Available online at www.elixirpublishers.com (Elixir International Journal)

Finance Management

Elixir Fin. Mgmt. 99 (2016) 42775-42784

ISSN: 2229-712X

Factors Influencing on Economic Development of Somalia

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ARTICLE INFO

Article history:

Received: 3 September 2016;
Received in revised form:
30 September 2016;
Accepted: 4 October 2016;

Keywords

Quality Education,
Teacher Education and
Training System.

ABSTRACT

Somalia is a country that has experienced excessive amounts of political instability during the past decade. Somalia, like most other countries in Africa, was colonized by European nations during the late 1800s (Roth, Somalia a country in turmoil , 2004). According to United nation Development Program (UNDP), the prolonged fighting in Somalia led to massive loss of property, lives and destruction of the society (UNDP 2008). Political instability contributed to massive suffering and poverty in Somalia, there has been massive unemployment and migration of people from the country. The study guided by the following objectives, to find out whether quality education affects economic development of Somalia, to ascertain how the gross domestic product affects economic development of Somalia, to determine the extent to which investments affects economic development. This study was descriptive in nature and it will utilize cross-sectional data collected through a standard questionnaire. This study will be conducted in Mogadishu City, the capital of Somalia. The target populations of this study will be114348 residents of Hodan District (UNFPA, 2014). In order to provide valid estimates, 384 respondents will be selected with Simple random sampling and only those present at that time will be chosen. The findings it shows that quality education plays a significant role in the economic development of the country. The study showed that a large percentage of the respondents in Somalia agree that it through offering quality education to the people of Somalia that productivity of the country will improve and economic development. The correlation analysis between the independent variable indicated strong relationship between the independent variables. This indicates that the independent variables were significant enough to impact the dependent variable. There is a strong relation between higher GDP and good quality education indicated by 57.8 percent. The relationship between Higher GDP and Savings is the only way we can increase economic growth indicated by 51.9 was significant enough to influence the dependent variable. The government of Somalia should strive for education quality improvement through renovating the teacher education and training system, improving teachers' quality and teacher status, reform and adaptation of curriculum at all levels The study established that savings and investment is the only way a country can increase economic growth, for any country to achieve economic growth there must be significant savings first.Investment means an increase in capital spending, e.g. buying new machines, building bigger factories and education. For example, investing in skills and education can increase labor productivity. Investment in new technology and capital can increase the productive capacity of the economy.

1. Introduction

Economic growth and political stability are deeply interconnected (UNDP, Human Development Report , 2010) on one hand, the uncertainty associated with an unstable political environment may reduce investment and the pace of economic development. On the other hand, poor economic performance may lead to government collapse and political unrest. However, political stability can be achieved through oppression or through having a political party in place that does not have to compete to be re-elected. In these cases, political stability is a double edged sword. While the peaceful environment that political stability may offer is a desideratum, it could easily become a breeding ground for cronyism with impunity. Such is the dilemma that many countries with a fragile political order have to face (Husein, 2014.)

In Global. One of the ways in which economic growth and political stability are related is in the area of investment. No company or individual, whether local or international, will feel comfortable making any kind of capital investment in any country where the political climate is characterized by upheavals and a lot of uncertainty. This is because such a risky investment would go against the main aim of making profits since there would be a marked lack of guarantee as to the safety of the investments. When local businessmen refrain from making any significant investment in their economies, such a situation will affect the economy as a whole.

Foreign direct investment also plays an important role in the development of an economy. This shows a link between economic growth and stability because a country with a low rating in terms of stability will not be a source of attraction for investors looking for international markets in which to invest. An example can be seen in the area of tourism, because when there is a lack of stability in the economy there will be little investments in the form of hotels, tourist attractions and commercial airlines. The result of this is a reduction in the number of employed people and a lower turnover rate for much-needed finances to facilitate economic development. Namibia enjoys political stability for the past 25 years, which encouraged many foreign investors including Chinese ones. A typical example of this is the rapid growth of the town Oshikango where foreign investors, mainly Chinese, contributed to fast infrastructure development and prosperity of the border town. China's political stability attributes to the great social, economic and cultural development. The first thing the Chinese did in 1949 when Chairman Mao's Communist Party took over was to create political institutions to cater for one unitary state out of all the diverse populations in the country. The communist political ideology was paramount to build that unitary state. The Chinese ruling Communist Party and other political parties (China doesn't have opposition parties as in Namibia or elsewhere) work together for the same goal to establish a prosperous and stable society for the benefit and wellbeing of the people. To the Chinese government, unity and a politically stable environment are always first items on their agenda. Chinese as a culture value more than any other nations unity, stability and integrity. Building stable political institutions and environments make it possible for China to concentrate on economic development resulting in it being the largest economy in the world now.

In Africa in general, political instability is the biggest challenge to African governments and people. Many African countries are rated low in terms of stability. There are types of political instability in Africa: revolutionary movements to change the rules of the political game and redistribute power and property, separatist movements, political assassinations, mass murders, kidnappings, extortion and violence, strikes, especially politically motivated strikes, demonstrations for regime change or specific issues, complete political breakdown and civil wars. The leading causes of such instability include ethnic fragmentation and/or historic friction; ethnic dominance and historic friction; the strength of "primordial loyalties" (kinship and clan); secessionist impulses; conflict over resource wealth; ineffective or predatory government actions; political inexperience and worsening economic difficulties.

African instability itself explains why Africa still lags far behind other parts of the world in terms of economic development. Thus we need to develop political institutions in such a manner that there is an even playing field and accountability. Where stability prevails, economic development prospers as we witness in Namibia. Since political instability has a major impact on development, policy formulation should therefore attempt to be "stabilizing". That is, policies should not disrupt political stability; policies should be fair and equitable across regions, ethnic and income groups; implementation of policies must be careful and politically wise. This done, we will lay a solid foundation for potential economic development. Somalia is a country with complex political, security, and development environment, and much of its recent past has been marked by poverty, famine, and recurring violence. The country has existed in a state of armed conflict of one form or another since 1988 and without a functional central government since 1991. Comprised of a former British protectorate and an Italian colony, Somalia was created in 1960 when the two territories merged. Since then its development has been slow. (UNDP, MDGs about somalia, 2000)

After two decades of civil war and conflict Somalia has had slow progress on political stability, Somalia's economy has been shaped and sustained by conflict. The 2012 Human Development Report estimates per capita GDP at $284 - against a sub-Saharan Africa average of $1,300 per capita. Poverty incidence is 73% (61% in urban centers and 80% in rural areas).(HDR, 2012)

Somalia, a country of 12,316,895 (UNFPA, 2015) is an untapped resource and sits at the nexus of a major sea traffic route. The country has almost 2,000 miles of coastline with varied and abundant fish stock. Substantial coal, oil, and gas discoveries in the country have recently been documented.

Despite more than two decades of civil war, the Somali people remain a resourceful group. The market economy is clearly in evidence and the Somali people have an active civil society in most parts of South Central Somalia, Puntland, and Somaliland. • The country has managed to build one of the African continent's best mobile telephone and money-transfer systems in spite of not having a fully functioning Central Bank or a well-established legal system. • Even though the gains made in the country after recent political changes are tenuous, many of the Diaspora are returning, bringing with them substantial liquidity, which is most evident in the building boom partly driving the growth of the cities of Hargeisa, Berbera, Bosaso, Garowe, and Mogadishu. • Some multinational organizations are already on the ground. Coca-Cola has made a return to the country by opening a production plant in Hargeisa and Mogadishu after an absence of nearly a quarter of a century. • The country has regained funding approval from multilateral institutions such as the International Monetary Fund and the African Development Bank.

Somalia is a country that has experienced excessive amounts of political instability during the past decade. Somalia, like most other countries in Africa, was colonized by European nations during the late 1800s (Roth, Somalia a country in turmoil , 2004)

Somalia got its independents on 1st July 1960 from its colonialist who were the British in northern Somalia (Somaliland) and Italian in southern Somali (Roth 2004).After the Independence in 1960, there was continuo's power struggles which lead to the Assassination of the second president of Somalia Abdirishiid Ali Sharmarke in 1969 (UN C. a., 2008)In 1991 Somalia, descended into a civil war after the collapse of Siyad Bare government on 27 January 1991. Since 1991 Somalia had no functioning Government (BBC, 2002)Due to the lack of functioning Governments, a number of militia Groups were established fighting each other in order to take over a power, and none of these groups was able to step up a working government.

According to United nation Development Program (UNDP), the prolonged fighting in Somalia led to massive loss of property, lives and destruction of the society (UNDP 2008). Political instability contributed to massive suffering and poverty in Somalia, there has been massive unemployment and migration of people from the country.

However, in 2010 after the intervention of other neighboring countries Somalia started experiencing relative peace (UN, 2011)This was followed by the continuous support from AMISOM troops; and in the process Somalia has experienced relative political stability (UNPOS, 2014)It is of this view that the study aims at investigating the impact of political stability brought about by the regional government intervention through AMISOM on economic development of Somalia.

Objectives of the Study

1.To find out the influence of quality education on economic development of Somalia

2.To ascertain the influence gross domestic product on economic development of Somalia

3.To determine the influencing of investments on economic development

1.3 Research Question

1. How does quality education influence economic development of Somalia?
2. How does gross domestic product influence economic development of Somalia?
3. How do investments influence t economic development?

2. Related Literature

Theoretical Framework

Economic Base Theory

The basic categories of economic base theory are the industrial sector of the regional economic assigned to either the basic or non-basic sector. Economic Base Theory (EBT) postulates that local economy is strongest when it develops those economic sectors that are not closely tied to the local economy. By developing industries that rely primarily on export markets, the local economy can better withstand economic downturns because, it is hoped, these external markets will remain strong even if the local economy experiences problems. In contrast, a local economy wholly dependent upon local factors will have great trouble responding to economic down turns (Leatherman, 2009).

Economic base theory assumes that all local economic activities can be identified as basic or non-basic. Firms that sell to both local and export market must, therefore be assigned to one of these sectors or some means of apportioning their employment to each sector must be employed. Means Of Assigning firms to basic and non-basic sector are based on the economic base technique which is grounded in the assumption that local economy cab be divided on two very general sector, basic (non-local) sector and anon-basic (local) sector (WASchaffer, 2010).

Basic and Non-basic sectors: The economy is a combination of basic and non-basic industries. Basic sector is made up of local businesses (firms) that are entirely dependent upon external factors. Local resource-oriented firms (like logging or mining) and agriculture, manufacturing, and tourism are usually considered to be basic sector firms because their fortunes depend largely upon non-local factors and they usually export their goods. Non-basic firms are those that depend largely upon local business conditions. Local grocery store sells its goods to local households, businesses, and individuals. Almost all local services are identified as non-basic because they depend almost entirely on local factors. Services, public schools, local government, retail are some other examples (Leatherman, 2009).

Staple Theory

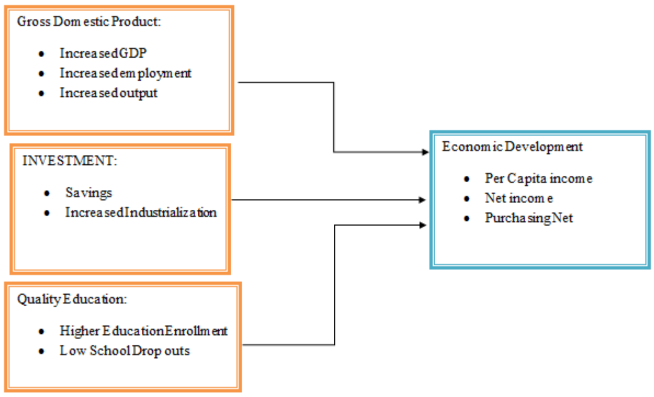
Staple theory identifies industrial sectors as its basic categories. It defines economic development as sustained growth over the long term. The essential dynamic is the external investment in and demand for the export staple that leads to the successful production and marketing of the export staple in world markets the theory major strengths are its historical relevance to North America economic development and its emphasis on understanding the region economic history (Canadian Centre for Policy Alternatives, 2014).

The Staple theory of economic growth emphasizes the role traditional commodities, or staples, play in the shaping of a resource-rich economy. The staple thesis was created by Canadian economic historian Harold Innis and economist W.A Mackintosh as an explanation for how the pattern of settlement and economic development of Canada was influenced by the exploitation and export of natural resources. Though its original purpose was to model Canada's historical economic evolution, the staple thesis can be applied to any country with a successful, export-heavy economy. The staple thesis factors the extraction of natural resources into several areas of economic development. Historically, an example can be derived from the fishing industry: an increase in the demand for fish subsequently increases demand for the construction of fishing ships. In contemporary times, another example would be the influence of the petroleum industry on economic growth in a country that exports oil. An increase in demand for oil exports influences the development of infrastructure, technological innovation and human capital (Stanford, 2014).

Its major weakness is that it describes more than explains the development by recognizing the connection of the economic base to the political superstructure. Economic developers should continue to build on and improve the export staple as long as it remains competitive in the larger economic system. The idea is to stick to one’s knitting since strengthening to diversify the economic base. Eventually footloose economic activities (That is, those not closely tied to specific resource, inputs or markets) will be attracted to the area if its market achieves sufficient size or if it offers urbanization economic that can be exploited by other exporters (Stanford, 2014).

Conceptual Framework

A conceptual framework is used to outline the possible courses of action or the preferred approach to an idea. The conceptual framework highlights the independent variables and the dependent variable. The interaction between the dependent variable and the independent variables of the study is shown by the figure below.



IndependentVariable **Dependent Variable**

Figure 2.1. Conceptual Frame work

Influence of Increased Gross Domestic Product on Economic Development

Economic growth is measured in terms of an increase in the size of a nation's economy. The gross domestic product (GDP) is one of the primary indicators used to gauge the health of a country's economy. It represents the total dollar value of all goods and services produced over a specific time period.GDP is a very vital indicator of an economies progress. A rise in GDP shows that there is more value addition in the economy or there is a higher income or rise in expenditure which implies that there is a rise in the standard of living of the citizens and due to rise in income there will be a higher spending on various goods and services like healthcare and education (Costanza, 2009).

Every government's focus is to increase the GDP of an economy (along with other major indicators like HDI, literacy rates, etc.) in order to increase the prosperity of its citizens. When a country's GDP is high it means that the country is increasing the amount of production that is taking place in the economy and the citizens have a higher income and hence are spending more. There is an increase in the lifestyle of the citizens and there are more individuals going to college (Centre For the Advancement of Steady State Economy, 2014).

Influence of Investment on Economic Development

There is a widespread belief among policymakers that foreign direct investment (FDI) generates positive productivity effects for host countries. The main mechanisms for these externalities are the adoption of foreign technology and know-how, which can happen via licensing agreements, imitation, employee training, and the introduction of new processes, and products by foreign firms; and the creation of linkages between foreign and domestic firms. These benefits, together with the direct capital financing it provides, suggest that FDI can play an important role in modernizing a national economy and promoting economic development (Howit, 2006).

Foreign direct investment (FDI) has become the important issue in finance and economics since the globalization of capital markets. The saturation of domestic capital market drives each country to invest in the foreign capital markets in terms of financial internationalization. Recently, emerging market countries, especially China and India, become the world's foremost FDI targets. Improved capital goods increase labor productivity. A simple example of this can be seen when a lumberjack upgrades from a standard axe to a chainsaw. Superior capital equipment directly makes individuals, businesses and countries more productively efficient. Increased productive efficiency leads to increased standards of living which are the purpose of economic growth (Kim & Haksoon, 2010).

Influence of Quality Education on Economic Development

Human capital theory has strongly influenced most debates on the relevance of education for development. Human capital theory suggests that there are substantial economic effects of education for social development (Katherine, 2000). The basis of human capital theory is that education makes people more productive at work. Individuals invest their time and money in education and skills on the expectation that such investment will yield future benefits in terms of employment and earnings (Mark Taylor, 2012).

The theory showed that if the only cost of an additional year of education is the opportunity cost of the student's time, and if the proportional increase in earnings caused by this additional education is constant over an individual's lifetime, then the rate of return to the investment in education can be derived from estimating relatively simple econometric models (Adams, 2010). The underlying theoretical assumption is that the skills acquired by the individual through education influence the individual's productivity by the same amount in all types of work for all employers (Adams, 2010). Therefore, human capital theory implies that an effective anti-poverty strategy should incorporate increasing the skills of people in poor (low-income) households as this will increase their productivity and suitability for paid employment, and for career advancement within employment (Oxaal, 1997).

Measurement of economic development

The study will measure Economic Development using the Human Development index established in the Human Development report of United Nations Development Programme. The HDI—human development index—is a summary composite index that measures a country's average achievements in the three basic aspects of human development: longevity, knowledge, and a decent standard of living. Longevity is measured by life expectancy at birth; knowledge is measured by a combination of the adult literacy rate and the combined primary, secondary, and tertiary gross enrolment ratios; and standard of living measured by GDP per capita.

The study will compare the Human Development Index value during the times when the country was in serious political instability (2011) with the HDI Value during times of relative political stability 2014.

Quality of Education in Somalia

The Education in Somalia started during the colonial period. After independence in 1960, Somalia's education sector developed rapidly. Both the civilian and military governments that ruled Somalia before 1991 opened primary and secondary schools in every region of the country. Other efforts include training of teachers, adoption of the Latin script for the writing of the Somali language, and successful implementation of an intensive government-sponsored literacy campaign for youth and adults in both rural and urban areas. Due to these efforts and free and compulsory education for children 6 to14 years, literacy levels increased from 5% in 1970 to 65% in 1990 (Abdi, 1998)

The Formal Education in Somalia

The Ministry of Education is officially responsible for education in Somalia. About 15% of the government's budget is allocated to scholastic instruction. The autonomous Puntland (North East) and Somaliland (North West) regions maintain their own Ministries of Education. Following the outbreak of the Somali Civil War in 1991, the task of running schools in Somalia was initially taken up by community education committees established in 94% of the local schools (UNESCO, 2005)

After the government was overthrown in 1991, Somalia's state education system collapsed. By the time the Transitional Federal Government took leadership of the country in 2004, the literacy levels were reported to be 37% for the adult population aged over 15 years (MOE, 2011) the collapse of the state education system and the need for emergency education, led to establishment of privately owned educational institutions. Consequently, Somalia has two distinct systems of education: the 9-3-4 system which is mainly operated by private institutions and the 8-4-4 system currently practiced in public education (MOE, 2011).

Expenditure on education in Somalia

Expenditure on education is an indication of how a country prioritizes education in relation to its overall resource allocation. This includes spending on schools, universities and other public and private institutions involved in delivering or supporting education services (World Bank, 2004). In Somalia education sector received relatively lower in the 1970s and 1980s than other sectors of the economy. For instance, in 1980 about 10.5% of government expenditure went to social amenities which included education compared to 36% spent on defense and security in the same year (Samatar, 1988).

A substantial amount of education expenditure is from International donors. Since 2000, donor support for education has increased to reach US$ 25 million per annum, with EC and EC member states as predominant donors in the sector (European Commission, 2009). It is estimated that there are

30-40 international NGOs working in the education sector in Somalia, mainly as intermediaries for delivery of EC, UN and bilateral agency support in the sector (EU, 2009)

School Enrollment Trends in Somalia

Primary school enrolment rates in Somalia in the 1980s were relatively high with reported primary school gross enrolment rate of approximately 80% in 1986. This however, did not last for long following the collapse of the state government in 1991. As of 2000, the gross enrolment had declined to less than 30% (World Bank, 2008).

The collapse of the state in 1991 led to division of the country into three zones namely; Puntland (PL), Somaliland (SL) and South Central (SC) zone. Table 1.2reports the net primary school enrolment in the three zones in 2007. The national net primary school enrolment was 32% in 2007.

Table 2.1. Net Primary School enrollment rates (%) in Somalia, 2007

Region /Zone	Primary Enrollment 2007 (% Net)		
	Female	Male	Total
South central	17.41	18.33	17.87
Somali Land	41.89	54.61	48.25
Puntland	29.82	31.56	30.69
Total	29.71	34.82	32.27

Source: European Commission, 2009

In Table 2.1 enrolment rates to seem correlate with zonal political stability. The NER are higher in Somaliland and Puntland than in South Central. Somaliland and Puntland are politically stable unlike South Central zone which was politically unstable for a longer duration of time

Gross Domestic Product

Somalia is classified by the United Nations as a least developed country. Despite experiencing two decades of civil war, the country has maintained an informal economy, based mainly on livestock, remittance/money transfers from abroad, and telecommunications. Due to a dearth of formal government statistics and the recent civil war, it is difficult to gauge the size or growth of the economy. For 1994, the CIA estimated the GDP at purchasing power parity (PPP) to be $3.3 billion. In 2001, it was estimated to be $4.1 billion. By 2009, the CIA estimated that the PPP GDP had grown to $5.731 billion, with a projected real growth rate of 2.6%.In 2014, the International Monetary Fund estimated economic activity to have expanded by 3.7 percent primarily driven by growth in the primary sector and secondary sector. According to a 2007 British Chambers of Commerce report, the private sector has experienced growth, particularly in the service sector. Unlike the pre-civil war period when most services and the industrial sector were government-run, there has been substantial, albeit unmeasured, private investment in commercial activities; this has been largely financed by the Somali diaspora, and includes trade and marketing, money transfer services, transportation, communications, fishery equipment, airlines, telecommunications, education, health, construction and hotels

Investment

Public and private investments are essential for Somalia to move forward. This report addresses private investment and identifies approaches to encourage its expansion to boost growth and employment. Foreign direct investment (FDI) generates the most interest. In addition to capital, FDI brings new ideas, technologies and skills as well as access to new markets. Global flows of FDI are driven by four factors: the search for markets (Procter and Gamble manufacturing household soap and detergent in India); the search for a natural resource (Chevron drilling for oil in Nigeria); the search for efficient production platforms (Nike establishing footwear production in China); the pursuit of a unique asset (Hilton Hotels buying a hotel chain in South Africa).

Somalia is too small and poor to attract much market-seeking investment. The high cost of doing business in Somalia also rules it out as an efficient production platform. Beyond its natural resources, Somalia does not have unique assets that would attract foreign investors. It does have natural resources – primarily fish and petroleum – that are already well known to foreign investors and will attract them for a long time to come. The most useful step Somalia can take to facilitate those investments is to establish a favorable environment, including a clear legal framework, the transparent flow of relevant information and respect for contract and property rights.

Outsiders can assist Somalia to take these steps but Somalia must assert political will and leadership for the effort. Bilateral donors are at a disadvantage working in the FDI arena since their national investors may be competing for access to the resource, which casts suspicion on the donor's motives and ability to provide unbiased advice. Multilaterals may be in a better position.

Local investment and the business elite

Although local investment gets much less attention, it accounts for 90 percent of the capital stock of developing countries taken together. It does not bring as many new ideas, skills, technologies and markets as FDI does, but the sheer volume of local investment means it does much of the heavy lifting.

Observers of Somalia have divided local investors into three types. The "business elite" have operated in Somalia since at least 1991, i.e., through the war years. "They [became] wealthy during the conflict period, largely through uncontrolled and unregulated trade of imported goods and food. Some were engaged in illicit activities such as smuggling, drugs and arms trade, export of scrap metal looted from state factories and utilities, and the diversion of food aid. The business leaders have migrated to legitimate trade and some productive businesses, and are now investing in telecommunications, manufacturing, energy and utilities, remittances, media, agriculture and fisheries and the commodity trade. They have significant resources,tend to dominate the main economic activities, holding effective monopolies over some sectors. Their control of the economy and influence on government raises concern about their impact on market governance, transparency, competition and new market entrants, and attitudes towards reform. This group of local investors is said to be investing heavily in Somalia now. They have resources, connections, and the power to negotiate attractive deals for themselves with Somalia's government.

Small-scale local businesses are owned by people who also stayed in Somalia during the war but are not particularly well connected. They are present in both rural and urban areas. They primarily operate retail establishments and small-scale service companies e.g., hotels, restaurants, repair shops, but they may also be part of the value chain in agriculture, livestock and fisheries. They lack the access to finance enjoyed by the business elite and the clout to influence government to look out for their interests. They thus face higher risks and are more hesitant to invest as a result.

The third group is the Diaspora. It consists of up to one million people, many of whom are eager to return to Somalia to "give something back" now that there is relative peace. They bring various amounts of funding and varying degrees of business skills. There has been a steady flow of Diaspora investments over the last two years, but also a relatively high failure rate attributable to their lack of local connections, unfamiliarity with the country, and – in some cases – unwillingness to fill information gaps with market research. Most of those who have done well appear to have researched markets and industries in Somalia carefully to understand what they were getting into. To avoid predatory approaches from the business elite in the event of success, some seek niche markets that are not big enough to attract general interest. Nonetheless, many wonder if or when a hostile takeover attempt will begin.

Economic Development

Somalia's economy has been shaped and sustained by conflict. The 2012 Human Development Report estimates per capita GDP at $284 - against a sub-Saharan Africa average of $1,300 per capita. Poverty incidence is 73% (61% in urban centers and 80% in rural areas).Livestock is the mainstay of the economy: 60% of the population derives a livelihood from pastoralism-based livestock production. The export of livestock and meat generates 80% of foreign currency. Most Somalis live in rural areas where traditional coping mechanisms, clan affiliations and pastoral mobility have been undermined by conflict. Only 7% of the rural population enjoys access to improved water sources, compared to 66% of people living in urban areas.

3. Methodology

This study was descriptive in nature and it utilized cross-sectional data collected through a standard questionnaire. The researcher was survey design method for the study. Survey design is a design in which data was collected using questionnaires. The researcher used the above design to enable him describe or present a picture of the problem under study. According to (Owens 2002), survey research design is unique as it gathers information not available from other sources as information was collected from respondents. Individual respondents are never identified and the survey results are presented in the form of summaries, such as statistical tables and charts

Additional qualitative data was collected during the study, through eight focus group discussions designed to further understand the underlying Factors Influence on economic development of Somalia. Quantitative data was allowed the researcher to meaningfully describe the distribution of variables using standard statistical procedures such as frequencies, percentages, and measures of central tendencies as well as correlations among the identified variables.

An empirical model for testing Factors Influence on Economic Development in Somalia was developed. Combining the theoretical discussions with data available from the survey, an empirical model was formulated for testing the factors Influence on Economic Development in Somalia. This included Economic Development (HDI) as the dependent variable, GDP (V), Investment(W) and Quality Education(X) as the independent variables

$(HDI) = \beta_o + \beta_1 V + \beta_2 W + \beta_3 X + \sum$

Results from the study indicated that majority of the respondent agreed to the statement good quality education increases productivity as shown by the mean value of 3.93 in the table above. The study showed that a large percentage of the respondents in Somalia agree that it through offering quality education to the people of Somalia that productivity of the country will improve. Due to this there has been increased number of Foreign Universities that have been allowed to have collaborations with local universities in order to improve the quality of education in the country.

4. Discussion of findings

Statement on the Influence of good quality education on Productivity

Table 4.1. Statement on the Influence of good quality education on Productivity in Somalia.

	N	Mean	Std. Deviation
Good Quality Education Increases productivity	384	3.93	1.017
Vocation Training Promotes Economic Development	384	3.83	.770
Higher Education Increases Productivity	384	3.92	.859
Equal Access to education Facilitates Economic Development	384	3.79	1.011
More Schooling leads to Higher Individual Earnings	384	3.85	1.044
Valid N (list wise)	384		

The study found out that a large number of the respondents agreed to the statement that vocational Training Promotes Economic Development, this is indicated by the mean value of 3.83 in the table above. Vocational education is known as a specialized knowledge that inculcates in learners the traits of risk-taking, innovation, arbitrage and co-ordination of factors of production for the purpose of creating new products or services for new and existing users within human communities.

Economic development and growth require shifts from low to high productivity, the creation and adoption of new goods and services, new skills and new knowledge. These shifts are made possible by entrepreneurs who are the architects of "capacity creation‟ for productivity and growth.

The survey also showed that majority of the respondents agreed to the statement that higher education increases productivity indicated by a mean value of 3.92 in the table below. Higher Education has direct benefits for economies. By producing well-trained teachers, it can enhance the quality of primary and secondary education systems and give secondary graduates greater opportunities for economic advancement. By training physicians and other health workers, it can improve a society's health, raising productivity at work. And by nurturing governance and leadership skills, it can provide countries with the talented individuals needed to establish a policy environment favorable to growth.

The study findings further revealed that a large number of respondents agreed to the statement that Equal Access to education Facilitates Economic Development shown by the mean of 3.79. Education is a vital means of poverty reduction in poor countries (GEM, 2013)as education gives people necessary skills that would increase their capacity to produce more effectively and efficiently. Education can directly reduce poverty through enhancement of productivity and economic growth, which indirectly helps to alleviate poverty through its positive spill-over effects (externalities) on the society more broadly. Education promotes the eligibility for paid employment in the formal sector and for their advancement once the people are employed.

Educating girls and women is probably the single most effective investment a developing country can make, whether or not women work outside the home. It creates a multitude of positive remunerations for families including better family health and nutrition, improved birth spacing, lower infant and child mortality, and enhanced educational attainment of children.

The study asked whether more schooling leads to increased earnings, the findings indicated that majority of the respondent agreed to this statement as shown by the mean value of 3.85. They believed that the more time a person spends in education, the higher the chances of getting employment and higher earnings.

An increase in the educational level of the head of the household significantly reduces the chances of the household being poor. Moreover, an increase in the schooling of household heads not only has a positive impact on their productivity and earnings but also enhance the productivity of other members of the household perhaps through persuading them to be educated and/or skill-oriented.

Education and health endowments of the individuals are the necessary and important components of human capital which make them productive and raise their standard of living. Human capital is required for the effective utilization of physical and natural capitals, and technology and skills. Education and poverty are inversely related. The higher the level of education of the population, lesser will be the number of poor persons because education imparts knowledge and skills which is supportive in higher wages. The direct effect of education on poverty reduction is through increasing the earnings/income or wages.

Statement on the Influencing of Investment on Economic Development

Table 4.2. Statement on the Influence of Investment on Economic Development in Somalia.

	N	Mean	Std. Deviation
Savings is the only way we can increase economic growth	384	3.99	.876
Savings must be invested in production in order to contribute to Economic Development	384	3.76	.888
Banks Facilitate Savings	384	3.85	.892
Government Saving cause Economic growth than private savings	384	3.93	.948
Political Instability Reduces Savings	384	3.71	1.001
Valid N (list wise)	384		

The study thought to find out whether the respondents understand the role of savings and asked whether savings is the only way we can increase economic growth. Majority of the respondents agreed to the statement as shown by the mean value of 3.99 in the table above. They believed that for any country to achieve economic growth there must be significant savings first. However for savings to promote economic growth, a percentage increase in savings must be followed by a percentage increase in investment in order to have increased production and economic growth.

The study thought to determine whether savings must be invested in production in order to achieve economic growth, the survey findings indicated that a large number of respondents agreed to the statement shown by mean value of 3.76 in the table above. Investment means an increase in capital spending, e.g. buying new machines, building bigger factories (in economics it does not mean saving money in a bank). Investment is effective then it should also increase the productive capacity of the economy (Edward, 2010)For example, investing in skills and education can increase labour productivity. Investment in new technology and capital can increase the productive capacity of the economy.

The study also thought to assess whether the respondents understand the role of banks in mobilizing savings for investment, the survey asked whether Banks Facilitate Savings, the study findings indicated that majority of the respondents agreed to the statement as shown by the mean value of 3.85 in the table Above. Commercial banks help in mobilizing savings through a network of branch banking. People in developing countries have low incomes but banks induce them to save by introducing variety of deposit schemes to suit the needs of individual depositors. They also mobilize the idle savings of the few rich. By mobilizing savings, banks channel them into productive investments and hence helping in the capital formation of the country.

The study also revealed that a large number of respondents agreed to the statement that government savings cause economic growth than private savings as indicated by the a mean value of 3.93 in the table below. The government is able to mobilize huge savings and channel them into productive investments with higher productivity than private individuals.

The study thought to assess whether the respondents understand the effect of political stability on savings, the study asked whether political stability reduces savings, majority of the respondents agreed to the statement as shown by the mean value of 3.71. It is commonly believed that by creating an environment detrimental to long-term planning, political instability reduces the domestic savings rate in the LDCs. It has been argued that by creating an uncertain economic environment detrimental to long-term planning and by reducing economic growth and investment opportunities, political instability reduces the domestic savings rate in the LDCs and thus poses a formidable hurdle to achieving their long-term development objectives.

Statement on the Influence of Gross Domestic Product on Economic Development of Somalia

Table 4.3. Statement on the Influence of Gross Domestic Product on Economic Development of Somalia.

	N	Mean	Std. Deviation
Higher GDP Leads to low infant Mortality	384	4.08	.902
Higher GDP Leads to increased Savings	384	3.92	.727
Higher GDP Leads to higher Per capita income	384	3.89	.822
The Productivity of Country Decreases Poverty	384	3.64	1.061
Country Natural Resources has positive potential to increase Economic growth	384	3.86	1.047
Valid N (list wise)	384		

The study thought to establish the effect of gross domestic product on the economic development of Somalia and asked respondent whether higher Gross Domestic Product leads to low infant mortality, results from the study indicated that majority of the respondents agreed to the statement as shown by the mean value of 4.08 and a lower standard deviation of 0.902.

Infant mortality refers to deaths of young children, typically those less than one year of age. It is measured by the infant mortality rate (IMR), which is the number of deaths of children under one year of age per 1000 live births.

In countries with low per head GDP, macroeconomic growth is often considered as key policy instrument for improving health. The premise is that, economic growth will increase the average income of individuals, especially improving the incomes of poor people, which in turn will improve the life quality by providing better qualified consumption of goods, have access to health care services, better housing and sanitation, leads to reduction in infant mortality.

The study findings indicated that a large number of respondents agreed to the statement that higher gross domestic product leads to increased savings indicated by a mean value of 3.62. They believed that as a country`s economic growth increases, its level of savings also increases. Since savings is a proportion of national income, if the national income increases, the amount of savings will increase provided the savings rate is not changed. This indicates that an increase in gross domestic product will lead to an increase in savings.

Results from the survey showed that majority of the respondents agreed to the statement that an increase in gross domestic product leads to an increase in per capita income as shown by the mean value of 3.89.

Per capita GDP is a measure of the total output of a country that takes the gross domestic product (GDP) and divides it by the number of people in the country. The per capita GDP is especially useful when comparing one country to another because it shows the relative performance of the countries. A rise in per capita GDP signals growth in the economy and tends to translate as an increase in productivity.

If GDP is rising, the economy is good and the nation is moving forward. If GDP is falling, the economy is in trouble and the nation is losing ground. From a strictly numerical perspective, GDP provides an easy-to-follow indicator of economic health.

The study findings indicated that majority of the respondents agreed to the statement that the productivity of a country decreases poverty. This is shown by the mean of 3.64 in the table above. The respondents believed that the productivity of the country is responsible for poverty reduction; if the productivity of the country is high then the country will be able to reduce poverty. The productivity of the country depends on level of human capital, technological advancement and research and development. Education makes people more productive at work. Individuals invest their time and money in education and skills on the expectation that such investment will yield future benefits in terms of employment and earnings. This implies that an effective anti-poverty strategy should incorporate increasing the skills of people in poor (low-income) households as this will increase their productivity and suitability for paid employment, and for career advancement within employment.

The study also thought to determine the role of natural resources of a country in economic growth. The study asked whether natural resources of a country have a positive potential to economic growth. Majority of the respondent agreed to the statement as shown by the mean value of 3.86 in the table above. The principal factor influencing the development of an economy is the natural resources or land. Land in economics includes natural resources such as the fertility of land, its composition, forest wealth, minerals, climate, water resources and sea resources.

For economic growth, the existence of natural resources in abundance is essential. A country which is deficient in natural resources will not be in position to develop rapidly. In low developing countries natural resources are either underutilized or miss utilized and this is the reason for their backwardness.

The presence of abundant resources is not sufficient for economic growth, what is required is their proper exploitation. If the existing resources are not properly exploited and utilized, the country cannot develop.

Regression Analysis

This section presents a discussion of the results of inferential statistics. The study conducted a multiple regression analysis so as to predict the factors influencing Economic Development in Somalia.

In the regression analysis the study aimed at determining the effect of the three independent variables on the dependent variable.

Model Summary

Table 4.4. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.752[a]	.563	.46	.810

a. Predictors: (Constant), Gross Domestic Product, Quality Education, Investment

A standard multiple regression analysis was conducted using Economic Development as the dependent variable and the three Factors Influencing Economic Development: Gross Domestic Product, Quality Education, and Investments as the predicting variables. The model summary in table 4.9, it is clear that The R^2 Value .563 (the "R Square" column) indicates how much of the total variation in the dependent variable, "Economic Development" can be explained by the independent variable, Gross Domestic Product, Quality Education, Investments. In this case, 56.3% can be explained, which is very large.

ANOVA

Table 4.5. ANOVA.

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	16.856	3	5.619	8.573	.000[b]
Residual	249.058	380	.655		
Total	265.914	383			

a. Dependent Variable: Economic Development.

b. Predictors: (Constant), Gross Domestic Product, Quality Education, Investments

From the analysis of variance the test indicated that there is no significant differences in the variables studied indicating that the model was significant in explaining the relationship between the dependent and independent variables as shown by level of significance of 0.000 which is less than 0.05. The study used Economic Development as the indicator of dependent variable and three independent variables.

Regression coefficients

Table 4.6. Regression Coefficients.

Model	Un standardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	.743	.274		2.710	.007
Quality Education	.005	.049	.005	.105	.021
Investments	.049	.055	.052	.888	.035
Gross Domestic Product	.204	.054	.220	3.785	.000

a. Dependent Variable: Economic Development

From the regression analysis substitution of findings into the model is;

$Y= 0.743+0.05X_1+0.49X_2+0.204X_3$

Where Y is the dependent variable (Economic Development), X_1 is the Quality Education effect, X_2 is Investments effect and X_3 is GDP effect

According to the regression analysis, the model indicates that there is a significant relationship between Economic Development and the belief that Good Quality education increases productivity as indicated by the level of significance of 0.021 with is lower than 0.05. Household heads believe that the Quality the education level, the higher the productivity and income available for Economic Development. It can be concluded that at 5% level of significance, Economic Development is affected by higher education.

The regression analysis between Economic Development and the belief that higher Gross domestic product lowers infant mortality shows a significant dependence among the two variables indicated by a level of significance of 0.000, respondents believed that the higher the gross domestic product the higher the per capita income and the higher the household expenditure on food, education and health care. All these reduce infant mortality rate. It can be concluded that at a 5% level of significance.

Correlation Analysis

Table 4.7. Correlation Analysis.

		Quality Education	Saving	Gross Domestic Product
Good Quality Education	Pearson Correlation	1	.492**	.578**
	Sig. (2-tailed)		.000	.000
	N	384	384	384
Investments	Pearson Correlation	.492**	1	.519**
	Sig. (2-tailed)	.000		.000
	N	384	384	384
Gross Domestic Product	Pearson Correlation	.578**	.519**	1
	Sig. (2-tailed)	.000	.000	
	N	384	384	384

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

The correlation analysis between the independent variable indicated strong relationship between the independent variables. This indicates that the independent variables were significant enough to impact the dependent variable. There is a strong relation between Gross Domestic Product (GDP) and good quality education indicated by 57.8 percent. The relationship between Higher GDP and Investments indicated by 51.9 was significant enough to influence the dependent variable.

5. Conclusion

In light of the findings it can be concluded that quality education plays a significant role in the economic development of the country. The study showed that a large percentage of the respondents in Somalia agree that it through offering quality education to the people of Somalia that productivity of the country will improve and economic development.

In regard to the study findings out it can be concluded that vocational Training Promotes Economic Development. Vocational education is known as a specialized knowledge that inculcates in learners the traits of risk-taking, innovation, arbitrage and co-ordination of factors of production for the purpose of creating new products or services for new and existing users within human communities.

Economic development and growth require shifts from low to high productivity, the creation and adoption of new goods and services, new skills and new knowledge. These shifts are made possible by entrepreneurs who are the architects of "capacity creation‟ for productivity and growth.

Regarding the effect of investment on economic development, it is concluded that savings and investment is the only way a country can increase economic growth, for any country to achieve economic growth there must be significant savings first. Investment means an increase in capital spending, e.g. buying new machines, building bigger factories (in economics it does not mean saving money in a bank). If investment is effective then it should also increase the productive capacity of the economy.

Regarding the Influencing of Gross Domestic Product on Economic Development of Somalia it can be concluded that higher Gross Domestic Product leads to low infant mortality. In countries with low per head GDP, macroeconomic growth is often considered as key policy instrument for improving health. The premise is that, economic growth will increase the average income of individuals, especially improving the incomes of poor people, which in turn will improve the life quality by providing better qualified consumption of goods, have access to health care services, better housing and sanitation, leads to reduction in infant mortality

6. Recommendation

There is no single factor that can be influence economic development extensively because development is multidimensional but rather a combination of factors can facilitate development, education, savings, natural resource exploitation and political stability can play a vital role in economic development.

1. The study that good quality education increases productivity, as one of the most powerful instrument for poverty reduction, education can be a guarantee for development in every society and to every family. Higher Education has direct benefits for economies. By producing well-trained teachers, it can enhance the quality of primary and secondary education systems and give secondary graduates greater opportunities for economic advancement.
2. By training physicians and other health workers, it can improve a society's health, raising productivity at work. And by nurturing governance and leadership skills, it can provide countries with the talented individuals needed to establish a policy environment favorable to growth.
3. The government of Somalia should strive for education quality improvement through renovating the teacher education and training system, improving teachers' quality and teacher status, reform and adaptation of curriculum at all levels
4. The study established that savings and investment is the only way a country can increase economic growth, for any country to achieve economic growth there must be significant savings first. Investment means an increase in capital spending, e.g. buying new machines, building bigger factories and education. For example, investing in skills and education can increase labour productivity. Investment in new technology and capital can increase the productive capacity of the economy.
5. The government therefore has to provide conditions for establishment of savings mobilizations institutions like commercial banks. Commercial banks help in mobilizing savings through a network of branch banking. People in developing countries have low incomes but banks induce them to save by introducing variety of deposit schemes to suit the needs of individual depositors.

7. Suggestions for Further Studies

The study are suggested that a more detailed study factors influence on economic development of Somalia needed is made to derive a comprehensive models explaining the quantitative On economic Development. The study or the researcher is advised to adopt other sets of working factors influence of economic development like influence of political stability on economic development of Somalia. This will significantly to economic growth and development.

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