financial globalization and financial infrastructure were not yet properly implemented (Misking, 2003), the financial globalization may bring the country fall into the financial crisis because of imperfection and other impact of external factors in the global financial markets which created the fraud, frighten behaviors and attacking for speculation, even if, those countries have a strong economic basis (Sergio, 2004).

II. Literature Review

The financial system has great significant roles in daily lives. It's very necessary to mobilize all resources to the business firms and government units to produce goods and services for everyday lives. The system also allows people to transform their money to borrowers through financial markets with participation of financial intermediaries, financial assets, and financial regulators. The financial system has seven basic functions: savings function, wealth and liquidity functions, credit and payments functions, risk protection and policy functions and in addition, the system has creation of the savings and investment's flow (Rose, 2003) as following:

- Savings: households have used their money remaining from expenditure and paying tax for savings and business firms use their income remaining from tax payment, dividend and other expenses for savings. Also, Government units can do savings unless those units have surplus income more than their current expenses.
- Investment: capital flow from financial markets can support investment. The corporations and public institutions require more funds for constructing the building, equipment, and purchasing raw materials and

goods for inventory and producing goods and services. As for government institutions also need the capitals for building schools, hospitals, roads, and support the public services for developing productivity, labor forces and standard of living.

The financial market has a vital function in the global economic system and it's a heart of global financial system (Rose, 2003). It participates in economic growth for every country in the world by allocating and absorbing the savings from households and companies through investment of financial assets and transforms those savings to the business firms and other institutions need more funds. In economy, financial markets encourage entrepreneurs and government units for long-term investment development such as projects of technological diffusion, capital allocation, equity, risk management, corporate governance and finance, human resource management, financial services and coordination between investors and issuers in the financial investment.

The financial markets help business firms and government units to raise funds for investment, besides the banking system. If there are no financial markets, the business firms and institutions are really met difficulties in finding lenders themselves. John Gurley and Edward Shaw (1960) pointed out that each business firms, households, and governments are active in the financial system and markets, they must conform to the following identity (Rose, 2008):

$$\mathbf{R - E = \Delta FA - \Delta D}$$

(E) Current expense, (R) current income (ΔFA) holdings of financial assets

(ΔD) paying outstanding debt and equities

Deficit budget: $E > R$; $\Delta D > \Delta FA \Rightarrow$ borrower

Surplus budget: $R > E$; $\Delta FA > \Delta D \Rightarrow$ lenders

Balance budget: $R = E$; $\Delta D = \Delta FA \Rightarrow$ neither

This context showed that financial market has a great important function in transforming savings into the financial investment to strengthen the economic health and power. If households didn't use savings into investment, so, the national economic strength was shortened and the country's revenue begins to fall down in the future because of reduction on consumption expense and living standard in country begins fall down, as for unemployment rate was increased.

Some economists realized that the role of financial system is acceleration for long-term economic growth through capital mobilization. Merton (2005) determined that previous economic crises happened in Asian countries in 1998 because of their careless on financial market development, mostly did not, so, which are caused the economic growth of those

countries began to fall down deeply. Merton also affirmed that American economy in the twentieth century has greatly relied on the financial markets and strive to reduce usage of the banking system. On the contrary, some countries in Asia still mostly relied on the banking system than the financial markets, which was easily suffered. Based on the previous experiences, when banking crisis happened, it is really involved from one country to another country due to the financial globalization and the regional integration. So, the financial crisis was affected on neighboring countries and then reaching to other countries in the region and next, the world.

Financial market development also creates a mechanism for financial investment in country. This mechanism was defined as the current commitment of money and other resources in the expectation to gather future benefits. Individuals purchase shares anticipating that future proceeds from shares that will justify both the time with their money and risk of investment which were tied up (Zvi, Alex and Alan, 2008) and it involves expectation of positive return rate after sufficient analysis has been made and degree of risk which dictates the principal and future income value be relative certain (Johnson, 1978). Funds of individual are used to generate more income for them who are shareholders of corporations and they are not required to control any business of the company (Australian Corporation Acts, 2001).

Based on Australian Corporation Acts (2001) and Peter S. Rose (2003) showed that the financial investment mechanism involving between lenders and borrowers in the financial markets. So, the lenders always were the surplus budget units and individuals intend to invest financial assets such as stock and bond, generally defined as an "obligations or debt contracts" in money terms, that borrower of funds has to issue the financial instruments (promissory note) to the holders of securities or investors (Cooper and Fraser, 1993).

Base on the Brownian models for financial markets that's work of Robert C. Merton and Paul A. Samuelson, as extensions to the market models of Harold Markowitz and William Sharpe (Tsekov, 2010). This model aims to define the concepts of financial markets and financial assets, portfolios, gains and wealth. The assets have prices evolving continuously in time and require an assumption of perfectly divisible assets and a frictionless market, meaning that no transaction costs occur either for buying or selling. Another assumption is that asset prices have no jumps that is; there are no surprises in the market. The model consist of $N + 1$ financial asset, where one of these assets, called a bond or money-market, is risk free while the remaining N assets was called stocks, are risky. The financial markets are defined in this formula:

$$M = (r, b, \delta, \sigma, A, S(0))$$

A share of a bond (money market) has price $S_0(t) > 0$ at time (t) with $S_0(0) = 1$, is continuous, $\{F(t); 0 \leq t \leq T\}$ adapted, and has finite variation. It can be

decomposed into an absolutely continuous part $S^a(t)$ and a singularly continuous part, by Lebesgue's decomposition theorem as define below:

$$r(t) \triangleq \frac{1}{S_0(t)} \frac{d}{dt} S_0^a(t),$$

And

$$A(t) \triangleq \int_0^t \frac{1}{S_0^s(s)} dS_0(s),$$

As the result in a stochastic differential equation (SDE), we have:

$$dS_0(t) = S_0(t)[r(t)dt + dA(t)], \quad \forall 0 \leq t \leq T,$$

This gives:

$$S_0(t) = \exp\left(\int_0^t r(s)ds + A(t)\right), \quad \forall 0 \leq t \leq T.$$

Thus, it can be easily seen that if $S_0^a(t)$ is absolutely continuous (i.e. $A(\cdot) = 0$), then the price of bond evolves like the value of a risk-free saving account with instantaneous interest rate $r(t)$, which is random, time-dependent and $F(t)$ measurable.

Stock prices are modeled as being similar to the bonds, except with a randomly fluctuating component called its volatility. As a premium for the risk originating from these random fluctuations, the mean rate of return of stock is higher than that of a bond.

In this case, if, the number of stocks (\mathbf{N}) is greater than dimension (\mathbf{D}), it can be seen that there are $(\mathbf{N}-\mathbf{D})$ stocks whose volatiles. So, the number of stocks (\mathbf{N}) is not greater than the dimension (\mathbf{D}) of the underlying Brownian motion process.

Let $S_1(t) \dots S_N(t)$ is the strictly positive prices per share of the \mathbf{N} stocks, which the continuous stochastic processes are satisfying:

$$dS_n(t) = S_n(t) \left[b_n(t)dt + dA(t) + \sum_{d=1}^D \sigma_{n,d}(t)dW_d(t) \right]$$

$$\forall 0 \leq t \leq T, \quad n = 1 \dots N.$$

Here, $\sigma_{n,d}(t)$, $d = 1 \dots D$ gives the volatility of the \mathbf{N} stock, while $b_n(t)$ is its mean rate of return.

In case of the discounted stock prices are:

$$\frac{S_n(t)}{S_0(t)} = S_n(0) \exp\left(\int_0^t \sum_{d=1}^D \sigma_{n,d}(s)dW_d(s) + \int_0^t \left[b_n(s) - \frac{1}{2} \sum_{d=1}^D \sigma_{n,d}^2(s) \right] ds\right)$$

$$\forall 0 \leq t \leq T, \quad n = 1 \dots N. \quad (\text{Ioannis and Steven, 1991})$$

Myers (1977) said that financial investment opportunity is a choice for all corporations and institutions to develop their investment in the future, but their value must depend on management's competence and asset's issuance proportion of

companies must be lower than company's total assets and properties. Also, Smith (1986) affirmed that financial investment opportunity is an expectation of companies to find possibility to enlarge their investment project in the future and paying compensation to the shareholders and debtors in dividend and interest.

The financial globalization may improve the financial sector development and plays the best functions in the country's financial system to help demanders of funds to develop the business and investment project. The functions of financial sector development including: (1) use of free-cash flow and (2) improvement of the financial infrastructure to reduce the asymmetric information (Schmukler, 2004). Also, Stulz (1999) affirmed that financial globalization can improve the country's financial infrastructure through strengthening the issuers and investors base on principle of efficiency, transparency and competition. There are some methods for modernizing financial infrastructure including: (1) improving of stronger competition in allocating the capitals for investment project and the efficient income generation, (2) acceptance of international accounting standard to improve transparency, (3) introducing the financial intermediaries to improve the financial sector toward a international boarder. As for Croquette (2000) also affirmed that the financial globalization creates a technical connection of specific financing outcome within domestic and global markets and enables the foreign banks can join with the local banks to improve financial infrastructure to the developing countries, which are carrying out the financial globalization.

Graff (1999) confirmed that there are four possibilities linking financial sector development and economic growth: (1) financial sector development and economic growth are not connected, in the modern European economic development in the 17th century showed that the economic growth was the outcome of certain growth, but the financial sector development was the financial institutional improvement, (2) the financial sector development followed by economic growth and (3) the financial sector development is a reason of economic growth and (4) the financial sector development is a obstacle for economic growth referring to uncertainty of securities investment and financial crises.

Garresten, Lensink and Sterken (2004) showed that there is connection between the economic growth and capital market development, primarily, the stock market, which was measured by the market capitalization, the listed securities and income. Also, Niewerberg (2006) said that the stock market development determined economic growth of country. Based on the findings of previous research of professors Laura, Victor and Andreas (2008) studied on the involvement of capital market development and economic growth in Romania showed that there is really involved between the capital market

development and economic growth by using capital market variables:

1. Size variable:

- Market capitalization and number of listed shares,
- Liquidity variables: trading volume and liquidities proxy,
- Volatility variables: Bucharest Stock Exchange Index

2. GDP:

- GDP growth rate
- Real GDP
- GDP growth rate per capita

Based on analysis in linear regression and vector autoregressive methods showed that regression (R1) and (R2) has positively correlated between the economic growth and the capital market development. Particularly, it reflects the market capitalization and economic growth is strongly correlated, the trade volume on the capital market and real GDP reflects a feed-back effect.

Although, financial globalization provides benefits to the national economy growth, but it also take along the risks when starting an operation of financial globalization and famous risk of the financial globalization is the financial crisis. The current financial crisis and crisis's augmentation always happened after the developing countries have integrated themselves within the global financial liberalization and financial markets, which were the main sources of financial crisis such as the financial crises in Asia 1997, Russia and Brazil in 1999, and Ecuador in 2000 and Turkey and Argentine in 2001 and Uruguay in 2002. Misking (2003) confirmed that if the financial infrastructure were not yet properly implemented, thus the financial globalization may weaken the health of financial system in the country. Usually, financial system is not operated as our intention because the lenders and investors are facing asymmetric information. Sergio (2004) said that the financial globalization may bring the country fall into the financial crisis because of imperfection and other impact of external factors in the global financial markets which created swindle, frighten behaviors and attacking for speculation, although, those countries have the strong economic basis.

In reality, in Asia, there are two sources of Asian financial crisis: (1) *Current account crisis*: the crisis happened due to the developing countries contain the imbalances of the budget and payment because of their commitment to accelerate the national economy, so, they had to improve bigger investment development by attracting the foreign investment funds into the countries which those funds have surplus of the local savings to improve goods and services and financing to support the construction and real estate. For that reason, it might put the country into the bigger deficit of current account. Moreover, the quantities of import

has sharply increased and the quantities of export has strongly dropped in the countries and additionally, at that time, the price of oil on the international market is increasing together with foreign debt is bigger. So, this circumstance might expand the deficit of current account is biggest in country. (2) *Capital account crisis*: due to deeply-surplus capital flow to finance the deficit of current account and component of those funds is debt and currency crisis that is an original cause of banking system and currency crisis. For currency crisis: due to the foreign currency flow quickly poured out of those deficient countries, as a result, the international institutions were afraid to provide loan and funds to those countries. Along with, banking crisis is also happened because of internal credit crisis of the country was strongly reduced.

The world financial crisis started in August 2007 in USA as subprime mortgage crisis happening due to the imbalance of world finance and liberalization of the global financial markets. The crisis can be attributed to a number of factors pervasive in both housing and credit markets, factors which emerged over a number of years. Causes proposed include the inability of homeowner to make their mortgage payment, overbuilding during the boom period, risky mortgage products, increased power of mortgage originators, high personal and corporate debt levels, financial products that distributed and perhaps concealed the risk of mortgage default, bad monetary and housing policies, international trade imbalances, and inappropriate government regulation. Excessive consumer housing debt was in turn caused by the mortgage-backed security, credit default swap, and collateralized debt obligation, sub-sectors of the finance industry, which were offering irrationally low interest rates and irrationally high levels of approval to subprime mortgage consumers because they were calculating aggregate risk using Gaussian copula formulas that strictly assumed.

The European sovereign debt is the financial crisis that has made difficult or impossible for some countries in the euro area to repay or re-finance the government debt without assistance of third parties. The European sovereign debt crisis resulted from a combination of complex factors with globalization of finance; easy credit conditions during the 2002–2008 period that encouraged high-risk lending and borrowing practices; the 2007–2012 global financial crisis; international trade imbalances; real-estate bubbles that have since burst; the 2008–2012 global recession; fiscal policy choices related to government revenues and expenses; and approaches used by nations to bail out troubled banking industries and private bondholders, assuming private debt burdens or socializing losses. The Credit default swap market also reveals the beginning of the sovereign crisis.

Accordingly, Government of Cambodia had carefully begun to develop the local capital market. Specially, they made and adopted the policy, which was called the Vision and Financial Sector Development Plan for

2001-2010 (FSDP), which was a long-term strategy for financial sector development in order to achieve the sound and market-based financial system and then revised it as FSDP 2006-2015 aiming to provide strategy, guidance, and framework to support the financial sector development, particularly, is the roadmap to establish the financial markets in Cambodia.

Cambodia is developing the financial markets based on three reasons:

- ⇒ In the short term, addressing the risks arising in the financial system
- ⇒ In the intermediate term, removing obstacles to financial development in other sectors
- ⇒ In the longer term, developing an alternative mechanism for financing and investment

Cambodia's economy today grew since 2010, after seriously fallen in 2009 which affected on main sectors such as garment, construction and tourism. Even if, the banking system now is progressive, but financial sector was in the first phase, its infrastructure could not sustain the financial markets. So, Cambodia is facing many challenges of financing from banking system and the financial asset gathering of big banks that might lead to the systematic risk and high spending for intermediaries.

Thus, the quantity of savings mobilization in Cambodia now is still limited if compared to the neighboring countries in ASEAN. The gap between the saving and investment sharply increased from -0, 7% in 2006 and also to -0.7% in 2010, so, Cambodia could not relied only on the foreign savings from abroad, it is necessary to encourage local resource mobilization through the capital markets and, moreover, the capability of center bank is still unable fully to support the financial system in the country. For financial products is still focus on small sectors of credit and savings. The money market and inter-banking is still not operating. So, financing has relied on the banking that an original source of financial crisis in Asian 1997.

The absence of long-term financing, human resources, and competences of management and monitoring might lacking of convinced credit, rural financing, payment system, and information exchange, which are main source of challenges. Insurance sector is not yet fully support financial system, the foreign insurance companies have operated the life insurance services, although, the capital source from the insurance sector is unable to support the capital markets of Cambodia.

The Cambodia Securities Exchange (CSX) was established on July 2011 as public enterprise with government shareholding of 55% and the remaining stake held by the Korea Exchange, a well-known securities exchange, the Republic of Korea. The CSX is a platform of securities trading and used as a mechanism to raise funds for business and investment development.

However, there was only one company listing in 2011, so far, there is no more companies listed in the CSX for securities trading and also, the transactions are allowed to be settled in U.S. dollars for a transitional period of three years. Eventually, the stock market has to boost the foreign exchange market and requires upgrading the currency market. Also, the bond market is not yet developed due to lacking some components to support the market and the principal ratio to determine the value of issuance and other involving mechanisms.

Even though, the stock market development is good for short-term and long-term economic growth, but there are many challenges for recent situation of financial globalization of Cambodia. The systematic risk and speculative bubble should take into account in terms of the imperfection and fraud in the financial market causing failure of financial stability in the country. Actually, Cambodia requires solving challenges for CSX development because the institutional investors from Japan, Korea and China have also taken a bite of recent IPO but whether those interests can be sustained for long term or not. The corruption is also a big concern even the government passed an anti-corruption law in 2010, but the fear is still in mind of investors and also the lack of the capital market infrastructure and capacity building can be challenging to the investors, who are not familiar with the Cambodia securities market.

III. Research Objectives

The research study aims to observe the of financial investment mechanism occurring of the capital market development in Cambodia. Specially, this study intends to determine the main objectives as following:

- To define the mechanism of financial investment supporting the economic development of Cambodia.
- To identify the benefits of financial investment supporting the economic development of Cambodia.
- Find out the challenges of financial investment affecting on Cambodia economy development.

IV. Research Methodology

Descriptive research method has been used in the study, which applied both deductive and inductive research approaches. The data collection were used in this survey are the primary and secondary data. The structured questionnaires are used to collect the primary data with other specific information from the institutional and individual investors. The secondary data are also collected from the government organizations, the National Bank of Cambodia, SECC, Ministry of Finance and Economy, the stock exchanges, WB, ADB, IMF, EIC, NGOs and corporations, research institutions and other institutions.

According to Tong yang Security 2012, the key investors are about 300. The populations from the institutional and individual investors were selected as respondents in this research. The convenience sampling technique used in the survey by drawing the samples from interviews based on the proximity to researcher. As the result, we select 120 respondents from the population size 300.

The study used the research tools of Relevant Insights: **sample size and margin of error** were calculated the level of confidence, response percentage; sample sizes and margins of error to test the significant differences in convenience sample. As result, showed that the convenience sampling was undertaken is appropriate because it is about precision, tolerance for risk and cost meaning that when the study use the population size 300, we got the sample size 120 and 95% of confidence level and 5.3% of margin error. So, it was assumed that at 95% confidence level is more certain, but less precise to make sure the true value falls in it. By the way, it was decided to use affordable means to reach representativeness of the target population.

Looking to the sample size calculation of the Indochina Countries (Cambodia, Laos, and Vietnam) found as in the normal distribution table below:

Survey Sample Size	Margin Of Error Percent*
2,000	2
1,500	3
1,000	3
900	3
800	3
700	4
600	4
500	4
400	5
300	6
200	7
100	10
50	14
*Assumes a 95% level of confidence	

The table of calculation showed that if the level of confident 95 per cent was taken and the sample size from 100 to 200, Hence, the Margin Error is about seven per cent. The sample size is conformed to Taro Yamane formula (1967), which was used to calculate the sample sizes is shown below. A 90 per cent confidence level and precision level (P) = 0.7 are assumed for this equation.

$$n = \frac{N}{1 + N(e)^2}$$

Where **n** is the sample size, **N** is the population size (300), and **e** is the sampling error (0.07). This formula was applied and the results of the sample size are as below:

$$n = \frac{N}{1 + N(e)^2} = \frac{300}{1 + 300(0.07)^2} = 121$$

So, the result of the sample size is 121 (≈ 120), the research was selected the investors 120 to be the respondents in this survey.

To avoid the bias in selecting the respondents the Systematic Random Sampling was used.

Data analytical methods were used the quantitative and qualitative designs. The primary data is analyzed by the quantitative design basing on statistics and tabulation, average calculation, percentage and growing ratio in order to show and interpret those data. The secondary data was also analyzed and evaluated by the qualitative design in order to make the conclusion and to meet further information because the questionnaires are not fully covered and questioned. So, the analysis in this research is used both primary and secondary data to validate on development of financial investment in Cambodia is really providing an opportunity or challenge to Cambodian macroeconomics and financial sector development.

V. Opportunity Of The Financial Investment

The survey was done in order to analyze on the research theme of the financial investment opportunity based on the specific variables for measuring and classified into three categories; mechanism of financial investment, benefits of financial investment and challenges of financial investment in Cambodia.

VI. Financial Investment Development

Table 1: sources of financing were used for current business improvement.

Sources of Financing	Frequency	Percentage
Financing from bank	52	43.33
Financing from individuals	42	35.00
Financing beside system	14	11.67
Financing from abroad	8	6.67
Financing from other sources	4	3.33
Total	120	100

The table 1 illustrates that 52 respondents or 43.33% out of 120 respondents receive the financing from bank. This is the highest percentage, if compared to other 4 sources and then, 35% or 42 respondents got the financing from individuals, and 11.67% or 14 respondents received the financing beside system and 6.67% or 8 respondents got the financing from abroad while only 4 respondents got the financing from other sources. This is a lowest percentage of those respondents.

Table 2: offering of financing sources for current business development.

Current financing sources	Frequency	Percentage
Enough	48	40
Not enough	72	60
Total	120	100

The table 2 illustrates that 72 respondents or 60% out of 120 respondents point out that the current financing source in the country is not enough for them to develop business. This is the highest percentage and only 40% or 48 respondents told the the current financing source in the country is enough for them to develop business. This is a lowest percentage of our respondents.

Table 3: chance of CSX development to support the new financing source.

Chance of CSX development	Frequency	Percentage
Available	90	75
Unavailable	30	25
Total	120	100

The table 3 illustrates that 90 respondents or 75% out of 120 respondents pointed out that the CSX development in Cambodia is available chance for them in order to find new financing for business development besides banking system. This is the highest percentage and only 25% or 30 respondents told that the CSX development at this time, it's unavailable for them to raise fund because of current economical situation of Cambodia is not so good. This is a lowest percentage of our respondents.

Table 4: Chance of fund raising in CSX to support the business project.

Chance of fund raising in CSX	Frequency	Percentage
Have chance	85	70.83
No chance	35	29.17
Total	120	100

Table 4 illustrates that 85 respondents or 70.83% out of 120 respondents told that they have a chance to raise fund in the CSX for supporting their business project. This is the highest percentage and only 29.17% or 35 respondents said that they have no chance to raise fund in the CSX. This is a lowest percentage of our respondents.

Table 5: Chance of Income Generation From Securities Investment.

Chance for income generation	Frequency	Percentage
Have chance	28	76.67
No chance	92	23.33
Total	120	100

The table 5 illustrates that 92 respondents or 76.67% out of 120 respondents have no chance to generate further income from securities investment. This is the highest percentage and only 23.33% or 28 respondents said that they have chance to generate further income from securities investment. This is a lowest percentage of our respondents.

Table 6: Purpose to list the company in the CSX for financing to support the business development.

Purpose to list in the CSX for financing	Frequency	Percentage
Yes	62	51.67
No	58	48.33
Total	120	100

The table 6 illustrates that 62 respondents or 51.67% out of 120 respondents told that they have purpose to list their companies in the CSX for financing the business project development and supporting of their cash flow. This is the highest percentage and only 48.33% or 58 respondents said that they have no purpose to list their companies in the CSX for financing. This is a lowest percentage of our respondents.

Table 7: Preparation of firms to issue the securities to publics.

Preparation to issue securities to publics	Frequency	Percentage
A little readiness	15	12.50
Being preparing	35	29.17
Not yet prepared	70	58.33
Total	120	100

Table 7 illustrates that 70 respondents or 58.33% out of 120 respondents told that their companies have not yet prepared to issue the securities to publics. This is the highest percentage and then, 29.17% or 35 respondents said that they're preparing to issue securities to publics and only 12.5% or 15 respondents told that they have a little readiness to issue to publics. This is a lowest percentage of our respondents.

Table 8: Type of securities that your firm intends to issue for financing.

Type of securities	Frequency	Percentage
Stock	76	63.33
Bond	32	26.67
Other securities	4	3.33
Not at all	8	6.67
Total	120	100

The table 8 illustrates that 76 respondents or 63.33% out of 120 respondents prefer to issue stock than the other categories. This is the highest percentage and then, 26.67% or 32 respondents said that their companies prefer to issue bond and 6.67% or 8 respondents told that they are not at all and only 3.33% or 4 respondents pointed out that they like to issue other securities besides stock and bond. This is a lowest percentage of our respondents.

Table 9: Intention to develop your firm into the financial industrial services.

Intention to develop the financial service	Frequency	Percentage
Brokerage firm	28	23.33
Underwriting firm	4	3.33
Institutional investor	18	15.00
Securities dealing firm	15	12.50
Advisory firms	32	26.67
Not at all	23	19.17
Total	120	100

The table 9 illustrates that 32 respondents or 26.67% out of 120 respondents told that they intends to develop the advisory firms than the other. This is highest percentage and then, 23.33% or 28 respondents said that they like to develop brokerage firms and 19.17% or 23 respondents told that they are not at all and 15% or 18 respondents pointed out that they like to do the institutional investors and next, 15 respondents or 12.5% like to develop the securities dealing firms and last, 4 respondents or 3.33% like to do the underwriting firms. This is a lowest percentage of our respondents.

Table 10: purpose to generate extra income from portfolio investment.

Income generation	Frequency	Percentage
Yes	90	75
No	30	25
Total	120	100

The table 10 illustrates that 90 respondents or 75% out of 120 respondents told that they have purpose to generate the income by securities investment. This is the highest percentage and only 25% or 30 respondents said that they have no purpose to generate the extra income for individuals by securities portfolio. This is a lowest percentage of our respondents.

Table 11: form of earnings for your preference in securities investment.

Form of Earnings	Frequency	Percentage
Interest	35	29.17
Dividend	60	50.00
Increasing price	15	12.50
Not at all	10	8.33
Total	120	100

The table 11 illustrates that 60 respondents or 50% out of 120 respondents told that they prefer to take the earnings from securities invesmeent in the form of dividend . This is the highest percentage and then, 29.17% or 35 respondents said that they prefer to take the earnings from securities invesmeent in the form of interest and only 12.5% or 15 espondents told that they prefer increasing of price of securities and last, 10 respondents or 8.33% showed that they do not at all.

Table 12: type of securities that you prefer to invest.

Type of securities	Frequency	Percentage
Stock	60	50.00
Bond	35	29.17
Other securities	15	12.50
Not at all	10	8.33
Total	120	100

The table 12 illustrates that 60 respondents or 50% out of 120 respondents prefer to invest stock than the other catagories. This is the highest percentage and then, 29.17% or 32 respondents told that they prefer to invest bond and 8.33% or 10 respondents told that they are not at all and only 12.5% or 15 respondents pointed out that they like to invest other securities besides stock and bond.

Table 13: Other benefits to sustain the Macroeconomics

Benefits sustaining macroeconomics	Frequency	Percentage
added tax income	30	25
Creating of employment	30	25
Legal framework and financial system	25	20.83
Both; increasing of employment and tax	35	29.17
Total	120	100

The table 13 illustrates that 35 respondents or 29.17% and 60 respondents or 50% out of 120 told that this mechanism has other benefits to sustain macroeconomy such as creating and increasing of employment and further tax income. This is the highest percentage and the last, only 25 respondents or 20.83% showed that this mechanism has supported strengthening of legal framework and financial system. This is a lowest percentage of our respondents.

Table 14: awareness of the business firms and institutions.

Awareness of business firms and institutions	Frequency	Percentage
Understanding	20	16.67
Some understanding	60	50.00
Not understanding	40	33.33
Total	120	100

The table 14 illustrates that 60 respondents or 50% out of 120 respondents, they told that they didnt understand so much about the rules and terms of securities issuance. This is the highest percentage next, 60 respondents or 50% told at that they have some understanding and the last, only 20 respondents or 16.67% told that they understand about the rules and terms of securities issuance. This is a lowest percentage of our respondents.

Table 15: basic awareness for securities investors.

Basic awareness for securities investors	Frequency	Percentage
Understanding	15	12.50
Some understanding	45	37.50
Not understanding	60	50.00
Total	120	100

The table 15 illustrates that 60 respondents or 50% out of 120 respondents didnt have basic awareness of securities investment This is the highest percentage and next, 45 respondents or 37.5% told that they have some understanding in this regard and the last, only 15 respondents or 12.5% told that they have a basic awareness of securities investment. This is a lowest percentage of our respondents.

Table 16: Risky worries of securities Investment.

Risk of securities investment	Frequency	Percentage
Worry	75	62.50
Some worry	40	33.33
Nothing worry	5	4.17
Total	120	100

The table 16 illustrates that 75 respondents or 62.5% out of 120 respondents are worry about risk of securities investment. This is the highest percentage and next, 40 respondents or 33.33% told that they are some worry in this regards and the last, only 5 respondents or 4.17% told that they are nothing worry. This is a lowest percentage of our respondents.

Table 17: Worried risky type of securities investment.

Worried risky type	Frequency	Percentage
Increased debt being unable to repay the principal	32	26.67
Unable to pay interest by due date	10	8.33
Unable to pay dividend by due date	30	25.00
Unable to pay due to bankruptcy	35	29.17
Decreasing of price due to any crisis	10	8.33
Other risks	3	2.50
Total	120	100

The table 17 illustrates that 35 respondents or 29.17% out of 120 respondents told that the worried risky type of securities investment is unable to pay due to bankruptcy. This is the highest percentage and last and 32 respondents or 26.67% showed that the worried risky type of securities investment is unable to pay dividend by due date and next, 20 respondents or 16.66% each are worried about unable to pay interest and decreasing of price due to any their crisis and last only 3 respondent or 2.5% showed that they are worry about other risks happening in their investment. This is a lowest percentage of our respondents.

Table 18: confidence of publics to securities sector development in Cambodia, in term of legal framework implementation, market operation, and management efficiency and investor protection.

Confidence of publics	Frequency	Percentage
Trust	40	33.33
Not so trust	70	58.33
Not trust	10	8.33
Total	120	100

The table 18 illustrates that 70 respondents or 58.33% out of 120 respondents, have not so trust on securities sector development in Cambodia. This is the highest percentage and next, 40 respondents or 33.33% told that they have trust in this regards and the last, only 10 respondents or 8.33% told that they have not trust in this matter. This is a lowest percentage of our respondents.

VII. FINDINGS SUMMARY

Referring to all above analyzed tables pointed out that Cambodia nowadays has used the banking system as major financing source for the business expansion and long-term investment project.

The findings showed that around 70 percent of investors expressed the lack of financing source within the business development and supported to develop the CSX in the country. In order to resolve the problems, the Government of Cambodia has found the Cambodia Securities Market (CSX) in order to provide the opportunities and benefits to the business firms and government sectors to raise more funds for business expansion. At the same time, the most of them hope to have a chance to raise more funds besides banking system in order to generate more income from the financial investment.

Additionally, the findings pointed out that around 60 per cent of companies want to list their firms in the CSX, although; they are not yet to prepare themselves to list in the CSX, but they desire to issue and invest the stock and bond for extra income generation. Additionally, they intend to contribute into the financial industrial services by developing the advisory firms, brokerage firms and underwriting firms. Moreover, even though, most of investors are not aware of financial investment process, but they wish to invest the stock and bond for additional income. Additionally, this mechanism has supported macroeconomics such as tax income, employment creation and legal framework improvement as well as financial sector development.

Furthermore, the result showed that around 70 per cent of the investors are not aware of the financial investment process, thus; they are so worry about high risk in the securities investment in terms of carrying out of the relevant legal framework, transparent and efficient market operations and managements as well as the investor protection and is unable to repay due to bankruptcy and other crisis. Also, most of the companies didn't have sufficient knowledge of the financial investment, so; they assumes that the rules and conditions of CSX are extreme rigorous for them to raise funds in the CSX that are main concerns for unconvincing on the financial investment process in Cambodia.

Accordingly, based on those results, I would like to conclude that the financial investment development in Cambodia today is facing many problems because the findings showed that even, most of companies and investors support to develop the CSX, but they are not yet to prepare themselves to list into the CSX and they didn't sufficiently have the financial investment knowledge, thus; they supposed that the conditions of CSX are extreme rigorous to raise funds and are so worry about high risk in the securities investment in terms of carrying out of the relevant legal framework, transparent and efficient market operations and

management as well as the investor protection. For that reason, which caused most of investors and companies are hesitant to participate in the financial investment development in Cambodia.

Although, the financial investment development in Cambodia today is not yet profited to the current economy development of Cambodia, but at least, there is some benefit to sustain the macroeconomics for instance, tax income, employment creation and legal framework improvement as well as financial sector development. Moreover, most of companies and investors support to develop the CSX and they desire to list their firms in the CSX and plan to issue and invest the stock and bond for income generation, and intend to take part in the financial service industry. Thus, this action is a helpful contribution to support financial investment development in Cambodia.

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REPOSITIONING NGO OPERATIONS TO ADDRESS RURAL SOCIO-ECONOMIC DEVELOPMENT INITIATIVES IN A POST-CONFLICT SCENARIO

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Summary of the Write-up for publication on:

“Repositioning NGO Operations to Address Rural Socio-Economic Development Initiatives in a Post-Conflict Scenario: A Case of the Catholic Relief Services (CRS) Operations in Sierra Leone (2002-2009).”

The write-up is a backdrop of situations which have affected Sierra Leoneans from independence (1961) to now, which has forced this nation to be seeking for ‘AID’ all the time, even when during independence, there were high hopes and ideals which were underpinned by an abundance of rich natural resources and benign weather that could have transformed the lives of the people and empower the country towards socio-economic development. Thus it is a prognosis of the country’s general development, backed by some sector-by-sector indicator analyses which were discussed as examples of some of the challenges for socio-economic development, but with the paradox that in the midst of the potential riches, the country continues to be at the bottom of the human development index.

The exercise was an academic challenge on: “**Repositioning NGO Operations to Address Rural Socio-Economic Development Initiatives in a Post-Conflict Scenario: A Case of the Catholic Relief Services (CRS) Operations in Sierra Leone (2002-2009)**”; presenting Sierra Leone as a country which has taken the toll of a fragile post-conflict environment which has been catering for references from the past, for the benefit of the present, and to focus on the possibilities or hopes for a brighter future for a country which had lost focus for over three decades. The collapse of the country into a civil-strife ranks as one of major fiascos of political history as a country which did not appear to have been prepared for independence; finding itself in a situation of having to learn from her mistakes through trials and errors.

Such bitter experiences with pathetic stories of three decades of misery can read as: over two decades of one-party rule; massive corruption; military coups and counter-coups; and a battered and mismanaged economy, all of which relegated its citizens into second class citizenship, which later climaxed into the over ten year rebel impasse. The issues were systematically discussed, with the view that this country will not relapse into another unfortunate situation which can be simulated to the Rwanda or Burundi episodes.

The varied concepts on ‘Development’ and ‘NGOs’, are meant to highlight the importance of the two subject areas since they are also generally used by varied development thinkers as part of an academic exercise. The origins and histories of NGOs have been covered, together with the government of Sierra Leone’s NGO Policy to regulate their operations, to ensure that all projects have a ‘paradigm shift’ from the old ‘top-bottom’ model, to the new ‘bottom-top’ model, backed by national ownership.

As the 100th Member of the United Nations in 1961, Sierra Leone had a wealth of resources, but “What have all these resources benefitted this small enclave?”. With Millennium Development Goals (MDGs) responding to the 21st century changes to the transformation of people’s livelihoods, such issues need to be cautiously discussed, especially when countries have reverted to the issue of NGOs for sustainable development. But NGO activities are seen to promote the dependency syndrome, making developing countries to still survive under ‘imperialist donors’ who failed to prepare African countries for self-governance; so now Sierra Leoneans should strive hard to re-shape their future or the future will shape us.

Therefore, Dambisa Moyo’s thoughts have featured that: “Aid has been, and continues to be, an unmitigated political, economic, and humanitarian disaster for most parts of the developing world”. (Forward by Niall Ferguson, from Dambisa Moyo’s book, “**DEAD AID**” (2009), ix&p.xix). Dambisa then positioned that: “*The problem is that aid is not benign – it’s malignant. No longer part of the potential problem – in fact aid is the problem...it crowds out private investment, fosters corruption, fuels conflict and undermines the rule of law...that should prove a healthy wake-up call for African policy makers....*” – (NEW AFRICAN; 45th Year- June 2011. No. 507; 14: Featuring ‘**Top 100 Africans – Women of Influence**’ 14).

As a prominent NGO, the CRS operations came to salvage the Sierra Leone socio-economic situation in the following areas:

Public Policy; Agriculture; Education; Emergency Response; Food Security; Health; HIV and AIDS; Microfinance; Peace building; Social Safety Net; Water and Sanitation. Different parts of the country benefitted from the CRS developmental operations, as indicated:

- Refugee Camp Construction Mgt:- Kenema
- Food Aid:- Koinadugu, Bombali, Kailahun
- Shelter/Rehabilitation:- Western Area, Koinadugu, Bombali, Kailahun, Port Loko
- Agriculture:- Kenema, Kailahun, Koinadugu, Bombali
- Health:- Pujehun, Kenema, Kailahun, Koinadugu, Bombali
- HIV/AIDS:- Western Area, Bombali
- Peace Building:- Port Loko, Tonkolili, Koinadugu, Bombali, Kambia, Kono.

The contributions of the international community, including the World Bank and other UN Agencies and International NGOs, have been extensively highlighted to make Sierra Leone match once more among the list of democratic states as a model of reference from other war-torn countries such as Rwanda, Burundi, Somalia, Ivory Coast, and Liberia, as African examples. In particular, the NGO contributions of CRS-SL (2002-2009), in collaboration with its partners, are serving as models of references.

The leading roles of International Non-government Organizations (INGOs) have been focused by introducing other plans in the form of addressing ‘**alternative models**’ to replace ‘**barriers or inhibitive factors**’ to holistic or participatory development. The issue of people-centred approach creates the major avenue for concern, and how the method has been employed to achieve ‘**Bottom-up Organizational Learning**’ (BUL) approaches in programme implementation.

The way forward has been summarized anonymously that: “**Never Again Shall We Take Up Arms Against Each Other.**” If this is true, then it follows the proverb from a Kenyan BBC Network Africa Programme Listener and Contributor that: “**The More we Sweat in Peace, the Less we Bleed in War**” – (Friday, July 08, 2011).

In support of the contrary, President, Dr. Ernest Bai Koroma remarked that: “The way forward is for us not to look back any more. We have to focus on developing and improving the democratic process”. (New African Magazine; May 2011, No. 506 – **SPECIAL REPORT: SIERRA LEONE – Message from the President**; 52). The then Minister of Information and Communication, Hon. Alhaji Ibrahim Ben Kargbo added that: “Now, we should learn from the lessons of the past, and prepare our citizens for the challenges ahead.....We need to mould a new citizenry”. He furthered that: “...we are all committed to ensuring that we don’t go from where we came from (**the war**) – ‘...We won’t repeat the mistakes of the past’,...to rebrand the country”. (New African Magazine; *ibid* – **Minister of Information; I.B. Kargbo**: 53). It was further supported that in the new post-war scenario, “...there are mutual benefits to be gained from moving from the past to create a desired future, (if) greater progress would surely be achieved”: Pamela Krummeck; Diep River; South Africa – Letters/Readers’ Views – Long Live New Africa; in ‘NEW AFRICAN’, 45th Year; June 2011; No. 507: 6.

Sierra Leone has gone through the tests of times since independence, as presented by the number of coups and or counter-coups, changes of governments, and climaxed by the rebel menace. This has brought many challenges for the future of the country. In the post-conflict scenario, every aspect of development was a challenge, but the general write-up views have only been focused on five basic: **Corruption; Democracy and Good Governance; Security and Safety ; Agricultural Promotion and Environmental Impact;**

and NGO Operations. Some details on these challenges also drew references from different development situations from within and from without Sierra Leone and the Africa Continent, for want of comparative models and or similarities in development implementation strategies. They have been presented as guides in transition and transformation process.

It is therefore important to note that at this point in time in the development of the country, speculated changes in status in a changing world like ours demands new things: *new leaders; new ideas; new ways of doing things; new technologies; new methods of even mobilizing our resources to fit into our post-war battered socio-economic system;* among other demands. It should make us remember that some challenges demand new and better things, but that “...one quality which one must possess to win,... is ‘*Definiteness of Purpose*’, the knowledge of what one wants, and a burning desire to possess it” - What you think is your desire, can only come to fruition when those thoughts and ideas are translated to action before you can be a winner: Napoleon Hill - “**THINK AND GROW RICH**” (1960): 37-38.

It should similarly be remembered that “...all that succeed in life get off to a bad start, and pass through many heartbreaking struggles before they ‘*arrive*’; they have tasted and gone through the ‘*UNIVERSITY OF HARDKNOCKS*’ - The turning point in the lives of those who succeed usually comes at the moment of some crisis, through which they are introduced to their ‘*other self*’”. (NAPOLEON HILL’s book: **THINK AND GROW RICH** (1960): 24 & 39, respectively). So is the case of Sierra Leone, which is trying to reminisce the past which is mainly a reference point: ‘*thinking of the good times and also not forgetting, and remembering the bad times*’ in the country’s checkered history from independence to now.

Thus if your desire is success, then you should be prepared to undertake various activities, with the preparation and readiness to succeed, but if in the strategy one plan fails, try another plan (*Plan ‘B’*), and so on. This is consistent with Napoleon Hill’s philosophy in his book: **THINK AND GROW RICH**, relating to **Organized Planning** – “If the first plan which you adopt does not work successfully, replace it with a new plan; if this new plan fails to work, replace it in turn with still another, and so on, until you find a plan which does work”.

This simply means persistence can create new plans which could take the place of those which fail Also, and never think negatively – You could be a winner, because, as the general saying goes, “**he who loses a/one battle, lives to fight another day**’ and therefore be advised to believing that you can achieve the whole success which you have focused on; hence you should not allow anything or anyone to deter or defeat you; so the advise is “... *keep-on-keeping-on*’.

It is speculated that along the line to address these challenges, there should be unexpected *frustrations, criticisms, rejections, and temporary set-backs*; hence it is advised that that should not be the end of the matter, but to encourage yourself, while remembering that *'every set-back is a set-up for a come-back'*. This simply means *'be challenged by every negative criticism'* to renew your strength.

After the war experiences, it was but fitting to call **'Sierra Leone: The State that Came Back from the Dead'**, according to Michael Chege (2002), although as earlier quoted, "Sierra Leone did not experience the ethnic fratricide often blamed for state collapse", vis-à-vis the Rwandan and Burundi experiences. Michael Chege; Ibid (2002) furthered in a rather subtle way that: "The case of Sierra Leone demonstrates at least that the root cause of the problem lay in the systematic ruin of state institutions by a succession of corrupt and inept dictatorships, indulged by external donors and a network of irate businessmen." He also opined that: "As economic and institutional decay set in, the regimes lost all legitimacy in the eyes of the people they claim to govern. Then, as public institutions led by the organizations of law and order imploded, the stage was set for anomie as alienated youths hired themselves to (inadvertently become) rebel leaders and international criminals with a broader agenda".

In the form of guides, Michael Chege (2002) made it clear that if comparative historical experiences and occurrences are anything to go by, for the brighter future of Sierra Leone, see the following:

- "Establishing an effective army, police force, and security services must be top priority – With no effective army, police, administration, or judicial system, Sierra Leone was a sitting target for local and external predators";
- "Full-blown state failure requires optimistic interventions by external actors";
- "Bringing violators of the law to justice during reconstruction deters future abuse. The law should serve as a deterrent in post-conflict societies to include courts, international tribunals, and even truth and reconciliation commissions. The adoption of a resolution by the UN Security Council in 2000 (in collaboration with the Sierra Leone government) to establish the Special Court for Sierra Leone was mainly focused on bringing to justice those culpable in the worst killings since 1996 to justice". Therefore, "Rebuilding the justice system is one of the safest ways to restore public confidence". This should be seen as a rejoinder to validate the establishment of the Anti-Corruption Commission (ACC) in the year 2000.

Between the periods under review, 2002-2009, the country was undergoing post-conflict transition experiences with all their complications and

implications. As the country was going beyond 2009 and approaching its 50th Anniversary celebrations (Independence Golden Jubilee – April 27 2011) since independence in April 27 1961, there was panic within the political arena, since it was expected that some physical infrastructures should be pointed at as benchmarks to show some semblances of development. It has however been proved to be unfortunate that some of these development structures had been partially, and in some cases, totally destroyed, during the civil war. Thus a background of the country's development structures over the decades since independence don't seem to have anything to write home about, vis-à-vis development in other African countries that became independent after Sierra Leone. The main cause has been a checkered political, social, and economic history of neglect for the vulnerable over 75% and illiterate or at most semi-literate rural population – a rather lamentable situation for a 'child' that has lived for 50 years.

The UN, supported by its other development agencies – World Bank; DFID; ADB; NGOs, have redoubled their efforts to compliment the government's efforts in the midst of frustrations of corruption, socio-economic, and security concerns, especially after the civil war. As the lead NGO in the entire write-up, CRS-SL can be seen as the organization which has contributed considerably by initiating and executing tremendous and diversified projects for improved livelihoods of the people in different parts of Sierra Leone to alleviate poverty, irrespective of religious affiliation.

Rather cautiously, the Bank of Sierra Leone (BSL) in assessing the operations of many International NGOs in Sierra Leone, observed that: "The intentions of donors are (may be) good but the methods of implementing these good initiatives have always left the Africans weeping. Donors bring in a project. They bring with them key staff to head the project. They fix discriminatory pay packages, but the bulk of the work is done by low paid Sierra Leoneans. When the project fails, the blame is on Sierra Leoneans; the so-called experts pack and go without any bad records. They would rather be transferred to another weak fourth world country to continue with their work." It is unfortunate to note that pay packages for expatriates are astronomical, and in most cases tax-free as compared to relatively (very) low salaries per month in the civil service. It is also important to note that "These people work under the same environmental economic conditions – The same sunshine, the same moon, the same garbage and potholes, the same mosquitoes and cockroaches, the same supermarket and floored mats and the same dollar parallel market. Above all, these domestic and foreign highly paid staff may be from the same or equivalent academic and professional institutions." With this as reflections from the past, and to try to correct the past happening for the benefit of the present, while targeting the future for better tidings, proper and appropriate planning needs to be the focus for sustainable and durable future development strides .

It is expected that the end result should spell out redemption from abject poverty, economic bondage, and political intolerance to set the stage for a Sierra Leone that will learn from the mistakes of the yester past and use the present to vision the future with hope and resilience. In the final analysis, for a nation that is bound to be turned around for the better after a ruthless rebel menace, the following can serve as a cautionary note: “The recent call by all political leaders to say no to violence, no to sycophancy, outright condemnation of acts that will derail development and the commitment to work together in the interest of the nation is a clear manifestation that Sierra Leone today is different from that of yester years and is on the right path to development, peaceful co-existence, sincere nationalism and a country with a united people”. – (STANDARD TIMES; Friday, December 3, 2010: **Reflections** by Issa B.M. Kamara; 15). As a further support and advice (I.B.M. Kamara; Ibid), “Sierra Leone needs all hands on deck for development and not unethical politicking”.

This should be every stakeholder’s pride, and any inhibitive factors which could serve as deviations, should be tackled with the required professional approaches. This can make Sierra Leone’s image being brought to the limelight once more to give it a better or brighter future; **‘the birth of a new identity and or the rebirth of a nation’**.

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HARNESSING NIGERIA'S ECONOMIC POTENTIALS FOR AFRICAN DOMINANCE AND GLOBAL COMPETITIVENESS

Dr Gabriel Udendeh*

1.0 Introduction

This article is borne out of two developments the author experienced in quick succession during the period July - August 2013. In July, a certain cable television network in Dubai, while analyzing African economies in terms of competitiveness, referred to Nigeria as a "theoretical giant of Africa". To underpin its position, the television alluded to failed public infrastructure, high cost of doing business, official corruption, inefficient and the legal system (amongst others issues).

Back home in August 2013, a well-educated research fellow colleague, with a doctorate degree in Economics had just returned from the IMF on attachment. He made a similar comment after his encounter with a young lady cashier attendant at one of the newly commissioned multi-national shops in Abuja, the Federal Capital Territory (FCT).

My colleague was a bit harsher in his criticism of the way we run business without bearing in mind that the customer has an alternative, which is quite understandable. His grouse was premised on grounds that everywhere in the world, service delivery does not

only occupy the center stage, it assumes a competitive tool for customer appeal. The first world invests massively in infrastructure in order to aid service delivery. Conscious efforts are being made to improve service delivery to win the market - Nigeria cannot remain an exception.

This article thus seeks to examine the basis of Nigeria's rating as a giant of Africa in terms of selected economic indices. The article will also underpin the concerns of my economist colleague with some suggestions on how best we can enhance Nigeria competitiveness. The article is organized into four sections to internalize the discussion. Section one is the introduction, followed by general statistics of the emerging countries in Africa. This section further analyzes the statistics to bring out areas where Nigeria appears strong or has the potential to score high over its peers. Section three emphasizes the imperative of competitiveness, while section four concludes the discussion with a summary of the country's rating by the 2013 Mo Ibrahim Index of African Governance (IIAG). Section five recommends ways to improve Nigeria's competitiveness.

2.0 Selected Economic Statistics of Some African Emerging Markets

The table below best illustrates the economic indices:

Table 1: Selected Economic Statistics

Countries	Nigeria	South Africa	Egypt	Kenya	Tanzania	Senegal	Uganda	Angola
Economic Indices 2013								
Mineral resources	Oil, Agric	Gold, Diamond	Nile Valley	Tourism	Gold, Tourism	Phosphate Mining, Fishing	Oil, Copper and Gold	Oil, Diamond
Agric to GDP (%)	30.9	2.4	14.7	24.2	27.1	15.3	23.9	9.6
GDP (USD' Billion)	450.6	578.6	537.8	76.07	73.5	26.5	50.59	126.2
GPD Growth Rate (%)	7.1	2.6	2.0	5.1	6.5	3.7	4.2	6.8
GDP/Capital (USD \$)	2,700	11,300	6,600	1,800	1,700	1,900	1,400	6,200
Labour Force (Million)	53.83	17.89	27.24	18.89	24.77	5.85	16.55	8.47
Unemployment (%)	23.9	24.4	12.5	40.0	10.7	48.0	4.2	26.0
Budget (USD \$)	23.48	95.27	56.64	7.38	6.08	3.31	2.91	56.07
Foreign Reserves (USD \$)	42.8	54.98	15.26	5.40	3.79	2.25	2.71	34.63
Public Debt to GDP (%)	18.8	43.3	85.0	50.0	34.4	33.6	26.8	17.1

Source: 2013 CIA Factbook & Other Sources

The table above is based on statistics for the year 2013, except for unemployment rates that have some lag effects. Also, the statistics are estimates and in the absence of trend, they are assumed to represent averages for the purpose of our discussion. The discussion will also be aided by sub-tables to underscore the relevant points being made. That said, it is quite discernible that in terms of Gross Domestic Product (GDP), Nigeria ranks No. 3 with a GDP of \$450.6 billion, \$128.00 billion away from South Africa (\$578.6b) and \$87.2b from Egypt (\$537.8b) (See table 4 below). Indeed, Nigeria was ranked No 31 out of 262 countries by the 2012 CIA Fact Book, with a GDP of \$414.5 billion. Researchers and investors predicted that with the strong growth (7.1%), Nigeria has the potential to overtake Egypt and South Africa in the near future, if the growth drivers are sustained or enhanced.

Other Potentials

2 (a). Agriculture Penetration

Nigeria has agricultural potential, given its vast expanse of cultivable land, coastal areas and two rivers across the country. At present, the country's agricultural contribution to GDP is 31.0 per cent, which is the highest among the selected countries in Africa, followed by Tanzania (27%), Uganda (24%) and Kenya (24%). This implies that under the right policies, agriculture will replace oil as the main foreign exchange earner with high capacity for employment generation (Table 2).

Table 2: Agriculture Contribution to GDP

S/N	Country	Contribution (%)
1	Nigeria	31
2	Tanzania	27
3	Uganda	24
4	Kenya	24

Source: Statistics drawn from Table 1

2 (b). GDP Growth

Nigeria is projected to experience the highest growth of 7.1 per cent for 2013, closely followed by Angola (6.8%), Tanzania (6.5%) and Kenya (5.1%). This suggests that competition in GDP growth is manifestly stiff. Angola, which experienced a civil war for 27-years, recently discovered oil that now drives its growth. It has a huge budget for 2013 (\$56.07b) with a substantial portion as capital expenditure, as it plans to use modern infrastructure to further leverage growth in GDP. Nigeria with a budget of \$23.48 billion for the same period barely 42.0 per cent of Angola), needs to learn a lesson from the latter to remain dominant. Tanzania is a relatively small economy with gold and tourism as its foreign exchange earners; it however shows a strong GDP growth of 6.5 per cent for 2013 (Table 3).

Table 3: GDP Growth Rate

S/N	Country	Growth rate (%)
1	Nigeria	7.1
2	Angola	6.8
3	Tanzania	6.5
4	Kenya	5.1

Source: Statistics drawn from Table 1

2 (c). Expanding the GDP Scope

Management experts observe that an organization can attain a competitive edge through any or a combination of core competencies, resource - base and value-chain. At its simplistic state, *core competency* may be interpreted to mean a strong infrastructure, while *resources-base and value-chain* refers to natural endowment and service delivery, respectively. Nigeria looks good to have a competitive edge using its resource-base, which suggests that our efforts should focus more on the need to develop other sources aside from oil. The writer had in some articles, alluded to the case of the private universities which achieved much in just about 14 years of their establishment. They can serve as agents of foreign exchange earnings for Nigeria. Nigerian youths have continued to play a major role in the development of the entertainment industry, leaving the government with policy initiative to provide basic infrastructure and regulation to consolidate growth in this area. A well-organized entertainment economy will generally promote tourism, elevate sports and attract direct foreign investments. Agriculture, the banking system, aviation and the property market are all opportunities awaiting exploration in Nigeria if entertainment and tourism are strong (Table 4).

Table 4: GDP Size

S/N	Country	Size of GDP (USD \$, Billions)
1	S/Africa	578.6
2	Egypt	537.8
3	Nigeria	450.6
4	Angola	126.2

Source: Statistics drawn from Table 1

2 (d). Foreign Reserves

The strength of any economy lies in its stock of foreign reserves and Nigeria is not doing badly here. The country ranks No. 1 with \$42.8 billion out of the selected African nations, just \$12.18 billion behind South Africa. Again, Angola is shadowing closely behind Nigeria with \$34.63 billion. Some analysts have queried the logic of keeping huge foreign reserves when the country's infrastructure is decaying. However,, Angola's model appears ideal for Nigeria as the former is accumulating reserves along with the development of its infrastructure (Table 5).

Table 5: Foreign Reserves

S/N	Country	Size (USD \$, Billions)
1	S/Africa	54.98
2	Nigeria	42.8
3	Angola	34.63
4	Egypt	15.26

Source: Statistics drawn from Table 1

2 (e). Public Debt to GDP

During the period 2004-2008, Nigeria moved from short term debt instruments to medium and long-term debts. The objective was to deepen the debt market and develop a yield curve. An agency was created on October 4, October 2000 (Dent Management Office-DMO) charged with the responsibility of public debt management. Available data (as depicted on the statistics table) indicates that Nigeria's debt profile at 18.8 per cent to GDP is sub-optimal. Chowdhury (2010), states that the maximum acceptable debt-GDP ratios are 40.0 per cent for advanced countries and 60.0 per cent for developing countries. South Africa with 43.3 per cent, Egypt (85%) and Kenya (50%) exceeded the maximum ratio with their status as developing economies, while Nigeria with 18.8 per cent, Angola (17.10%) Uganda (33.6%) and Tanzania (34.40%) have room for further debt issuance. This probably explains why the Federal Government of Nigeria (FGN) bonds are always over-subscribed. This also, portends opportunities for the Nigerian financial market, especially the pension fund managers (Table 6).

Table 6: Public Debt to GDP

S/N	Country	Ratio (%)
1	Angola	17.1
2	Nigeria	18.8
3	Uganda	26.8
4	Senegal	33.6
5	Tanzania	34.4

Source: Statistics drawn from Table 1

3. Need to Be More Competitive

A review of the above developments seems to suggest that Nigeria actually is and has the potential to remain the economic giant of Africa. The evidence is seen among the selected emerging economies in Africa where the country shows strong presence in all the indicators considered. The cable television in Dubai may as well be advised to expunge adjective "theoretical" from its description of Nigeria in relation to Africa.

Regarding the issue of lukewarm service impeding Nigeria's competitiveness, one could not but agree with the criticisms. An Indian friend told me a story of how the Global Financial Crisis (GFC) of 2007-2008 affected a bakery factory in India. According to him, the owner of the bakery had a vast market for his bread

and donuts. He was uneducated but had a son who was doing his MBA at Harvard Business School. The son was on vacation when the whole world was awash with news about the Global Financial Crisis. The father asked his son to explain the meaning of GFC. In response, the son explained that GFC meant that there was severe illiquidity in the banking system across the world. He went on, banks would not be able to pay depositors or grant new credits which would reduce the purchasing power of citizens leading to unsold stocks. As a counter measure against the likely adverse development, the father sacked his staff, refused to replace flour for bread and donuts and closed parts of the factory. When customers came calling there was no stock; some parts of the shop had become inaccessible and in some instances, few employees served customers as most had been sacked. The customers went to alternative shops for their daily needs and that was how the GFC affected the Indian bakery factory.

In Nigeria today, the government sometimes plays the Indian bakery owner by undermining its economic capacity and by reacting irrationally to economic news before its effect is analyzed. Relative to the 2013 budget of South Africa, Egypt and Angola, one could see the Indian bakery mentality here (See table 7 below). The government often makes policies without weighing the unintended consequences not minding the fact that when policy zeal clouds logic, citizens resort to survival behaviour. Other countries target policy failure in one country to leverage on and attract dissatisfied customers. The inefficient port administration in Nigeria largely accounts for the huge patronage of Cotonou port for the importation of various items, including cars. In education, policy failure informs a cluster of foreign universities near our borders in Sao Tome & Principe, Togo, Benin Republic, Equatorial Guinea and Ghana and if not for the private universities, over 50.0 per cent of Nigerian students would be seeking their university education overseas.

Table 7: Annual Budget

S/N	Country	2013 (USD \$, Billions)
1	S/Africa	95.27
2	Egypt	56.64
3	Angola	56.07
4	Nigeria	23.48

Source: Statistics drawn from Table 1

For us to remain competitive we need to retool our policies and one way of doing this is to benchmark our peers in Africa. Our policy makers have to engage more in creative actions than surprise pronouncements. Our policies should aim at addressing societal problems to attract investment and, not seeking reforms for its budgetary essence. The posers that should engage our policy makers at driving reforms should encompass, among others: why do citizens of other countries, including Nigerians prefer to go to Gambia, Kenya or Ghana for holidays? Why, despite having a huge travelling population, no European, American or

Middle-Eastern airline has a regional office in Nigeria? How many foreign stores operate in Nigeria aside from Shoprite? What about television stations. Why does CNN, BBC, Aljazeera, Reuters, for example not have regional offices in Nigeria? How many foreign students or even teachers do we have in our universities? Indeed how many foreigners do we have in our civil service? The author's guess is that answers to the above posers are likely uninspiring, which suggest that we as a nation are not different from the Indian factory owner.

By our acts and omission we scare away visitors and therefore businesses. Government does not appear to have provided enough incentives - poor service delivery. Other African nations appear to be working tirelessly to up-state Nigeria on the economic leadership table with better packaged services. While we appear set to overtake Egypt and South Africa economically, the duo has a strong internal capacity to recover from shocks. In the case of South Africa, they have used MTN Ltd to penetrate the Nigerian economy and have now devised a strategy to acquire our strategic institutions. Standard Bank blazed the trail with IBTC followed by Famous Brands Ltd, an investment holding company in South Africa that recently acquired 49.0 per cent of UAC Plc's subsidiary, UAC Restaurants Ltd (Mr. Biggs) (Guardian Newspaper, 2013). They presently run the biggest shop (Shoprite) and were the first to establish a merchant bank in Nigeria under the banking model. Stanbic-IBTC targets to overtake First Bank Ltd in ten years' time, which to us is a welcome development. On the other hand, emerging nations such as Angola, Tanzania, Kenya and Uganda present strong indicators of stiff competition with Nigeria in the near future. It is on record that Tanzania, Kenya and Uganda complement one another in many respects, including energy sharing.

4.0 Conclusion

The Mo Ibrahim Index for African Governance (IIAG), established by the Mo Ibrahim Foundation in (2007) is an assessment of the performance of African countries. It is a tool that civil societies are expected to use to engage government. In its 2013 edition, Nigeria ranked 41 out of 52 African countries (Guardian Newspaper: 2013). The other peer countries (in this article) were ranked: South Africa (19), Kenya (21), Tanzania (17), Senegal (10), Uganda (18) while Angola (39). Except for 2013, Nigeria has been on the slide. In 2006, it occupied No. 37, 2011 (41), 2012 (43) and 2013 (41). According to the report, safety, rule of law, citizens' participation, human right abuses, inadequacy of sustainable economic opportunities and inappropriate human capital development accounted for the low score and ultimately poor ranking. However, there is a light at the tunnel-end. Nigeria went up by two points despite its huge security challenges, and if these are contained, the improvement will be more significant. It is therefore, the author's guess that the report presents a good opportunity for us to make amends.

5.0 Recommendations

Nigeria should grow beyond the primordial and self-efficacious tendencies of exclusive governance and engage the economy more strategically through inclusive governance.

We have to identify growth sustaining sectors and leverage them to transform into income and employment generating sectors. These include agriculture, energy, entertainment and tourism, education and banking system. The writer ignored corruption, as it is not peculiar to Nigeria; however, other countries plagued by it are making progress.

Nigeria has no choice but to improve the budgeting system in terms of process and quantum. A situation whereby Angola with a labour force of 8.47 million and GDP of \$53.83 billion making a budget more than twice the size of Nigeria's, is not acceptable to us.

Income distribution policy has to improve. Nigeria's GDP per capita of \$2,700 is behind South Africa (\$11,300), Egypt (\$6,600), Angola (\$6,200) and above those of Senegal and Kenya (\$1900) and (\$1800) respectively, but it is not distributive as most Nigerians live below the poverty line.

Nigeria has an opportunity to leverage public-private - partnership (PPP) using its low debt-to-GDP ratio or its huge reserves to finance infrastructure development. Recently, International Finance Corporation (IFC) and African Development Bank (AfDB) took advantage of this and sought approval to issue its own bonds for project financing in Nigeria. The strong economic indicator of Tanzania stems more from its PPP strategy and cuts across all layers of government.

The strength of South Africa is in its banking system and infrastructure, while all the African countries considered in the analysis have a relatively superior infrastructure to Nigeria. Nigeria must take this as a major challenge. The metro project in Lagos should be of concern to the Federal Government, as foreign visitors who see it work will take it as a Nigerian infrastructure, not that of Lagos State. Similarly, the rail projects across the nation must attract a higher level of priority.

Quality of service in government and all enterprises has to improve. General Olusegun Obasanjo (June 2003) identified the gap in service delivery in Nigeria and commissioned a team of experts to develop a service compact with all Nigerians code-named *Servicom*. This gave birth to *Servicom* on March 21, 2003. *Servicom* policy should extend to all Nigerian enterprises, while the Corporate Affairs Commission (CAC) certifies all registered companies on "Servicom" commitment (free of charge). To entrench it, the National Assembly should pass an enactment upgrading *Servicom* to a Bill of Rights for consumers of both public and private services with the Consumer Protection Council as the regulator. This has become

necessary because no family would leave their country or house for holidays at a place where the quality of service is not guaranteed, no comfort is offered, no engaging attraction or where poor meals are served. The agencies in charge, such as the Consumer Protection Council, Tourism Development Board (if any), National Agency for Food and Drug Administration and Control (NAFDAC), Standard Organization of Nigeria (SON), National Orientation Agency (NOA) need to take this as a challenge.

Finally, policy makers should endeavor to analyze issues thoroughly before a coming up with pronouncements, which should aim at making Nigeria more competitive.

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MONEY IN HISTORY (PART 1)

Dr George Reiff*

Translated from the original work by Karl Walker into English by George Reiff

About Coinage of the Greeks

There is no highly developed culture in human history not based on a highly developed division of labour. The division of labour enables us to surmount the needs of the next day in order to make the mind free to establish greater and enduring things. The division of labour requires the exchange of services and in its advanced stages, it requires a developed trade.

In old times, trade may have been formed by giving and receiving gifts and this practice is still a custom between many tribes and children. The true character of this giving "gifts" is shown through the unwritten law, to exchange gifts of equal value. Not as when Glaucos gave his guest Diomedes golden armour and received iron armour in exchange. The Iliad notes the admonishment of Zeus who felt that this unequal exchange, "took totally away from him his senses". Altogether, trade seemed to have been conducted in exemplary nobility. Herodotus writes about reports of the Phoenicians,

There is also still Libyan land and humans beyond the pillars of Heracles. When they came there, they would unload their goods and go back to their ships and make a big smoke. When the inhabitants saw the smoke, they would come to the sea and put gold there for the goods and then they would retreat once again. The Phoenicians, however, went to shore and when it was enough gold, they would take it and head home; if it was not enough, they would board the ships once more and wait patiently. Then the inhabitants would come back and add some more gold and some more till the Phoenicians were content. Nobody, however, would dupe the other because nobody would touch either the gold or the goods unless the goods were paid for.¹

This may have constituted real barter despite there is talk about gold but not yet in the sense of money (the later meaning of the word "gold" is in German "gold" and money is "geld" and derives directly from the word "gold").

However, to trade various equivalent products is an impossible task. A reasonable solution had to be found. Thus, "money" was to take the place of cattle, shells, skins, slaves and metals of all kinds. This development soon gave precedence to precious metals as evidenced

in the history of Assyrians and Egyptians who hacked silver in order to form metal cakes. From here a direct way led to a consistent denomination; bars, rings, stamped bars, ingots and stamped coins followed.

Within the history of coinage, the Lydians invented the coins. Their coins consisted of an alloy from silver and gold. Their productive gold mining formed the basis of the fabulous wealth of King Croesus, who lived in the 6th Century B.C. who had a highly developed monetary system in his country. Wherever money appeared for the first time, the sources of commonwealth and prosperity opened up, artisanship and arts developed and humankind conquered the necessities of the day and started works that would survive generations. However, when money disappeared the the structure of culture decayed because the basis of the division of labour disintegrated.

Around the middle of 7th Century B.C. the first Grecian coins were minted on the island of Mycenae. Now the silver of the trader did not need to be examined and weighed anymore, as coined pieces could be counted and calculated.

Previously, as noted in in the poetry of Homer, the coin was unknown and this is why all values had been had been measured against cattle:

The golden armor of Glaucus is worth 100 cattle; and Laertes pays Euricleia with 20 cattle.²

Daughters were precious at that time because they brought cattle if they found a husband; sons, however, only incurred costs.

By inventing money, trade was simplified and this relief of trade resulted in the commercial productions of Greek enterprise where trade in artisanship, arts and science flourished.

Many artisans in Athens and Corinth employed serfs and slaves. Furthermore, many business owners would transfer a workshop or trade to a slave who would work and trade independently but for the profit of his master.

The father of Demosthenes (the renowned orator of Athens) owned a knife smithy and a chair factory with more than 40 employees. He earned so much money from these enterprises that he left behind 40 talents of silver or nearly 200,000 Gold Marks (\$4,000,000 as of 2012).

Cleon ran a tannery and Hyperbolos a manufacturing unit for lamps. It is enlightening that such productions had an essential domestic market and a far-reaching trade network.

¹ See Robert Eisler: Das Geld, page 49

² See Müller-Lyer: Phasen der Kultur, München 1929, page 250

However, the people of antiquity were sitting as Herodotus said, “like frogs around the pond” along the costs of the Mediterranean. The citing of these sources were advantageous to trade. This trade augmented the commercial interests of Miletus, Chios and Samos – the manufacturers of woolen fabric, carpets and garments. Chalcis and Corinth exported weaponry, earthenware and jewelry. The best wagon builders lived in Thebes and Sicily and Aegina delivered small consignments and fashion accessories.

Coinage

The Greeks used the numinous number 12, while the Semitic tradespeople used the decimal system. The Greek Silver Stater consisted of 12 *Oboloi* coins, which were the smallest denomination. Thereafter, came the *drachma*, which was the most used coin for daily use. This coin had the value of 6 *Oboloi*. Apart from the *Silver Stater* there were also *Gold Stater* coins. For the trading business of the large merchants the mine served as common coin. The mine had a value (meaning the weight) of 60 *drachmas* whereby 60 mines in turn constituted one talent.

The Phoenicians and Syrians adjusted the mine to 100 *drachmas*. However, the Greek denomination of 12 was widely used. Therefore, the number 60, which is dividable by all number from 1-6, retained dominating meaning.

The buying power of Greek money must have been high. Solon changed the draconic penalties that had to be paid in his times (640 – 559 B.C.) in sheep and cattle, into fines, whereby one sheep yielded one *drachma* and each head of cattle was 5 *drachmas*. However, the money-based economy had a dark side as it created a dependency syndrome. Without money, there would be no viable commercial industry.

Soon, warfare was dependent on money. During the war against the Phoenicians, Gelon let his spouse Damarete, manufacture silver coins from her opulent silver jewelry and the rich female citizens of Syracuse followed her example. After the victory she moved the precious tribute of 100 talents that had been given by the Carthaginians in exchange for mild treatment of their prisoners of war, to the issue of coinage. From this resulted the magnificent *deka-drachma*, which in the light of the nature of coinage reflected the unique Grecian culture.³

The Greek farmers sold their harvest, laid bare all their provisions just to get money. The indebtedness of the soil began. “The pawn stones innumerable constricted mother Earth’s dark hued land”, complained Solon. For money loans, a minimum of 36% had to be paid. This resulted in social decay, slavery set in and who once was in need, sank soon into slavery and peony for some whilst increasing the wealth of others.

³ See Die schönsten Griechenmünzen Siziliens, Insel-Bücherei Nr 559

Soon the overcrowded cities with impoverished people had to be fed with grain deliveries and entertained by theater plays. Social insecurities and riots became more frequent. Within one single human generation there were 2 times all rich people slaughtered, the properties re-allocated and the pawn bills burned. However, the financial emaciation of Greece continued. Grain imports and the necessity of luxuries for the rich caused a steady outflow of money. Around the mid-5th Century B.C. the *Athenian Tetra Drachma* was the silver coin of the world and gold coins were still struck in Athens. However, the grain for bread came from Egypt and it cost money and war drew on finance money resulting in a social decay that destroyed the domestic market, while foreign trade became passive and swallowed silver *drachmas** and gold starters never to be seen again.

The new oligarchical Government of Athens had 1500 of the richest citizens executed after the sad end of the Peloponnesian War in order to impound their property in order and put money into the Government’s coffers.

However, the results were disappointing. The estates of the rich were unsellable because nobody was left who had money. Furthermore, who would have dared to show a healthy supply of money – he / she could expect execution as a reward.

The lack of money led to a loss of imports such as grain, spices and luxurious items. For the market and for trade who are dependent on the flow of money, the drying up of money circulation meant a devastating reduction of business. The disintegration of the division of labour was inevitable.

The temple treasures were already eroded; the treasure of Delphi is estimated as value of 50 Million Gold Mark (\$1,000,000,000 as of 2012). The continuing outflow of money that could not be statistically detected and certainly not evaluated brought down trade and forced the economy to a standstill. Agriculture was already destroyed and now came the downfall also to trade and commerce.

It may be tragic but so is the course of things in the world that insight of the wise echo unheard so often:

“Praise Lycurgus” proclaims Pythagoras because he banned gold as cause of all crimes!”

Lycurgus, as the single legislator of Greece had tried to keep Sparta away from the dependence of gold - the money of Sparta, made from iron and hardened in vinegar was nonetheless intertwined with the general monetary dependence through trade.

The money order destroyed the high blossom of Greek culture. After only a few generations, impoverished goat herders stood before the temples and broke off huge slabs in order to build their own pitiful homes. They lived once again in subsistence trade.

**Drachma means in Greek “the condensed” and concerned originally a weighing unit and then a unit for calculations. Differences in weight and value were denominated in parts or multiples of the drachma. The double drachma was the “Didrachmon”, the quadruple drachma was the “Tetradrachmon” and the rarely minted octuplet drachma was called “Oktodrachmon”, whereby the Dekadrachma was more current as tenfold of the basic unit.*

MONEY IN HISTORY (PART 2)

The Romans

The Romans took over the metal money from the Greeks. Originally, cattle were their means of exchange. When they minted the first bronze coins in 600 B.C. they still had to depict cattle in order to demonstrate the meaning of the money. Even the name of the previous cattle-money stayed in use for the new mean of exchange and stuck: *Pecus = pecunia*.

Rome had learned from the Greeks, the Phoenicians and Carthaginians. However, the mix of people that settled along the coasts of the Italian peninsula was unruly and unpredictable.

So, the Romans became a warrior nation. They subjugated the defeated tribes, city-states of the Etruscans and finally also the Greek coastal cities in Southern Italy. But even at the time when the Roman rule was secured over lower Italy, and when it started the final battle with Carthage, it was still a peasant people in the beginning with copper currency and natural economic supply for the state. It was not yet recognizable that here would form a culture that would rule the world.

When Rome’s development afterwards made nearly a kind of greenhouse progress, this was mainly based on the fact that war brings faster the magic power of money into the country than peaceful trade. Already after conquering Tarentum, Rome could mint silver coins from the booty in the year 269 B.C; and 62 years later the first Roman Gold coins followed already. In the years 202 – 190 B.C. the peace agreements with Carthage, Syria and Macedon bring some 150,000,000 Gold Marks (3,000,000,000 US Dollar as of 2012) as a tribute of war to Rome. As the money of antiquity had a far higher buying power, this is the equivalent of the 4 billion Gold Marks (those would be 80 billion US Dollars as of 2012) that France had to pay to Germany after the war of 1870/71! The magnificent stream of precious money to Rome permitted a fast development of the money-based economy.

Till minting the silver money, the as that resulted from a weight unit was the most common coin. With introduction of the silver money it all gravitated towards the *Denarius*. The Roman *Denarius* was a relatively heavy silver coin: from 370 grams (one

Roman pound) of Silver they would mint 84 *Denarii*. The *Denar* was denominated into 4 *Sestertii*, which in turn consisted of 4 *As* each. The subdivision of the *As* resulted in 12 *Unciae* = ounces. We can see that the Romans like the Greeks had the number 12 with her subdivision into halves and quarters and also its multiples = 84 *Denarii* made from 370 gram of silver, which still played an important role. The most important small coin was the *sestertius* and with this coin the Romans mostly calculated on markets and in the households while larger merchants calculated with the *denarius* and the talent. Later, when Rome could already mint gold coins, the *aureus* coin had a value of 25 *Denarii* or 100 *Sestertii* and were made from 1/40 pound of gold (9,25 gram). This gold coin was in later times debased and so Emperor Constantine replaced it in the year 313 A.D. with the *solidus* coin.

As Roman coins were valid in the whole empire and bore the image of Roman emperors who were in pagan and even later in Christian times considered divine; they were religious nuisance in the province of Judaea. It is reported through Bishop Hippolytus of Portus about the Essenes who were one of the monastic Qumran communities according to current religious science that they were not allowed to carry any money with them. As there are various reasons to justify the hypothesis that Jesus of Nazareth lived or prepared through the community of the Essenes before starting his messianic mission, we can see the Biblical scene of the Tribute Money in a new light livid and clear.

The Pharisees had decided to trap the uncomfortable Nazarene; for this purpose they sent out their creatures together with some people of the Roman representative Herod and let him ask: Master, we know that you do not lie and that you teach the way of the Lord in honesty and that you do not ask for anybody because you do not look at the face of the people. Tell us now what you think: is it permitted to pay the emperor his taxes or not? But Jesus saw their evilness and answered: why do you try me you hypocrites? Show me the course coin. And they brought him one *Denarius*. And he told them: Whose picture is this and whose inscription? And they answered: the Emperor’s. And he spoke to them: therefore, give the Emperor what is his, and give God what is God’s. (Matthew 22. 15-22)

Christ’s lifetime fell into the reign of Augustus and his successor Tiberius. The described event is accepted within religious science as historically genuine. It shows us that there was obviously a dispute between strongly religious Jews on one hand and the opportunists on the other hand who became tame in the face of the real power whether or not the use of Roman money was still in line with the law of the fathers and of God. Jesus of Nazareth has not carried money with the picture of the idol in accordance with the monastic rules of the Essenes; he asked for it to be presented when the insidious question was asked.⁴

⁴ See also Robert Eisler: Das Geld, Page 152

It is reported by history about Caligula who became emperor a few years after Christ's Death on the Cross and who became murderous in his caesarian megalomania, that he had a sculpture of his person carried to Palestine by his troops for veneration purposes through the subjugated people. The Jewish population resisted passively and blocked the way with thousands of people and denied the Emperor the veneration as god. It is obvious that the coins of Caligula must have been a nuisance for the Jews as well. This, however, had no influence on the large economic significance of Roman Money Economy.

The Roman *Gold-Solidus* and the *Denarius* as silver coin remained to the times of the migration of the peoples and the service that could be rendered to the development of culture and economy through an orderly monetary system cannot be valued high enough in Roman History. Skilled hands for various trades of the division of labour were also found on the slave markets that feed their blossom also from the downfall of Greece. Now there were money and skilled hands and the organizational skill of the Romans let form cities and magnificent buildings; streets and bridges like they were only built again in the 19th century, palaces, theaters and baths were built as much as aqueducts that even as ruins still witness their former splendor.

Unlike the Greeks and their ways of leading wars, the Romans treated the subjugated people with a certainly wise moderation and so they were also able to keep the conquered. Rome was once only half the size like Attica and it contained about 1000 square kilometers land. At the beginning of the Christian era, however, did Rome rule over 54 million people and 3.3 million square kilometers land and was with this 6 times bigger than the German Empire before WW I. The capital of this gigantic empire could employ in their service all goods of a worldwide division of labour. There was amber from the north, Indian pearls and precious stones, Arabic purple and incense, Spanish wool, Egyptian linen, Greek vines, African oil, Chinese silk, British oysters, furs from the Don region etc. And as though it is true that Rome did not get large without wars, so did the Imperial time bring the longest peace to the Roman Empire that was ever seen in the world. In his work "Cultures, People and States from the Beginning till now" the author Hugo Rachel indicates this noteworthy fact and he writes:

"From 31 B.C. till 235 A.D. the countries around the Mediterranean remained nearly untouched from war and insurgency; fights took place at the borders and only the crises of succession of the throne in 68/69 A.D. and the insurgencies in Gallia and Judaea interrupted the most happy time of mankind. Unlike the savagery of the late republican times, there was despite all shortcomings a just, humane regime that was considerate regarding commonwealth of the whole empire. The material culture was blossoming extraordinarily and increased in expanse. A vivid and secure traffic, a general intellectual and commercial

exchange spanned the whole Roman world; coins, measures and weights and even time keeping (newly ordered through Cesar) and law were regulated unanimously."

It is self-evident that during these times everything could develop what was possible back then from division of labour, exchange of services and world trade. But nothing of all those things that witness Rome's magnificence could form without the miraculous power of money. Nonetheless it would be a deception if we wanted to believe that Rome used its monetary economy consciously and with wisdom for the commonwealth of the state and that it had acted properly at all times. But given our own memories from modern times, we are not surprised that already Rome in need of its wars took refuge in the form of inflation policy that was possible back then: the debasement of the coinage. Already during the Punic Wars was the weight of the *Silver Denarius* diminished in order to mint more *Denarii*. The mercenary armies demanded money as salary and the Romans did emergency coinage from the gold coins from the treasure of the Temple of Jupiter. The treasure they replaced by gilded lead because regarding that point they had the opinion that in religious things appearance is sufficient – a view that has not disappeared fully during other times and other religions.

Around 91 B.C. the tribune Livius Drusus brought through a decree in the senate according to which one out of 8 coins was supposed to be filled with inferior copper from the inside and plated with silver from the outside. During those times the value of money was so uncertain that – as Cicero wrote it – nobody could be sure what he owned. Some years later Marius Gratidian wanted to restore healthy conditions and outlaw attempted payments with bad coinage. For this he was initially hailed and afterwards upon command of Sulla executed. The debasement was continued. Of course there were also times when conquests brought new supplies of precious metals into the country and this brought improvement of the coinage. Conquest of the rich Syrian trade city Palmyra, located between Damascus and the middle Euphrates river brought the Romans immense treasures. Even nowadays the columns of the gigantic ruins, temples of Baal, colonnades, theatres witness the former greatness of this city that was destroyed by her conquerors, as Palmyra was the hub of a trade state that during its blossom expanded till far into Egypt and Asia Minor.

Insofar as the conquered provinces delivered their stocks of precious metal to wanton Rome and by the need in the country itself took refuge to debasement, conditions followed in antiquity that may be very familiar for us. Egypt was Roman Province during the time of soldier Emperor Diocletian (284 – 305 A.D.). Diocletian aimed at a magnificent new structuring of this gigantic empire. Much has been reached by his unbendable will. Only the money did not bend – but about that we could only smile if we had not acted in the same way like this Roman Emperor, who wanted to

cure the decay of the monetary system resulting from money multiplication and bad copper coins, by introducing price caps and death penalty. While in Rome a bushel (29.18 liters) barley cost only 100 *Denarii* and a pound of meat between 8-10 *Denarii*, in the provinces devaluation of money was far more progressed. Professor Eisler compiled from Egyptian Papyri an interesting overview: “in the year 255 A.D. a bushel of wheat of 29.18 liters cost 16 *Drachmae* but 314 A.D. it cost already 100,000 *Drachmae*. A house that cost 2000 *Drachmae* in 267 A.D., could yield a loan of 3840,000,000 *Drachmae* just 40 years later. 3 kilogram of meat cost 8000 *Drachma* back then, a game drumstick 50,000 *Drachma*, 4 chickens 30,000 *Drachma* and half a liter of wine between 12,000 – 26,000 *Drachma*. The increase of salaries and wages performed accordingly. In the year 304 A.D. a street worker or a brick shipper would receive 400-500 *Drachmae* daily. A scribe would receive free food and 3000 *Drachmae* and a groom for horses would receive 3500 *Drachmae*, a groom for mules 6000 *Drachmae* and a teacher 6000 *Drachmae* as well.”⁵

He, who does not recognize his wealth during the lucky days, will learn to recognize it when it is lost.

Like at one time waste, luxury, and laziness, introduced decay to Athens, they did so in Rome too. Here as well the pursuit for wealth developed in the same way. Land became sellable and loans could be taken out on it; the pursuit of money and the inexperience in dealing with this thing resulted in debt and horrendous interests resulted in fast decay of the peasantry, leading to peony, land flight and overcrowding of the cities. As slaves and freeman did workmanship and trade, the Roman despise the original work. His civilization was based on the principle of division of labour but he himself did not follow this principle. And so the city was crowded with unemployed destitute Roman citizens whom – like in Greece - had first to be given bread and then bread and games.

This permanent consumption without effort, this immoderate need for magnificence and luxury of the rich layers of society caused here also an outflow of Gold and Silver to foreign lands from whom the coveted produce came on ships and trade routes. Is it not so that this unheard expenditure of Roman circus games had an economic other side? Sulla let rage a hundred lions in the arena; Pompey increased the show up to 500 lions and unnumbered other animals from all zones within reach. In the year 65 B.C. Cesar let fight over 600 gladiators in silver armor and he hosted the Roman people on 22,000 tables magnificently and presented them with grain and money gifts as preparation to his last step towards unchecked power.

The logic of the calculation of the money is merciless, whether one understands it or not. Rome was certainly able to mobilize the stocks of precious metals of the

provinces – in the silver mines of Spain were temporarily over 40,000 people at work and in similar size gold was mined in Dacia – however, the outflow was still bigger. The fall of Rome was as good as a done deal when together with the disappearance of money the Spanish silver mines were also exhausted. Now even draconic measures against the export of precious metals did not help anymore; and even the debasement of coins – up to 95% filling with copper in silver coins – could not sustain the necessary money circulation anymore. The splendor of the Roman Empire was based on a vastly extended money based economy and division of labour and perished now with the decay of this foundation.

**Regarding buying power of Roman money: one got around the time of the birth of Christ for one denarius food and room in an inn for 16 days. Around 20 A.D. the entry for one of the splendid Roman baths cost for women one As and for men only 3 Unciae (0.25 As), see Menzner-Florcken “Kaufkraft und Zeitgeschehen” Arbogast Publishers, Otterbarch 1958.*



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⁵ See Robert Eisler: Das Geld, page 173

SYRIAN MINORITY ISSUES AND KURDS OF ROJAVA

Dr Kemal Yildirm*

Alawis of Syria

The rural Alawis were the weakest, poorest, most despised, and backward people of Syria over many centuries. However, they have now transformed themselves into the ruling elite of Damascus and are in conflict with other minority groups. Today, most Alawis dominate the government, hold key military positions, enjoy a disproportionate share of the educational resources, and are becoming wealthy. Some Alawites would prefer a democratic, pluralistic Syria without Assad, but almost none believe this is possible. We may certainly start to question this dramatic change occur in the Syria of today? When did the Alawi manage to escape their traditional confines, and what were the mechanisms behind their cultural and political ascendancies.

It appears inevitable that the small and despised minority Alawis will certainly lose their control over Syria. The critical battle will take place between the Alawi rulers and the Sunni majority living in the country's coastal stretch.

The Alawites have the most to lose. Although they consider themselves Muslims they have separate non-traditional beliefs and many Sunnis consider them to be apostates, and were therefore a long marginalized community in Syria, living in impoverished villages in the Alawite Mountains north of Lebanon.

To sum up Alawites account for about 12% of Syria's population, and have a disproportionate representation in Syria's security apparatus, government and military leadership - the legacy of an Assad family rule that has lasted more than 40 years. That has forced many Alawites, who didn't necessarily support Assad, to bear the brunt of the largely Sunni opposition's sectarian-tinged wrath.

Sunnis of Syria

Communities of Sunnis that live in the country's coastal stretch and along the so-called Alawite spine that runs south-east towards Damascus claim that evidence has emerged of attempts by the Assad regime to reshape the area's fragile ethnic mix – moves that go far beyond consolidating security in loyalist areas.

Concerns are particularly focused on Homs, Syria's third city, which western observers believe is likely to fall to the regime military and Hezbollah by the end of the summer (2014), in what would be the most striking gain yet by resurgent pro-Assad forces during the civil war.

All property records for Homs were destroyed in a fire earlier this month at the office of the city's land registry

and residents fear they can no longer enforce a claim to their land and homes.

"What else could be going on?" asked one resident who refused to be identified. "This is the most secure area of the city and it is the only building that has been burned. A conspiracy is underway."

Former staff at the office say the records existed only on paper and had not yet been digitalised. Eyewitnesses in the Bab al-Hood district where the building is located, and several employees, reported seeing flames on the higher floors of the building on 5 July, where the files were archived, while regime forces were positioned on lower floors.

Homs and the surrounding province is seen as essential to the war in Syria and to any plan to create a safe haven for Alawites if the Syrian state collapses, as it geographically links largely Alawite areas on the Syrian coast and Shia areas in Lebanon's Bekaa Valley. Both Hezbollah and Iran are strongly linked to the Assad regime, and by proxy the Alawites, and have played an increasingly direct role in the war during recent months – a push that coincides with a turnaround in the fortunes of the battle-worn Syrian military.

Homs, long a place where a Sunni majority lived in co-existence with minority Christian and Alawite communities, has now become a city of cantonments for almost 18 months: Alawite areas are surrounded by security walls that are off-limits to opposition areas. The countryside to the north and east, where Sunni and Alawite communities live nearby each other, has been volatile for much of the past year, with massacres documented in Sunni communities in Houla, Baniyas and Hoswaie.

The apparent cleansing is not all one way though. North of Latakia, Alawites have been chased out of their villages near the Turkish border by opposition groups, which jihadists dominate.

In Homs city, the Sunni districts of Ashere, al-Khoder, Karm al-Zaitoun and Bab al-Sebaa have largely been emptied and replaced by Alawite families, numerous local leaders claim.

Christians of Syria

Christians in Syria make up about 20% of the population (Source: [CIA World Factbook, *People and Society: Syria*](#)). The country's largest Christian denomination is the Greek Orthodox Church of Antioch (known as the *Greek Orthodox Patriarchate of Antioch and All the East*), closely followed by the Melkite Greek Catholic Church, itself a Uniate offshoot of the Greek Orthodox Church of Antioch, and then by an Oriental Syriac Orthodox Church; there are also a minority of Protestants and members of the Assyrian Church of the East and Chaldean Catholic Church. The city

of Aleppo is believed to have the largest number of Christians in Syria.

The slogan "Christians to Beirut; Alawites to the Grave" emerged early in the war as a slogan of anti-regime fighters.

Alawite militias have perpetrated massive atrocities against Sunni civilians, thereby ensuring that Syria's Alawites will be targeted for retribution. If Assad falls, Syria's Alawites know they face a likely genocide. Under these circumstances, they have no choice but to stick with the government.

Syria's Christians have tried to stay out of politics, preferring to focus on business where many have done well, at least until the start of the civil war. They have no incentive to jeopardize their current well-being by supporting a rebellion that may not succeed. And they are understandably fearful of an opposition that includes the Al-Qaeda-linked Al Nusra Front. Because the Syrian diaspora is disproportionately Christian, Christians have found it easier to immigrate to the West, and many have done so since the uprising began.

Syria's largest minority is the Kurds, and their case is the most curious as it is a matter of political question over many years both in Turkey, Syria, Iraq and Iran. Unlike the Alawites and Christians who have done well under the Assads, the Kurds have been brutally repressed. Kurdish areas in the northeast and northwest are among Syria's poorest (although resources are rich) and, since the 1950s; successive Syrian regimes have denied citizenship documents to hundreds of thousands of Kurds, saying they are migrants from Turkey.

In 2004, Kurds in the western Syrian city of Qamishli staged their own uprising against the regime, tearing down billboards and statues of the current president and his late father. The uprising was put down with characteristic Assad ruthlessness.

But today, Syria's Kurdish militias are fighting anti-regime Islamic radicals who have been attacking Kurdish villages. The Syrian government is largely absent from the Kurdish area, and in July, the Kurds proclaimed their own autonomous region. They are now focused on making that autonomy a reality, securing their region's borders against Sunni rebels, establishing a Kurdish language curriculum in schools, changing license plates and setting up a Kurdish administration.

Kurds of Rojava

The situation in Syria may appear after two and a half years to have turned into a static and bewildering slaughter. Neither victory nor defeat seems imminent for any of the sides.

However, this picture is not entirely accurate. On one front, at least, there is movement in a clear direction. The Kurds of north eastern Syria are consolidating their autonomous enclave bordering Iraq. The Kurds

call this area 'Rojava', or western Kurdistan. They have in the last two weeks inflicted a series of telling defeats on Al-Qaeda linked rebels on its borders.

The absence of clarity in the direction of the war in Syria derives partly from the fact that there is no longer a single conflict in the country. Rather, the Syrian civil war has in the last year turned from a straight fight between a regime and a rebellion against it into three inter-locking wars involving a variety of participating elements.

The regime and its allies are still engaged against a mainly Sunni rebellion. An internecine civil war has also broken out in the rebellion itself, pitting the al-Qaeda linked Islamic State in Iraq and Syria (ISIS) and its hardcore Islamist allies against more locally focused rebel groups.

What Does YPG stand for?

Yekîneyên Parastina Gel (YPG) or People's Defence Units are the military forces who were set up to defend life and property in Western Kurdistan

The People's Defence Units (Kurdish: Yekîneyên Parastina Gel; Arabic: Wihdat Himayah ash-Sha'ab), known as the YPG, is the official armed wing of the Kurdish Supreme Committee.

The YPG is responsible for maintaining order and protecting the lives of residents in Kurdish regions.

The 2013 the Syrian Kurdish-Islamist conflict started during the Syrian civil war after fighting erupted between the Kurdish YPG and Islamist rebel factions in the city of Ras al-Ayn. Kurdish forces launched a campaign in an attempt to take control of the Islamist-controlled areas in the governorate of Al-Hasakah and some parts of Ar-Raqqah and Aleppo governorates. The Kurds' goal was also to strengthen the autonomy and freedom of the region.

The third contest is taking place between ISIS and its allies and the Kurdish fighters of the YPG (Peoples' Protection Units) in the north and east of the country.

The first two wars remain at bloody stalemate. The Kurds, whose goal is survival rather than conquest, are winning the third.

The current Kurdish 'surge' began on October 26th with the capture by the YPG of the Yarubiya border crossing in Hasakeh province, between Syria and Iraq. The crossing, known by the Kurds as Tal Kojar, had been held by ISIS since March. The YPG captured it after three days of fighting.

The rebel Syrian National Coalition however tried issue a non friendly claim following the battle that Iraqi regular fighters had participated alongside the Kurds. In truth, however, the superior organization of the YPG when compared to their Islamist rivals appears to have been the telling factor.

The taking of al-Yarubiya gives the Syrian Kurds full control of an entry and exit point into Iraq for the first time. But its significance goes beyond this.

Hasakeh Province, with a 70% Kurdish majority, is home to the greater part of Syria's oil reserves. Syria has, according to a 2009 study, 69 billion barrels' worth of proven oil reserves and probably about 315 billion barrels' worth of not yet discovered reserves. The great majority of this is in the north east of the country. In March this year, the YPG took over three oil producing towns, most importantly the town of Rumeilan.

Political Control of Yarubiya gives the Kurds the ability to engage in the export of oil and other industrial sources. This fact is not lost both on the jihadis of ISIS, who hope to run their own private oil export operations, and on the Syrian National Coalition, who reminded the Kurds in their statement that the oil belongs to 'all Syrians.' The Kurds pushed on, capturing a great number of villages from ISIS and its allies over the last week. ISIS was joined by additional forces in these battles, including Islamist but non al-Qaeda linked groups after the Yarubiye victory.

The YPG's drive forward concluded recently with the complete capture of the strategically important and long-contested Ras al-Ain (Sere Kaniyeh) area, on the border with Republic of Turkey. The expulsion of ISIS from the al-Manageer area of the town left the YPG in full political control of Ras al-Ain and the road to neighboring Tal Tamer. These gains therefore mean that the Kurds have now consolidated a clear western 'borderline' for their area of control in north east Syria. Their intention, according to Kurdish sources, is now to push further west, towards Tel Abyad. However outside of Hasakeh Province, in the areas of sparser outlying Kurdish population in Raqqa and Aleppo provinces, the YPG seems that it has enjoyed less success. As many Kurds therefore from these areas have fled to a Kurdish-held enclave in Afrin, further west and not linked to the main area of Kurdish control.

The YPG victories ultimately derive from the greater discipline and organization of this group which is likely trained well by PKK forces, in comparison with its jihadi rivals. The YPG, who were trained by the PKK, is likely to exhibit a far superior tactical knowledge and awareness of basic soldiering. Ammunition is therefore carefully conserved. Units move in a coordinated and controlled way. The rebels, by contrast, are certainly brave, but are often poorly trained and undisciplined.

Though we are unsure it seems that PYD and the YPG are now in firm control of around 10% of the territory of Syria.

'Rojava' forms part of a contiguous area of Kurdish control which stretches from Ras al Ain at its western point, through northern Iraq and all the way to the Iranian border. However a number of sharp political divisions remain between the PKK-oriented forces

controlling the Syrian enclave and the Kurdish Regional Government of Massoud Barzani in Northern Iraq.

Hopes of unity remain elusive. A planned and much discussed Kurdish 'national congress' bringing together all forces in the Iraqi Kurdish capital of Erbil later this month may now not take place. The rivalry between the two key pan-Kurdish forces of the PKK and its associated groups and Barzani's Kurdish Democratic Party appears to be for the moment insurmountable.

Conclusion

In Syria, there are several social differences between Christians and Muslims. Throughout the history, Syrian Christians were more highly urbanized than Muslims; many live either in or around Aleppo, Hamah, or Latakia, and there were relatively fewer of them in the lower income groups. Proportionately more Christians than Muslims are educated beyond the primary level and there are relatively more of them in white-collar and professional occupations.

It is likely that the President of Syria has to be a Muslim, as a result of popular demand at the time the constitution was written. However, Syria does not profess a state religion. From the other hand it is also another important dilemma to discuss whether a state may have a religion but not.

The manner of the 'Alawi ascent reveals much about Syria's political culture, pointing to complex connections between the army, the political parties, and the ethnic community. The Ba'th Party, the army, and the 'Alawis rose in tandem; but which of these three had the most importance? Were the new rulers Ba'thists who just happened to be 'Alawi soldiers, or were they soldiers who happened to be 'Alawi Ba'thists? Actually, a third formulation is most accurate: these were 'Alawis who happened to be Ba'thists and soldiers.

Fighters linked to the Kurdistan Workers Party (PKK), which has fought the government of neighboring Turkey for decades, were clearing pockets of resistance posed by fighters from the Al-Qaeda-linked Islamic State of Iraq and the Levant, as well as al-Nusra Front and Ahrar al-Sham in the border town of Yarubiya, Syrian opposition sources said.

"The Kurds are now in control of the Yarubiya border post. They now have a clear route to market the region's oil, which should belong to all Syrians. "

The Syrian opposition has not even tried to win the support of the country's minorities. There is no program, or even meaningful discussion, of how a post-Assad regime might protect Syria's Alawites from retribution. The Kurds are unwilling to fight for an opposition that says future arrangements for the Kurds will be decided democratically — in other words, by a Sunni Arab majority that has never shown any

sympathy for Kurdish linguistic and citizenship rights, much less for their demands for regional autonomy. Nor has the opposition acknowledged or addressed the fears of Syria's Christians.

Twenty-five years ago this month, I led a Senate Foreign Relations Committee staff mission that went along the entire Iraqi-Turkish border documenting the use of chemical weapons against Iraq's Kurds. These are horrific weapons, and their use demands a response.

But the United States should be cautious about a strategy involving military support, including airstrikes and arms supplies, to a Syrian opposition that has neither the ability nor the inclination to reach out to Syria's minorities. Such a strategy is not likely to succeed and, more important, we may not want it to succeed.

Tel Tamer is a small town of Kurds, Arabs and Assyrians, situated on the road between Serê Kaniyê and Al-Hasakeh. It is an important town because of its strategic location, serving as a gateway to all Kurdish cities in the region.

On 25th April 2013 an armed gang, led by Hasan To'ama (Secretary of the Ba'ath Party Brigade in Tel Tamer) attacked the city centre of the town and shot live bullets to scare and terrorize its citizens, spreading chaos and looting shops. But the YPG (Kurdish initials for Yekîneyên Parastina Gel, or Popular Defense Units in English) immediately intervened to stop them.

The YPG forces spread throughout the entire town and gained control all of city outlets.

The conflict continued for few weeks and ended with the victory of YPG forces against the armed gangs – including Jabhat Al-Nusra, which pledges allegiance to al Qaeda. We do not know what will future show the Kurds of Rojava but it is likely they will be stronger than ever before in terms of political struggle.

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SALES PROBLEMS AND THE SOLUTIONS OF SMEs IN CAMBODIA

Dr Kao Kveng Hong*

There are many problems of SMEs happened in the market which were the barricade for them to grow their Enterprises (Westhead, 1996). Small and Medium Enterprises (SMEs) were different from large enterprises in terms of the scope of the products or services available to the customer (Reynolds et al., 1994; Afzal, 2007). The essential characteristics and sales strategies of SMEs are also different from large enterprises. In this regard, Westhead and Storey (1996), and Hill and Stewart (2000) mentioned the key issue as “Uncertainly” originating from the lack of control over the Market and Sales Environment as well as the problem of SMEs. This is an external factor that characterizes small business operations. Due to lack of control over the market place, SMEs mostly set and run short term policies and strategies, including sales strategies, which enable them to change the strategy whenever necessary by looking to the market situation.

Both small and medium enterprises faced different kinds of problems in their operation. Though small and medium enterprises encountered with sales problems such as strong competition with the imported products, high cost of advertisement, fluctuation of exchange rate, high production cost due to high cost of water, electricity, and gasoline, smuggled products, high cost of marketing operation, political instability, low quality products, social factors, dominance of the wholesalers on prices of the products manufactured by SMEs, unavailability of skilled workers, price competition, low income of the people, complex export policy, use of low standard technology, and location of the enterprises, but the sales problems of small enterprises were more than the medium enterprises. Thus, the sales of the medium enterprises were better off compared to small enterprises due to the different sales strategies even though medium enterprises faced the sales problems (Barray, 2002).

The necessary of SMEs were contributed to economic growth, develop social infrastructure, create employment opportunities and help in regional and local development of an economy (Scupola, 2001). But, most of the problem of the SMEs was lacking of technical expertise (Barry and Milner, 2002) and inadequate of capital for making technological improvements (Barray and Milner, 2002; Raymond, 2001). At the same time, many SMEs suffer from inadequate organizational planning and sales strategies' problems (Tetteh and Burn, 2001; Miller and Beser, 2000).

The study reported in this paper aimed to find out the problems faced and the solution of SMEs in Cambodia.

BACKGROUND

The Government of Cambodia commenced introducing various reforms in the economy in the 1980s. In 1989 the state economy was transformed to a free market economy; i.e. enterprises owned by the state were privatized and the government increased motivation to local and foreign private investment. Price control was blocked and private property rights were restored. Large numbers of foreign ventures, mainly from Asian countries followed by Europe and USA, grew in the country after the free election in 1993 (Economics Watch, 2007). A Government forum on the privates sector was held on August 20, 2004, the aim being to reduce the bureaucracy and corruption. In October 2004, Cambodia became a member of World Trade Organization (WTO) after 10 years of negotiations and preparations of legal frameworks to comply with the standard level (WTO, 2006).

In August 2004, an SME subcommittee was established. This consisted of nine Ministries and Chamber of Commerce. They were to play an essential role in proposing measures necessary to develop policy and programs to act in accordance with the Rectangular Strategy of the Government notably in the area of private sector development by developing competitive advantage for SMEs and proposing incentive policies, and developing activity plan to promote and develop SMEs (SMEs Secretariat, 2005 & 2006). The government has been trying to take diverse actions to ensure the smooth growth of the sector. The Rectangular Strategy, which was proposed by the government at the beginning of its third term in July 2004, stated enhancing SMEs as one of the actions towards improvement and motivation of the private sector development and employments generation. The importance of SMEs is not just their contribution towards solving economic issues but also eradicating social problems in the whole country (Sen, 2004).

The Asian Development Bank (ADB) in 2006 pointed out four main barriers to SME development: the lack of an SME development framework, business registration, business license system and assessment of finance to limit the growth. ADB aimed to solve this problem by working in cooperation with the government to strengthen banking supervision, supporting money and interbank market development, creating a legal framework in supporting money and interbank market development, creating a legal framework in support of cooperate borrowing, including a body of civil commercial law and system, secure transaction and account standard, and supporting investment in long term development of human capacity (ADB, 2006).

Beside the above issue, SMEs have confronted many other problems. The Cambodia Development Resource Institute (CDRI) reported in 2002 that SMEs in the country faced aggressive competition with imported products, in particular, products smuggled from Thailand and Vietnam were being dumped on the market at very low prices. Another problem was that though the production costs of the domestic products

were very low, the wholesalers, because of their dominance, on-sold products at high prices. Consequently, the SMEs were the losers. Furthermore, because of the fluctuation of exchange rates of Thai Bath and Vietnamese Dong in terms of Cambodian Riel, very often there were increases in the prices of consumer products in the country (CDRI, 2012). In addition, due to lack of skill and no updated technology, the local SMEs were facing problems to produce the outputs to meet the quality standard of the market. The SMEs located far from the city could not compete in the market because of their high cost of production and long distance to bring the products to market. And another problem was that the cost of marketing of the SMEs, i.e., advertising cost, was very expensive (ibid). In spite of many sales problem, the SMEs in the country were using different kinds of sales strategies to compete each other, and finally to increase their sales volume.

In addition, due to the lack of skill and outdated technology, the local SMEs were facing problems to produce the outputs to meet the quality standard of the market. The SMEs, which were situated outside Phnom Penh, could not compete in the market because of their high cost of production and long distance to bring the products to sell in the market. Another problem was that the cost of marketing of the SMEs, i.e., advertising cost, was very expensive (ibid).

The Mekong Project Development Facility (MPDF), a private organization supported by International Finance Corporation (IFC), has also been conducting various researches on SMEs in Cambodia and helping to contribute to the development of the private sector not only in Phnom Penh capital but also in other provinces through a number of programs. Furthermore, the government of Cambodia also has committed to make reforms and tried to create better business environment for all investors. As a result, various laws have been passed by the parliament and many others are being drafted and sent to the parliament for discussion and approval. By perceiving the significance role of SMEs in economic development of Cambodia, the government has given more emphasis on the development of private sector.

The above discussion indicates that SMEs play a very important role in the economic development of the economy. But the SMEs in Cambodia were facing many sales problems because of the factors like corruption, fluctuation of exchange rates, dominance of the wholesalers, smuggled products, outdated technology, etc. It is in this context, the present study has made an attempt to make a comparative analysis of the sales strategies of SMEs including their sales problems in the study area.

LITERATURE REVIEW

SMEs' sales strategies begin with the process of effective selling skills to the contacting of all the intermediaries (retailer and wholesalers, etc.). To solve sales problems and convince the intermediaries to

accept the products, SMEs must develop the advertising materials, public relations and marketing activities to support and build brand image of their products (Kawasaki, 2007).

SMEs' sales strategies begin from the process of effective selling skills to the contacting of all the intermediaries (retailer and wholesalers, etc...). Then convince the intermediaries to sell the product or display the product on the shelves. Moreover, to make solution of sales problem and convince the intermediaries to accept the products, SMEs must provide the advertisings, public relations and marketing activities to support and build brand image of the products. Those help the sellers and intermediaries easy to sell the product to final consumers. Additionally, sales promotions at any seasons can help to improve sales volume and it was considered as a supporting component in sales strategies (ibid).

Sales strategies are not only the complement of marketing and customer relation management but also sales management. Jonathan Simpson-bint, Publisher Revolution, president of Imagines Entertainment Division, says "Sales management is covering from creating sales culture in an organization to how to hold a decent sales meeting. It takes on old problem and put forward active, tangible solutions that are both plausible and devastatingly simple". Jim Sahka, Vice President of sales at Publisher Revolution says "we hire more 'A' players, increase every one's selling skill, and create a sense of urgency- resulting in 40 per cent quarter- over- quarter growth" (ibid).

The private sector is the key to develop the economy to be healthy and solve the social issues. The success of private sector development in Cambodia depends on strengthening the capacities of SMEs by the government as a strategy (CIC, 2003).

The bankers were reluctant and became more careful to provide the loan to the small and medium enterprises in the country. They took risk to provide the loan to SMEs investors because of the difficulty in the recovery of the loan from them and the high cost of assets invested by the SMEs owners. The banks also increased interest rate while providing loan to SMEs (CDRI, 2004). The high interest rate increased the total cost of production, which marked up the selling prices of the products of the SMEs in Cambodia.

Informal payment had added the cost to the process of production, marketing and sales, and frequently, because of the above payment there were delays in the transport of the products from one place to another and finally the customers faced the problem of getting the products on time. Obviously, the World Bank Report (August 12, 2004) on investment environment in Cambodia showed that four fifth of the private companies equaled to 800 enterprises in Cambodia mentioned that it was necessary to bribe to do business in Cambodia. In particular, on August 17, 2004, the King Majesty of Cambodia wrote on the French

newspaper, *Cambodge Soir* that “Cambodia is a very corrupted country and the corruption issue is number one” (COFFREL, 2004).

Selling with dumping prices of the smuggling imported products caused many problems to the domestic products as well as influenced the sales strategies of the enterprises selling those products. Even though the government tried to control the smuggling activities, but the implementation of the policy to control the smuggling activities was not effective. Another point is that the wholesalers dominated the prices of the products produced by local manufacturers. They always put pressure on the SMEs to lower the price, which made the SMEs impossible to survive with low profit margin. The SMEs tried to become united by forming an association to maintain the stability in the prices of their products. But this effort failed because of the lacking of knowledge and experiences of the SMEs. Moreover, the fluctuation of Thai Bath and Vietnamese Dong currencies in terms of Cambodian Riel mostly influenced in the increase of the prices of consumer products and decrease in the level of sales revenue of the SMEs and sometimes, they sold the products at the most competitive prices (Archarya, 2002).

The exchange rates of Thai Bath and Vietnamese Dong had effect on the level of sales revenue, purchasing power and profit of manufacturers in Cambodia. The nominal exchange rate of the Bath against the dollars depreciated sharply after the Thai government adopted a floating foreign exchange rate system in July 1997. During January 1998, the value of Thai Bath and Cambodian Riel decreased significantly against the US Dollar, and this was because of the fighting between the two political parties in the country. Further, rapid and large-scale outflows of short-term foreign capital triggered the depreciation of the currencies (CDRI, 2004).

The producers complained that Cambodia had become an expensive economy because of high electricity cost, high transportation cost, and informal payment. Incapableness to pay and the late in debt payment of the intermediaries was a big problem for the business owners because the producers needed money to continue their next operations. This issue was also related to setting of sales and market strategy to collect the fast payment. Producers added that it had been important to build good relationship with retailers and transporters to bring the products to the markets, sometime they needed to pay the informal payment to the police for their distribution. Most of the small enterprises were not interested to expand their businesses (ibid).

The Mekong Private Sector Development Facility (MPDF) supported the small and medium sized enterprises (SMEs) through investment and advisory works. Promoting the growth of SMEs in developing countries such as Cambodia, Lao and Viet Nam, MPDF mentioned that all the above problems had

taken place in the market, and had negative effect on sales strategy or selling (ibid).

Macroeconomic components such as dollarization, gross national product (GNP) and level of income also had effect on sales strategy and market in the country. Furthermore, unskilled labor, outdated technologies, high expenditure on production and low standard products were the barriers of Cambodian enterprises to compete in the market. Besides, the smuggling activities at the border and corruption were a creating a lot problems for the SMEs in Cambodia.

Based on Cambodia Craft Cooperation (CCC) in 2005, the entrepreneurs had no professional sales strategies, sales supporting activities and business plan. Due to the high cost of advertisement, the sales promotion to increase sales was done by flyers, word of mouth and internet which were supported by CCC. International Trade Center (ITC) of the CCC, an association of small business enterprises has performed as the chamber for professionals and micro-enterprises of Cambodia (CPM) by legal basis of the Royal decree, signed by King Sihamoni on 28th December, 2005 which consisted of 2,000 SMEs, as members, showed that some products had been successfully exported to international markets like United States and Europe since the quality and design had met the needs of the international markets. The success was due to teamwork capacity building and differentiation the products from others. Nevertheless, many manufactures had failed because of low technologies and techniques, lack of production skills, and high cost of input. These caused decrease in the standard of production and increase in the prices of the productions.

The local market of small enterprises (SEs) was very limited in Cambodia because it was not much so supported by the local people and the sales in the market were dominated by the imported and medium firms' products. The late debt payment by the retailers and wholesalers, which was after selling out of the products, was the problem for the small enterprises to go for the next production. Moreover, majority of the small enterprises did not have their own professional sales strategies, marketing activities, advertising and business plans. They sold the products through word of mouths announcements (CCC, 2005).

In Cambodia, the selling with dumping prices of smuggled imported products creates many problems for domestic products and demands a sales strategy response. The Government tries to control smuggling activities, but is only partially effective. The dominance of wholesalers also remains a problem for manufacturers. Producers have tried to unite by forming an association to maintain the stability of prices, but the effort failed because of lack of knowledge and experiences. Moreover, the fluctuation of Thai Bath and Vietnamese Dong currencies in term of Cambodian Riel has greatly influenced the price of consumer products and lowered the level of sales revenue (Archarya, 2002).

Thus, the above reviews of literatures show that different countries have difference sales problem of SMEs. SEs and MEs had common and also different sales problem. In Cambodia, the sales problems of SMEs mostly focused on lacking of skill forced them to lacking of technology, corruption, smuggling of the products, and dominant of wholesalers' prices.

STUDY OBJECTIVES

The objectives of the study were:

- To find out the sales problems faced by the small and medium enterprises in the study area.
- To identify strategies used by small and medium enterprises to solve the sales problems.
- To provide recommendations to solve the sales problems of small and medium enterprises in the study area.

METHODOLOGY

Both descriptive and quantitative approaches have been used in the study. The data for this study have been gathered mainly from primary sources, which have been collected from a sample of SEs and MEs through structured questionnaires. The study also depended on data from secondary sources: the National Institute of Statistics (NIS); the Ministry of Planning (MP), Government of Cambodia; the Ministry of Industry, Mines and Energy (MIME), Government of Cambodia; the International Labor Organization (ILO); the Mekong Project Development Facility (MPDF); and the SMEs Association.

The study looked at small and medium enterprises, which were producing consumer products, especially foods and beverages. There are many reasons to study the SMEs producing consumer products. Based on the Cambodia Media Monitoring (CMM) in 2007, the first reason is that companies are trying to turn their budgets to invest on consumer products, especially foods and beverages, as a second option after the option of investing in the field of construction failed. Secondly, the percentage of aggressive brand marketing activities of consumer products, which are mainly foods and drinks, is 40%. Thirdly, 60% of consumer product brands are in the top of investments made on advertising. Fourthly, local small and medium food and beverage enterprises as well as the new enterprises fail to compete in the market because they don't have the funds to advertise or conduct marketing activities to compete with imported products. Further, the Cambodian people do not like local food and beverage products much.

The study was confined to the small and medium enterprises of consumer products in Phnom Penh city. This area was selected because Phnom Penh city has 60% of the companies located in Cambodia. Of the total consumer products produced in the country, 60% are sold in Phnom Penh (FCB, 2006).

To determine the sample sizes of small and medium enterprises, the study follows the model used by Rana (2004). There were 363 SEs operating in Phnom Penh city at the time of the survey (Yellow Pages, 2007 and Industry Directory, 2007). Thirty two (32) enterprises were taken as the sample. The population of MEs was 336 (ibid), and the same sized sample (32 enterprises) was taken by systematic random sampling.

The primary data have been collected from the general managers, sales and marketing managers, supervisors and sales representatives of the selected enterprises. The data have been gathered through face to face interviews with structured questionnaires that included both quantitative and qualitative data.

The significance of differences between the problem of small and medium enterprises was tested with the "t" test.

SALES PROBLEMS OF THE SMEs

The surveyed SMEs encountered different problems during their sales at different points of time. The important sales problems are mentioned below:

• Strong Competition with the Imported Products

Out of the 64 surveyed small and medium enterprises, 82.81 per cent of them faced strong competition with the imported products coming from the countries like Thailand, Vietnam, China, Korea, Malaysia and Singapore. Among the 32 surveyed small enterprises, 93.75 per cent encountered the problem of strong competition with imported products as against 71.88 per cent in case of medium enterprises. This indicates that the percentage of small enterprises facing the above problem was more than of medium enterprises.

• High Cost of Advertisement

With regard to high cost of advertisement, altogether, 75 per cent of the surveyed small and medium enterprises faced this problem while making the advertisement and the rest 25 per cent did not face any problem because of their adequate budget for the same purpose. But the above problem was found to be more among the small enterprises compared to medium enterprises. Among the small enterprises, 87.50 per cent encountered this problem as against 62.50 per cent in case of medium enterprises. The reasons were: medium enterprises were comparatively better in terms of their budget on advertisement; and they managed the sales and sales promotions properly compared to small enterprises.

• Fluctuation of Exchange Rate

Because of the fluctuation of exchange rate between US Dollar, and Thai Bath, Vietnam Dong, and Cambodia Riel, the small and medium enterprises faced problems in the country. It is found from the survey that 40.63 per cent small and medium enterprises had experienced the above problem. The

percentage of medium enterprises experiencing this problem was 46.88, which was more than that of small enterprises (34.38).

- **High Production Cost Due to High Cost of Water, Electricity, and Gasoline**

Many enterprises complain that the production cost in the country is higher because of the high cost of water, electricity and gasoline. This problem was observed by 39.06 per cent small and medium enterprises in the study area. The problem was observed more among the medium enterprises compared to small enterprises. The percentages of surveyed small and medium enterprises facing this problem were 31.25 and 46.88 respectively.

- **Smuggled Products**

In Cambodia, many products are the smuggled products, which come from the countries like Thailand, Vietnam, China, Malaysia, Korea and Singapore. The smuggled products were sold at lesser prices compared to the normal products or legally imported products. As a result, the enterprises selling normal or legal products faced problems in selling their products in the market. Out of the 64 surveyed small and medium enterprises, 31.25 per cent enterprises were found to have this problem in the study area. The percentage of the medium enterprises facing the above problem was more (37.50) than that of small enterprises (25.00).

- **High Cost of Marketing Operation**

Both small and medium enterprises invest money to penetrate the market in order to increase their sales. The result of the survey reveals that 51.56 per cent small and medium enterprises faced the problem of high cost of marketing operation. This problem was faced by 65.63 per cent surveyed small enterprises as against 37.50 per cent in case of medium enterprises. Thus, the problem was found to be more among the small enterprises as they had less budget for penetration of market for their products.

- **Political Instability**

According to the opinions of 25 per cent surveyed enterprises, expectation of political instability was creating problem in their business. The above problem was felt more by the medium enterprises (34.38 per cent), whereas, only 15.63 per cent small enterprises observed this problem. This is because the small enterprises were familiar in their localities, whereas, medium enterprises were widely known by the people.

- **Low Quality Products**

With regard to the quality of the products, it is found from the survey that 40.63 per cent enterprises had low quality products. The percentages of small and medium enterprises having low quality products in the study area were 46.88 and 34.38 respectively. The percentage was more among the small enterprises, because, mostly they used the low technologies compared to the medium enterprises.

- **Social Factors**

Social factors such as problems of health, education, etc. had negative influence on the business of small and medium enterprises in the study area. Out of the 64 surveyed small and medium enterprises, 21.88 per cent of them said that they faced the negative impact of the social factors like poor health, poor education, etc. of the people on their business. The problem was observed more by medium enterprises (31.25 per cent) compared to small enterprises (12.50 per cent) in the study area.

- **Dominance of the Wholesalers on Prices of the Products Manufactured by SMEs**

Many small and medium enterprises sell their products to the wholesalers at low prices, because, the wholesalers pressurise them to decrease the prices of the products. Otherwise, they will not keep the products of those small and medium enterprises in their shops. This problem was experienced by 20.31 per cent of the total number of surveyed enterprises. The percentage of small enterprises facing the above problem was 21.88 as against 18.75 per cent in case of medium enterprises.

- **Unavailability of Skilled Workers**

Skilled workers are found to be less in the country. Because of this, the small and medium enterprises face problem in getting skilled workers for their enterprises. It is found from the study that 17.19 per cent small and medium enterprises in total had the problem of getting skilled workers. Further, the percentages of small and medium enterprises that had faced the problems to get the skilled workers for their organizations were 18.75 and 15.63 respectively.

- **Price Competition**

Price competition is found among the enterprises to sell their products. Because of this competition, 17.19 per cent enterprises out of 64 surveyed enterprises faced this problem in the study area. Compared to medium enterprises (15.63 per cent), the percentage of small enterprises experiencing the above problem was more, i.e., 18.75.

- **Low Income of the People**

In the study area, only 6.25 per cent of the selected enterprises had mentioned that the purchasing power of the people was low to buy their products. No surveyed small enterprises faced this problem in the study area, whereas, only 12.50 per cent medium enterprises had expressed that the buying capacity of the people was less because of their low income level.

- **Complex Export Policy**

Because of complex export policy of the government of Cambodia, the small and medium enterprises face problems in exporting their products to the international markets. Among all the surveyed

enterprises, 14.06 per cent of them revealed that, because of complex export policy, it was very difficult to export the products to other countries. The percentage of small enterprises experiencing the above problem was more, i.e., 18.75 as against 9.38 per cent in case of medium enterprises.

- **Use of Low Standard Technology**

The quality of products becomes low and cost of production increases due to the use of low standard technology by the enterprises. In the study area, the percentage of enterprises using low standard technology was 18.75. The use of low standard technology was found to be more among small enterprises compared to medium enterprises. It is revealed from the study that 28.13 per cent small enterprises used low standard technology, whereas, it was 9.38 per cent in case of medium enterprises.

- **Location of the Enterprises**

Location of any enterprise is very important for the proper distribution of the products. If the enterprise is located far away from the market, this adds more transport cost and increase the risk of transportation. In aggregate, 12.50 per cent enterprises experienced the above problems, because, these were located far from the market. In this regard, the problems faced by the small enterprises were more (18.75 per cent enterprises), whereas, the percentage of medium enterprises was only 6.25.

Thus, the major sales problems faced by the small and medium enterprises were strong competition with imported products, high cost of advertisement, fluctuation of exchange rate, high production cost due to high cost of water, electricity and gasoline, high cost of marketing operation, sale of smuggled products, low quality products and price competition. Except the sales problems like fluctuation of exchange rate, high production cost, and sales of smuggled products, in all other major cases, the problems of small enterprises were found to be more compared to medium enterprises.

STRATEGIES UNDERTAKEN BY THE SMEs TO SOLVE THE SALES PROBLEMS

In order to solve the sales problems, the following sales strategies were undertaken by the small and medium enterprises:

- **Minimizing the Factor Creating the Sales Problem**

Out of 64 surveyed enterprises, 57.18 per cent enterprises tried to solve the sales problems by minimizing the factors creating the sales problems in the study area. The percentage of medium enterprises adopting the above strategy was more, i.e., 68.75 as against 46.88 per cent in case of small enterprises. This indicates that medium enterprises tried to minimize the sales problems more compared to small enterprises.

- **Providing Training to the Employees to Improve Working Skills**

In order to improve the working skills of the employees, half of the sample enterprises provided training to the staff, and the rest 50 per cent enterprises did not provide any training to the staff with the hope that the working skills of the staff were enough to do the work. Between small and medium enterprises, the percentage of medium enterprises providing training to the employees was more, i.e., 59.38 than that of small enterprises (40.63 per cent).

- **Using New Technology**

For the improvement in the quality of the product and reduction in the cost of production, 31.25 per cent surveyed enterprises used the new technology to produce their products. Further, surprisingly equal percentage of small and medium enterprises was found to have used the new technology. But, still it was at lower level.

- **Solving the Problems by Joining with or Creating an Association**

The study reveals that 21.88 per cent of the selected small and medium enterprises joined with or created an association to help each other and solve the sales problems. Because of this, they could discuss their problems, made sales strategies in the changing situation of the market and found the way to get more profit. Regarding the small enterprises, 28.13 per cent of them were found to have joined with or created an association, and this percentage was quite more than that of medium enterprises (15.63 per cent).

- **Requesting Government to Solve Sales Problems**

Out of the 64 studied small and medium enterprises, 15.63 per cent of them had requested the government to organize trade fairs, reduce the tax rate and find the market for them. As a result, because of the above mentioned help provided by the government, the small and medium enterprises could solve their sales problems to some extent. The percentage of small enterprises getting the help from the government to solve the sales problems was 18.75 as against 12.50 in case of medium enterprises.

- **Seeking Assistance from NGOs**

NGOs like SME Cambodia, Mekong Project Development Facility (MPDF), Micro Small and Medium Enterprises (MSME), SME Development, SME Research and SME Association provided assistance to small and medium enterprises in terms of improvement of marketing, provision of micro finance, and improvement of skills and technology of them. The percentage of small and medium enterprises that had got the above assistances from the NGOs was only 6.25, and the same percentage was found both in case of small and medium enterprises separately.

SURVEY SUMMARY

The analysis on the strategies adopted by small and medium enterprises to solve the sales problems reveals that there were differences between the percentages of small and medium enterprises using different sales tactics to solve the problems of sales. They used the tactics like minimizing the factors creating the sales problems, providing training to the employees to improve working skills, using the new technology, joining with or creating an association, solving the problems through government help and taking the assistances of NGOs to minimize their sales problems. In this regard, the percentage of medium enterprises was found to be more compared to small enterprises in solving the sales problems.

The overall discussion shows that both small and medium enterprises faced the sales problems like strong competition with imported products, high cost of advertisement, fluctuation of exchange rate, high production cost due to high cost of water, electricity and gasoline, high cost of marketing operation, sale of smuggled products, low quality products of the SMEs and price competition. In most of the cases of the above sales problems, the percentage of small enterprises facing the problems was more than that of medium enterprises. But medium enterprises were found to be more advanced in solving the sales problems compared to small enterprises through the tactics such as minimizing the factors creating the sales problems, providing training to the employees to improve their working skills, using the new technology, and taking the help of association, government and NGOs.

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DEMOCRACY AND POPULAR RIGHT TO REVOLUTION: LESSONS FROM THE ARAB WORLD

Dr Frederick Ozor *

INTRODUCTION

The ongoing debate in literature is whether there is any right of citizens to revolt against a democratically elected government. Following on the heels of insurrectionist model, some scholars argue that the second amendment to the American constitution ratified in 1791 implied that Americans may possess arms to potentially go to war with their own government -- for the Republic, which underscores the right of armed citizens to resist governmental oppression. However, it would appear that the assumption behind this interpretation of the constitutional amendment is wrong, because the founders of the constitution probably had in mind the rights of American colonies under the British Empire. They were unrepresented in Parliament. Besides, the Founders regarded the Shays' Rebellion in 1786 and Whiskey Rebellion of 1794 by Pennsylvania farmers as treason.

In this context, Bogus (2011) argued that in a democracy, government belongs to the people and there is no right to revolt. While citizens must be alert to governmental errors and abuse, these errors including government tyranny could be corrected through constitutional means, not insurrection. Those who seek to change governments do so by changing minds, not through the barrel of the gun. This argument underscores faith in constitutional democracy.

Democracy and the Arab World

Arab world was late in coming. By Arab world, this paper refers to the countries of Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, the United Arab Emirates, and Yemen including the Arab League members from sub Saharan Africa: Comoros, Djibouti, Mauritania, Somalia, and Sudan. Of the 21 Arab League members (excluding Palestine), Lebanon and Comoros are the only democracies in the Middle East and coastal North Africa, while Mauritania briefly became a democracy within 2010 and Sudan experienced two failed democratization attempts. The rest are under the rule of despots (Diamond, 2010).

Found in literature are suggestions that deficit of Arab democracy something to do with culture and religion, the negative effects of petrochemical deposits (the often called oil curse), and political economy as well as geopolitics of the region. However, it would appear that these arguments are based on mistaken assumptions and lack empirical evidence. In this

context, Diamond, (2010:99) argued that a more plausible explanation for Arab democracy deficit is authoritarian statecraft, which enabled Arab autocracies to “manage their politics and keep their hold on power, along with the external forces that help to sustain their rule”.

Before the upsurge of protests in 2011, Arab states of Algeria, Jordan, Kuwait, and Morocco as well as Egypt allowed political competition and pluralism in varying degrees only to attenuate domestic and international pressures for democratic reforms making only cosmetic attempts at democratization. Ultimately, the Arab world appeared enveloped in the web of authoritarian rule. The implication of the Arab revolutions of 2011 is that the yearning for accountable and representative government, which democracy supports, is no longer limited to the West. Even the least expected populations often labeled ecclesiastic, belligerent and anti-democratic could rise in demand for political openness and participation, human rights, basic freedoms and liberties, and popular representation in government. The pro-democracy uprisings show a desire and passion for self-determination spearheaded by aggrieved citizens seeking to take control of their destinies from despots whose misrule and denial of popular rights and freedoms they could no longer tolerate.

However, several issues surround the democratization of the Arab world, and in the context of the recent wave of Arab uprisings, this paper pursues the research questions of:

- Can be any right of revolution in a democracy?
- What are the implications of the wave of pro-democracy uprisings against unpopular regimes in the Arab world in 2001 and events after successful revolutions in states like Egypt?

THE LOGIC OF A RIGHT TO REVOLUTION IN THE CONTEXT OF ARAB POLITICAL UPRISINGS

The ongoing debate in literature about the right to revolution in a democracy appears to stem from the second amendment to the United States Constitution, which states:

A well regulated Militia, being necessary to the security of a Free State, the right of the people to keep and bear Arms, shall not be infringed.

Do citizens have the right to resist their government in a constitutional democracy or does this apply appropriately to resistance against unpopular, non-democratic governments. Closely associated with the later is the question of self-determination of a people, which refers to the right of whole populations to aspire, even if by armed struggle, to install a government or political community of their choice.

A commonsensical notion is that it would be illogical to devise a constitution that contains the seed of its own destruction. It would be preposterous for the Founders of the American constitution to have injected the element of “a right to revolution” if they had had faith in a democratic constitution that they had written.

Faith in, and survival of a democratic constitution is based on the assumption that the machinery of democracy must function justly. A corollary notion is that citizens in a democracy cannot continue to live indefinitely under an unjust government, which implies that democratic constitution must provide some legitimate ‘safety valve’, some platform for articulating popular demands for redress of governmental errors, abuses of basic rights and freedoms, or demand for change of tyrannical government.

The second constitutional amendment is erroneously interpreted to mean “right to insurrection”, a confirmation of the right of the whole population, acting as a militia, to defend itself against a standing army and thus resist tyranny. The assumption behind this interpretation of the constitutional amendment is wrong because the founders of the constitution probably had in mind the rights of American colonies under British Empire unrepresented in Parliament to resist British occupation forces. The Founders evidently also regarded the Shays' Rebellion in 1786 and Whiskey Rebellion of 1794 by Pennsylvania farmers as treason. A democratic constitution operates within the framework of conflict within consensus. Citizens may disagree over several things, the majority may even be wrong, and there might be good reasons to be real angry with government and its officials, but citizens in a democracy generally would agree on basic democratic ideals. In this context, Bogus (2011) argued that in a democracy, government belongs to the people and there is no right to revolt.

While citizens must be alert to governmental errors and abuses, these errors including government tyranny could be corrected through constitutional means for redress, not insurrection. This argument appears to re-echo the prevailing notion of rights revolution in Canada, which has its roots in the Universal Declaration of Human Rights in 1948 (United Nations). In contrast to the United States 'rights narcissism', the more inclusive Canadian society believes that rights help people turn towards negotiating rather than fighting. In a civilized democracy, rights respect people's differences and create reciprocity as belief in rights amounts to belief in defending differences. According to De Vries, (2003), what makes Canada unique among other nations is her belief in “balancing rights, which develop just communities where there is room for everyone”. Hence, this notion of right to revolution acknowledges society's obligation to recognize and respect the rights of the minority, even of the foolish or the tyrant, and to engage in negotiation and accommodation rather than dissipating conflicts in the resolution of differences.

Democracy does not presuppose or accommodate insurrection. Democracy ensures the rule of law, protection of basic rights and freedoms, provides dependable platforms for predictable transition of power, and anchors on development of democratic culture of respect for laws, rights and liberties of people, and established procedures for resolution of differences. The leaders and followers believe that power, which ultimately resides with the people, are held in trust, on behalf of the people and must be relinquished peacefully when political leaders lose public confidence and popular support. One of the vital safety valves in a democracy is the check and balance between a democratic government and society, which assumes the existence of a pluralistic civil society comprising groups participating and sharing power in the political process.

Evidently, these ‘safety valves’ obliterates any need for violent revolution against unpopular leadership in a democracy.

A democratic world is a more peaceful world (Haass, 2002).

Established democracies do not go to war with each other nor condone wars within. Differences, often inevitable, are resolved through diplomacy and negotiation. The history of integration and peaceful diplomacy overshadow the history of wars in Europe, and the wave of democratization sweeping through Latin America, and to a lesser extent most of Africa, has tended to reduce the prospects of wars, though the picture appears very bleak for most of the Arab and Muslim countries.

However, how does the notion of the right to revolution apply in the context of Arab revolutions? Given that there are very few democracies in the Arab World, not necessarily Muslim world, does this apply more appropriately to the notion of right to self-determination of Arab populations to install a government or political community of their choice? Few (and no mature) democracies exist in the Arab world while a majority comes under the rule of autocrats. However, unfolding political events in the region since 2011 may suggest that many are now embracing democratic norms and choosing democracy. This is consistent with the findings of a Pew Research Global Attitudes project, (2012) indicating that solid majorities in Lebanon, Turkey, Egypt, Tunisia and Jordan believe democracy is the best form of government. Theoretically in a democracy, government is the people's government and the underlying assumption of democratic fundamental values is that no such government would become tyrannical to a people it represented. For this reason, it would be illogical for citizens in a democracy to perceive their government as the enemy and need to rise up in arms to overthrow the very democratic structures established by the collective will of the people.

The political scenario in the Arab world presents a different theoretical perspective. In that in a majority of

Arab states, imposed despots rule the people by hereditary succession, politico-cultural, or religious-political imperatives. Though some Arab democracies (e.g. Jordan, Saudi Arabia, Kuwait, Iraq, Iran, and Lebanon) go through the rituals of false elections and others like Syria and Libya under Gaddafi go to the polls only for regime legitimization, democratic reform experiments in Bahrain, Oman, Qatar, Yemen and Kuwait as well as political agitations in recent years demonstrate the democratic ferment sweeping across the region.

The theoretical position is that in most part, Arab peoples want and deserve democratic rights and political freedoms. The Arab uprisings of 2011 portray political communities exercising their inalienable rights to self determination.

CHALLENGES FOR A DEMOCRATIC TRANSITION IN THE ARAB WORLD

Democratic transitions are taking root across the world even at a time when democracy appears to be receding (Kurlantzick, 2013). In the thrilling days of 1989, non-democratic regimes came under the sledgehammer of ravaging democracy activists across Europe. As democratic rule spread, even China appeared briefly receptive to demands for popular representation, until the crackdown at Tiananmen Square. In the late 1990s, Africa witnessed the emergence of thriving democracies with promises to salvage national economies and bring prosperity. However, the manipulation of fragile democratic institutions by non-democrats, (autocrats) who posed as advocates of freedom and basic rights, further characterized this period. The tempo and faith in global democratization further declined following the failures of the United States of America to democratize Iraq and Afghanistan. In this context of recession in global democratization, it is doubtful if recent democracy openings in Egypt, Tunisia, Myanmar, and Libya as well as protests in Sudan and the ongoing struggles for more open society in Syria will yield sustainable democracy gains. Most of the transitioning states in the region appear trapped in political infighting and power struggles by deposed political elites and the crushing weight of poverty and massive unemployment. The emergence and intrusion of extremist groups in these struggles further cast doubts on the successful transition of Arab states to mature democracies.

Overall, some complexities and risks appear to follow the Arab revolutions of 2011, which leave difficult questions yet unanswered about hopes and support for democratic reforms in the region. The Arab political environment is complicated and unique, which means that any meaningful understanding and analysis of the issues involved and developing a formula for promoting Arab democratization must necessarily direct attention to the peculiar Arab context. In this context, this section identifies several challenges that stand on the way of democratization and democratic reforms underway in the Arab states.

Firstly, attempts by the West to impose standards of political development on leaders of democratic transition under way in the Arab states of North Africa would probably be resisted. Though the force of agitation for political reforms in the region appears unprecedented, it is uncertain whether there is concomitant commitment to democracy. This is because "The Arab revolutions were motivated by local concerns, mixing a demand for political accountability with anger at corruption and frustration at limited economic opportunities" (Dennison and Dworkin, 2011:2). Apart from positive signs coming from such pockets of events in the region as the enthusiastic popular participation of Tunisians in the October, 2011 elections as well as Tunisia opting to become part of the International Criminal Court, it is doubtful whether the current wave of excitement about democracy in the country could be sustained. It is also doubtful whether these agitations for more open society in the region would culminate in the development of democratic culture of tolerance and the accommodation of opposing viewpoints to attenuate conflicts arising from tribal/ethnic and sectarian differences and the potential danger of intolerance of extremist Islamic groups. Such doubts are strengthened by Jordan's democracy (variously described as parliamentary hereditary monarchy or constitutional democracy), which would have become a pioneering model of democracy in the Arab world but drifted through lack of vision from the political elites and parliament as well as internal divisions, what is often described as an 'electoral rut' (Hroub, 2007).

Secondly, according to Dennison and Dworkin, (2011) democracy in the Arab world could possibly produce results that challenge basic democratic values cherished in most democracies particularly the West. It is possible that democratically elected Arab legislatures could pass laws on such topical issues as women's rights and blasphemy, which challenge Western democratic ideals on fundamental human rights and liberties. It is also possible that a more open democratic society anchored in Western democracy values could trigger and deepen the tension between the region and the West as well as exacerbate religious and ethnic differences. The post-Mubarak regime in Egypt rejected the EU's offer of election monitors and its advice on other aspects of political reform, while secular parties distanced themselves from the West for fear of losing electoral support.

Thirdly, a plausible explanation for the Arab democracy deficit, according to Diamond and Platter (2008), is that Arab populations simply do not want or value electoral democracy in the same way that mass publics in other regions of the world have come to desire and value democratic governments. On the other hand, Diamond, (2010) argued that the Arab democracy deficit could be attributed to the skills with which Arab autocrats have managed authoritarian institutions, structures and practices, which with external support have sustained them in power. These structures include the secret police and the intelligence

apparatus of the State, which are “normally amply funded, technically sophisticated, highly penetrating, legally unrestrained, and splendidly poised to benefit from extensive cooperation with peer institutions in the region as well as Western intelligence agencies, p.99” According to Brumberg, (2002), these Arab states often oil rich are the world’s heaviest spenders on state security. The authoritarian statecraft of the Arab autocrats include not only coercion but also orchestrated consultation and cooperation designed principally to attenuate internal and external pressures as well as ‘managed reforms’ and representation, which allows limited pluralistic representation as evidenced by the survival strategies of authoritarian regimes in Egypt (perfected by Mubarak and continued even under Morsi), including those of Kuwait, Algeria, Morocco, and Jordan consisting of a mixture of guided pluralism, controlled elections, and selective repression. In most of these cases, pluralistic electoral competitions produced Parliaments with limited or no power to govern while hereditary kings or imperial Presidents continued to wield arbitrary powers. Hence, this political power imperative tend to pose formidable challenge on the way of democratization in the region.

Moreover, empirical association between Islam and democratization showing that Muslim countries have fewer political rights than non-Muslim countries could impede development of mature democracies in the Arab region. In a study of the compatibility between Islam and democracy, Pryor, (2007) argued that in all but very poor countries of the Muslim world, Islam has a significantly negative impact on political rights; Islam is associated with fewer political rights, and historical factors are in part responsible. This is because Islam historically thrived in countries with low per capita GDPs and deficits of political rights as Islamic doctrines place very little emphasis on individual rights and freedoms. Besides, in some cases political leadership might anchor in theocratic focus with secularized monotheistic power structures. While modern western monotheism underwent transformations in ways of thinking about political formations due to the Renaissance and Enlightenment forces, Arab or Muslim monotheism remained largely minimally improved in spite of modern advances in science and technology more so as most of Arab intellectuals (clerics, Imams, & thinkers) retained much of the core Islamic values, which do not support the development of free and open society. However, evidence from literature also shows that given the opportunity Muslims (which include Arab Muslims) accept democratic values and are choosing democracy, and in fact a good number of Arab Muslim states are on the road to becoming more democratic. According to Haass, (2002),

We see many elements of democracy in Muslim-majority states like Malaysia and Indonesia. We hear inspiring Muslim voices advocating pluralism and democracy, from Mohamed Talbi in Tunisia to Nurcholish Madjid, half a world away in Indonesia, the world’s most populous Muslim country.

For this reason, a proper analytic approach to the democracy deficit in the Arab world would be to consider each nation based within its unique context, not necessarily on religious orientation. Though the subcategory, Arab states is predominantly Muslim, it is not representative of a majority of Muslim states. It follows that democracy deficit in the Arab world could be explained not only in religious terms, but also partly in terms of a particular Arab history and culture, though there generally are shared cultural elements among Arab societies. Particularly in the Muslim Arabic core, tyrannical regimes oppose democratic voices, as do powerful Islamic political forces, some of them supported by the power of the mosque, which often promotes anti-democratic and anti-Western viewpoints. In this context, Kedourie, (1992) argued that the Arab democracy deficiency could be attributed to a shared Arab culture of ‘autocracy and passive obedience’. Overall, in spite of these challenges to democratic transition in the Arab world, the pro-democracy uprisings in recent years suggest that the Arab world may be condemned to a hopeless future of authoritarian rule.

POLITICAL AND ECONOMIC LESSONS FROM THE ARAB REVOLUTIONS

This section looks at why democracy experiments seem to have failed in the Arab states and identifies some lessons that could accrue to policy makers and Arab states transitioning to democracies based on empirical evidence. The section further proposes a model for building sustainable democratic transition in the region.

Found in the vast literature on democratization are exhaustive debates on the relative importance of economic development and modernization, economic structure, inequality, governance and rule of law, civil society and media, structure of government, and education. However, by looking at the initial circumstances of transitioning Arab states, in particular those engaged in violent struggles against authoritarian rule (e.g. Syria) and critical policy options for others already on the difficult path to democracy (Egypt, Lebanon, Kuwait, Iraq & Tunisia), this study identifies some lessons providing useful insights, which might help model a path to successful democratic transition in the region. The initial circumstances and lessons arising out of them are examined in the context of economic development and structure (i.e. economic classes), poverty and inequality, political development/electoral experience, violent political agitation, pluralist civil society engagement, and external involvement. Hence, in the context of initial circumstances of the troubled states, a common factor for the Arab prodemocracy uprisings of 2011 is evident economic crises, poverty, and inability of autocratic rulers to manage national economies, which inevitably triggered popularly demand for political changes. Further, these countries share the common feature of having sizeable middle class forces so that economic instability and mass discontent over food and other

basic commodity prices inflamed the recent political engagement and agitations for democratization in Egypt, Syria, Tunisia and Algeria. A glaring lesson from this is that economic crises could unleash demands for democratic freedoms and upturn/unseat authoritarian regimes, which echoes the assertion in literature that economic development lead to democracy and that the existence of an active middle class tends to consolidate democratic transition once it commenced. Egypt, Tunisia, Libya and Algeria have each a robust middle class, which increased the vulnerability of the authoritarian regimes in face the economic crisis that preceded the revolutions. These suggestions thus provide the insight that in those countries already on the road to democratization, the government must be prepared for more economic and political engagements and should design wise and effective policies in order to ensure stable polity and keep democratic transition on course. Extensive consultations and wide pool of representation in government are good examples of such wise government measures.

Besides, events after 2011 Arab revolutions reflect a common pattern of the dust settling with conduct of elections. These elections could nurture the seed of public expectations, which might grow into full blown democratic demands. Even in those autocratic Arab states that go through the motions of elections, albeit sham and faulted ones, in order to give legitimacy colorations of popular participation, elections can in fact provide the inevitable strongholds for opposition parties to grow, engender greater public democratic consciousness and yearnings for more open society, and ultimately in a context of youth and middle class familiarity with new technologies and modernity, prepare the ground for successful democratic transition in the region.

Moreover, a further question for determination is whether violent armed struggle against authoritarian regimes in the Middle East could lead to sustained democratic transition. Evidence from history appears to be littered with violent revolutions that failed and other military coups and violent uprisings that succeeded only in replacing old juntas with new forms of dictatorships, sometimes even worse than those they replaced. In this context, one may ask: in what ways can nonviolent, mass mobilizations be better in achieving democratization objectives? It would appear that the likes of Mohandas Gandhi, Martin Luther King and Gene Sharp have proved that sustained peaceful protests lead to a more engaged citizenry and a better-organized civil society with a deep stake in the outcome of political transition. The strength of nonviolent mass revolution appears to lie in its ability to challenge the autocrat's hold on legitimacy. Where ruling autocrats crack down on unarmed protesters, the resulting bloodshed inevitably generates both internal and international moral condemnation that further erodes the regime's moral claim to power as events in Egypt, Libya and Syria demonstrate. Besides, the authoritarian inclination of the political leadership even

in countries that transit to democracy via uprising presents formidable obstacles to full blown democracy as Morsis's Islamic despotism in Egypt (though currently resisted by a powerful Egyptian middle class) clearly shows. The argument, and of course a political lesson in this context is that non violent peaceful revolution could produce greater democratization dividends in terms of more engaged citizenry and better organized civil society with deeper stake in the outcome of political transition. Violent revolutions might not after all produce tangible democratic transition dividends, though some countries began with violent uprising but progressed along democratic transition. Some authoritarian regimes are so strongly entrenched that only a violent uprising can bring them to an end. Libya's Muammar al- Qaddafi and Syria's Assad regimes needed armed struggle to bring them to an end. However, it is yet unclear if the violent birth of a democratic transition can lead to stability given the lawlessness of the militants and emergence of various ethnic and sectarian groupings and fear of Islamic extremism in Syria for instance. On the other hand, popular engagement in the uprising has potential gain of providing the seed of long-term civic engagement, which is necessary for democratic consolidation.

Given the potential fallouts from the political lessons of the Arab revolutions, the possibility of divulging the church/mosque and the state, the secular and religion and transforming from authoritarian to more inclusive and open democracies in the Arab world looks in fact remote, though not unrealizable. Moreover, integrating Islam and democracy or building an Islamic democracy might be a difficult enterprise as the idea is alien to orthodox Islam and no Islamic political party would abandon basic Islamic tenets. Besides, empirical studies have shown that Islam is associated with fewer political rights (Ross, 2001; Fish, 2002; Stephan and Robertson, 2003; Donno and Russett, 2004). Thus, the inherent incompatibility between Islamic ethos and democratic principles almost renders impracticable any model of Islamic democracy anchored on thematic and structural balancing of Islam and democracy. This is because authoritarianism would eventually overshadow and outrun democratic representation as experiences have shown in Turkey, Iraq's Saddam Hussein, Hafez Assad's family in Syria, Qaddafi's Libya and recently Egypt under Morsi. In this context, Ben-Meir, (2013) argued that since strong religious identity is engrained in the socio-cultural fabric of society, the practical realization of such a formula or model of Arab democracy require that "citizens of the Arab world first change from the ground up in the way their religion is approached and instituted socially, politically, and economically". In line with this thinking, this paper proposes a model of Arab democracy fashioned along Lebanon's constitutional monarchy, which seem to accommodate the autocratic inclinations of the political leadership in the Arab world and at the same time provides for pursuit of democratic yearnings of the Arab youths and the emergent powerful middle class in the region.

This model could accommodate either parliamentary or presidential institutional frameworks or structures of governance, but ruling authority resides in a democratically elected parliament and executive officials of government who are accountable to the people to whom ultimately sovereignty belongs. The monarch exercises only symbolic ceremonial political and social powers and roles, which seem to take care of the Islamic instinct of autocratic leadership. On the other hand, democratically elected leadership must be able to separate authoritarian inclinations and democratic principles, guard against acting from a radical Islamic bent and recognize that their governing powers derive from the political mandate of the electorate and thus governing process must be all inclusive regardless of political affiliations. This of course is the bitter lesson coming from Morsi's Egypt. Acting from authoritarian and purely Islamic instinct and transforming into an elected dictator, Morsi evidently betrayed the spirit of 2011 Egyptian revolutions and the basis of popular election that followed, which installed and required him to establish an inclusive and accountable government. A related lesson is that any model of Arab democracy, which anchors on Islamized democracy, is impracticable. This is because it is possible that most of the Arab populations would want to build modern, pluralistic and egalitarian societies. In support of this view, an opinion survey by PEW RESEARCH CENTER, (2012) on desire for democracy in Muslim and Arab nations shows that publics indicated in Table 1 do not just support the general notion of democracy; they also embrace specific features of a democratic system, such as competitive elections and free speech.

Moreover, in pursuit of the way forward for the Arab world, it is evident that the failure of establishing and enforcing benchmarks for influencing political reforms in the southern Mediterranean is a clear indication that democracy and human rights strategies by the West, which fail to account for the sensibilities and aspirations of the Arab populations, are untenable and unfit instruments for promoting democracy and supporting legitimate governments of transitioning Arab states. However, suggestions favoring greater use by EU of conditionalities and the establishment of European Endowment for Democracy (Dennison and Dworkin, 2011) could be useful given that this program, designed to help political parties, non registered NGOs and other partners, represents a political strategy of popular empowerment, which provided it is flexible and quick, can reach out to the masses to establish the basis for growth of active civil society stakeholders in the political system. According to the authors, this strategic initiative could pave the ground for the growth of accountable and inclusive political systems in the region. However, while external support may be desirable, it must be grounded on the aspirations of the peoples of this region and must work towards promoting governments that are stable, accountable and legitimate in the eyes of their citizens because of anti western sentiments and tensions already sheathing the region.

Table 1

Continuing Desire for Democracy

	% Democracy is preferable		
	2011	2012	Change
	%	%	
Lebanon	81	84	+3
Turkey	66	71	+5
Egypt	71	67	-4
Tunisia	--	63	--
Jordan	72	61	-11
Pakistan	42	42	0

PEW RESEARCH CENTER Q21.

Adapted from PEW RESEARCH CENTER

CONCLUSION

In summary, this paper contributes to discussions in literature on the right to revolution in a democracy, and supports the argument that there is no right to insurrection in a democracy; rather negotiation, reciprocity and accommodation are in built instruments for conflict resolutions in a democracy. In the particular context of recent Arab pro democracy uprisings, the paper argued that since in a majority of Arab states criticized are ruled by despots, the Arab revolutions of 2011 portray political communities exercising their inalienable rights to self determination.

The paper further raised doubts on the successful transition of Arab states to mature democracies, and identified challenges on the way of democratization of the region. External, particularly western imposition of standards of political development in the Arab states, the missing development and actual commitment to democratic ideals and culture by Arab populations, incompatibility between Arab Islamic tenets and democratic ideals and principles, which could truncate the development of democratic political systems in the region, and even when in place heighten tensions between the West and the Arab states, the skill/statecraft with which Arab autocrats manage authoritarian institutions, structures and practices and thus sustaining authoritarianism, and Muslim Arab monotheism unabated by modernity and present day advances in technology or Arab culture of autocracy and passive obedience are veritable obstacles to democratization in the region.

A political lesson from the 2011 Arab prodemocracy uprisings is that non violent peaceful revolution could produce greater democratization dividends in terms of more engaged citizenry and better organized civil society with deeper stake in the outcome of political transition. Violent revolutions might not after all produce tangible democratic transition dividends, though some countries began with violent uprising but progressed along democratic transition. Yet it is unclear if the violent birth of a democratic transition

can lead to stability given the lawlessness of the militants and emergence of various ethnic and sectarian groupings in the region and fear of Islamic extremism in Syria for instance. On the other hand, popular engagement in the uprising has potential gain of providing the seed of long-term civic engagement, which is necessary for democratic consolidation. Further, given the inherent incompatibility between Islamic ethos and democratic principles, any model of Islamic democracy anchored on thematic and structural balancing of Islam and democracy would be impracticable. Given the Islamic instinct of autocratic leadership, even democratically elected leadership in the Arab world must be prepared to separate authoritarian inclinations and democratic principles, guard against acting from a radical Islamic bent and recognize that their governing powers derive from the political mandate of the electorate and thus the governing process must be all inclusive regardless of political affiliations. Finally, external support and promotion of democracy in the Arab world must recognize the sensibilities and aspirations of the peoples of this region and must work towards promoting governments that are stable, accountable and legitimate in the eyes of their citizens.

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