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Section I

International Affairs

Euro – Single Currency of the European Union

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Abstract

A subject as optimal monetary areas were very challenging. The starting point was made by Robert Mundell which influenced the debate linked to this subject. Economic and Monetary Union was a choice, a target and a challenge. Realizing an optimal monetary area become priority when the "Werner" report was handled to the official and public agenda. This tentative failed as circumstances were non-friendly for the integration process. Another tentative started in 1979 being comprised in the Delors Report. Based on this document started a new generation of monetary integration having as an emblem the Maastricht Treaty.

European countries committed to obtain "convergence of their economies". I pointed out that an appropriate perception of the subject oblige the analysts refers to a much broader vision than convergence criteria. One of the main questions I asked myself was whether euro has facilitated an appropriate level of convergence between member countries' economies.

Key words: Euro, single currency, monetary Union, exchange rate, economic and monetary policy

J.E.L. Classification: E42, E52, E58, F45

1. Introduction

In an article, published in 1961, Robert Mundell analyzed the optimal monetary areas opening the debate in the field of monetary policies and guided other contributions having as main topic the exchange regimes. The launch of the Euro currency can be interpreted as a decisive step ahead towards the monetary system drafted by Mundell. Realizing an optimal monetary area proved to be a very complex enterprise. To do that one can mention fulfillment of some specific criteria.

First criteria is to have an appropriate mix of political and economic factors. Many analysts pointed out the necessity of a minimum level of political integration between participating countries. Scientists analyzed this sensitive correlation from different angles. Some of them stressed that, for launching a monetary area is required to obtain in advance an appropriate level of political integration. Others, in line with Mundell's convictions, believed that the Euro currency favors the political integration. That perspective encouraged the idea that the economic analysis could be sufficient for the justification of the adoption thereof.

One of the most important challenge is to appropriate manage the effects of different domestic or external asymmetrical shocks. One can say that the impact of the asymmetrical shocks could be minimized by the diversification of the portfolios, facilitated on the integrated financial market. Many analysts stressed that a single currency could put an end to the speculative attacks, preventing the application of medium and long-term sectorial policies. European leaders, academic environment and civil society have devoted scant attention to the idea of monetary integration as a prerequisite for the entire integration process.

The subject linked to monetary Union was raised since the beginning of the integration process which was placed in between neofunctionalism and intergovernamentalism. According to neofunctional philosophy at the Commission level was very clear that customs union cannot be accomplished without implementing the main values of an economic and monetary union. On March 6th, 1970, the Council decided to compose a working group to establish the main alternatives for the future monetary union. The target to create a monetary union in that period proved to be very optimistic grace to domestic, regional and international circumstances. This challenging idea

remained on the European bodies' agenda waiting for the appropriate circumstances. In this paper the author stressed few European answers to some challenges European Union was confronted with. In the „ odyssey,, of implementing European common currency one can notice many complex structural and institutional steps ahead. Some of these steps (for instance: launching the Euro; establishment of a monetary Committee; establishment of European Central Bank, issuing Growth and Stability Pact) were beneficial for the entire process of reaching to a monetary Union.

2. First Stage of the Economic and Monetary Union

In a resolution adopted by European Council in March 22nd, 1971 were included measures for the first stage of monetary union such as: the strengthening of the coordination of the short-term macroeconomic and some sectoral economic policies, the gradual harmonization of the medium-term economic policy, preparing incentives for encouraging the free movement of the capital flows, performing structural and regional policies, strengthening the process of coordination of the credit and monetary policies, increasing the level of harmonization of monetary policy towards third countries, maintaining under control the fluctuation margin of the exchange rates, making functional an European Monetary Cooperation Fund. On March 21st, 1972, the Council adopted an improved version of the former resolution on the economic and monetary union, stressing the additional relevance of a process of coordination of the economic policies of the member states, being created and some institutional architecture. In terms of the exchange rates, an agreement has been reached on the gradual reduction of the fluctuations between the member states and the removal of any fluctuation margin in a as short as possible time horizon According to the Regulation of the Council no. 907/73 from April 3rd, 1973, was established the European Monetary Cooperation Fund (EMCF) to allow member countries to keep under control some asymmetric shocks. The Directive of the Council no. 72/156 as of June 23rd, 1973 regulated the international capital flow and neutralized the undesired effects on domestic liquidities. In the final stage, the monetary Union had to provide either the total and irreversible convertibility of the currencies or the introduction of a single currency. The main objective of the EMCF was the provide a good operation of the reduction of the fluctuation margins.

In that period international monetary system was under fire witnessing a lot of sensitive pressures. In these circumstances, decision makers at the European and national level appreciated that would be very beneficial for the integration process to launch a European Monetary System (EMS) for approaching it to the International Monetary System requirements. This step ahead was made on December 5th, 1978, being a first sign of the desire of European countries to be more autonomous in the monetary affairs. The main objective of the EMS was that of providing a monetary stability area by the removal of the consequences of the monetary fluctuations and the mitigation of the effects produced by the dollars volatility. Within the most important goals of the EMS were: establish a common instrument of measure of the participating currencies, limitation of fluctuation in the currencies of the member states, adoption of the means of monetary solidarity and convergence of the economies of the participating states, clarifying the relations with third parties. In line with the Resolution of the Council of December 5th, 1978 and Regulations no. 3180 and 3181/78 European Union decision makers decided upon the creation of the European Currency Unit (ECU), which was established as a basket of participating countries currencies. The EMCF issued the ECU in exchange for the deposit by the member states of 20% of the exchange or currency reserves.

The currencies defined in the ECU have a central rate whereby the values of the community currencies are deduced, and the amendment of the pivot rates can be made by reassessment or devaluation. In terms of the policy of the exchange rates, they were made by consultations between all the member states of the Community, irrespective of whether they belonged to the EMS or not. The ECU was an account currency being used for the monetary and financial operations in frame of the EMS. An additional role of that instrument was to be a means for making the appropriate trading of between the member countries monetary and financial authorities.

An essential step ahead in the process of monetary integration was entering into force of the Maastricht Treaty, on the 1st of November 1993. Establishing a progressive and irreversible integration process, this emblematic treaty made a clearer delimitation between different facets of

the economic and monetary union. The Maastricht convergence criteria were a compromise between two different macroeconomic philosophies, one stressing the monetary tools and other pointing out the macroeconomic traditional stability. In the Maastricht Treaty, as in the Delors Report, were established the main stages of the integration process and the new institutional and regulatory architecture. From the institutional point of view were the European System of Central Banks (ESCB), the European Central Bank (ECB) and regulatory document establishing details of the process of launching a common currency. According with those established in the regulatory dimension of monetary integration, the main role of the ESCB had to coordinate the exchange operations of the community states and of providing the operation of the payment systems in conditions of maximum efficiency, the main objective being the maintenance of the stability of the prices.

The ECB is the single body accredited to authorize the issue of banknotes within the Community, being possible for them to be issued both by the mentioned entity and by the central national banks. A consultative monetary committee was established, with the following duties: follow-up of the monetary and financial situation of the member states, of the general regime of payments of the member states and the elaboration of reports to the Council and the Commission, elaboration of notices, preparation of the Council papers in the specific situations in which problems of a financial and monetary nature are brought forward for discussion, examination of the situation of the circulation of capitals and freedom of payments. The monetary committee had to operate by the end of the second phase of the economic and monetary union. In the third phase, the committee was going to be replaced by an economic and financial committee, with somewhat different attributions in terms of the preparation of the Council papers and in terms of the follow-up of the economic and financial situation of the member states.

3. Second Stage of the Economic and Monetary Union

According to Maastricht Treaty, the second phase began on January 1st, 1994. For proving that are fully prepared to fulfill the convergence criteria, participating countries accepted to elaborate multiannual programmes providing the convergence necessary to the creation of the economic and monetary union, particularly in terms of the price, rate of interest and fiscal stability.

As a supervisory body for that period of time was established an European Monetary Institute (EMI), located in Frankfurt and having the following responsibilities: strengthening the partnership between the national central banks, increasing the level of harmonization between of the monetary policies of the member states, supervision of the operation of the European monetary system, delivering specialized advises on the issues concerning the competence of the central national banks and affecting the stability of the financial institutions and markets, takeover of the attributions held by the EMCF, facilitation of the use of the ECU and supervision of the development thereof. More specific, to assure the technical capabilities for passing to the third phase, the EMI had the and following duties: preparing of the required technical procedures for a process of enforcing a single monetary policy, harmonization of the rules on the collection, establishment and dissemination of the statistics in the monetary field, finalizing the process of issuing the procedural mechanisms to create interlinks between national central banks and the coordinating bodies), assuring an increased efficacy and efficiency of the cross-border payments, supervision of the technical preparation of the bank notes.

During this period was established that the EMI in strong partnership with the Commission would prepare and handled to the Council some periodical reports on the progress recorded by the member states in the process of preparing to fulfill convergence criteria. A very specific requirement was linked to the alignment of the national legislations to the requirements of the community institutions. The Council had the mandate to have a view on the extent to which the member states meet the conditions for the adoption of a single currency, forwarding its conclusions to the European Council gatherings To increase the level of public legitimacy and accountability, was decided to ask for and the Parliament position.

4. Third Stage of the Economic and Monetary Union

In the Maastricht Treaty was established that the third stage of the European Monetary Union will start at the beginning of 1997 if a majority of countries it would have fulfilled the nominal convergence criteria. Imagining that could be possible not to have accomplished that conditionality, those which prepared the Maastricht Treaty added that starting point for a third stage of EMU will be 1st of January 1999 only for those countries fulfilling entirely the convergence criteria. Was decided that those momentum will be established by the Council.

Before the beginning of the third phase, the Council had to establish what member states fulfill the convergence criteria and can adopt the single currency and the states not meeting the committed requirements, and need to be subject to derogations. It was decided that for states not meeting the committed requirements, within maximum two years or upon the request of respective state, the Commission and the European Central Bank will report to the Council, which, by consultation with the European Parliament, decided whether that member state meets the conditions required for the adoption of the single currency.

On the starting date of the third phase, the Council was bound to take the necessary measures for the creation of the economic and monetary union. In this respect, based on the proposition of the Commission and after the consultation of the European Central Bank, the Council decided upon the conversion rate at which the currencies are irrevocably established and the irrevocably established rate at which Euro replaced the national currencies, the external value of the European Currency Unit not being amended by this measure. According to the procedure, the Council took all the measures necessary for the fast introduction of Euro as single currency of the European states. In case of the abrogation of a derogation, the rate at which Euro replaced the currency of that state had to be established, as well as the measures required for Euro to become single currency for the member state having requested the abrogation of the derogation.

5. Last Stage of the Economic and Monetary Union

The process of enforcing a common currency was a multilevel and multiparameter one needing very hard efforts to be done by member countries and sharp fine tuning at every societal level. The main lessons which it would have been learned are difficult to be concentrate in such a short paper but can and need to be discussed in detail. On January 1st, 1999, the single European currency was launched for those countries which proved to fulfill the convergence criteria.

At those moment were considered prepared to do this strategic step only 11 EU member countries. Greece doesn't meet the committed requirements and become subject to derogations. For United Kingdom and Denmark was applicable an opt-out clause and Sweden included in the accession Treaty a provision to decide later if will join or not Euro area. For three years, euro circulated as an account currency and was used in parallel to the national currencies. The complex process of putting the euro instead member countries national currencies started on January 4th, 2002, when it became the single currency for the respective states. At the European Council held in December 1995, was decided that the ECU will be nominated EURO. At the European Council held in December 1996, a Growth and Stability Pact was adopted, in which the application by the member states of the Euro area of the stability programme and the application of the financial sanctions to those states recording deficit above the 3% figure was stipulated, except for the cases of severe economic recession.

On May 2nd, 1998, the European Council in Brussels confirmed the creation of a Euro area between 11 states and established the permanent parities between the currencies thereof. On December 31st, 1998, the ministers of finances established the value in Euro of the 11 envisaged currencies and, and on January 1st, 1999, Euro was launched on the exchange market and could be used as bank means of payment. The Europeans used the Euro bills and coins starting with the date of January 1st, 2000. Another essential diplomatic momentum for economic and monetary area was those involved in the process of finalizing the constitutional treaty of European Union. On those occasion, policy and decision-makers stressed to clarify some flaws in the institutional and regulatory common landscape-

Based on the final version of the Treaty of Lisbon, the main objective of the European System of Central Banks consists in the providing of the price stability, in the context of a market economy, favoring the efficient use of the resources. An improved version of the European System of Central Banks responsibilities is the following: designing and enforcing of the monetary policy of the Union, increasing the level of performance within the exchange operations, holding and administration of the official currency reserves of the member states, promotion of the good operation of the payment systems. Within the meaning of art. 111-186, the European Central Bank is the single authorized body to. In line with provisions of art. III-189, the member states are obliged to assure entire conformity between the domestic legislations and the treaty and the Statute of the European System of Central Banks and of the European Central Bank. For the accomplishment of its attributions, the European Central Bank adopts: regulations, decisions, recommendations and notices.

The use of Euro as a single currency is ruled by laws or framework laws, these being adopted after the consultation of the European Central Bank. Article III - 192 in the Constitution stipulates that, for the coordination of the policies of the member states in this field, an Economic and Financial Committee with the following missions is established: to elaborate notices, upon the request of the Council or of the Commission or upon its own initiative, to follow up the economic and financial situation of the member states of the Union and periodically present a report to the Council and the Commission, especially regarding the financial relations with the third countries and with the international institutions, to accomplish the consultative and preparatory missions entrusted to it by the Council, to yearly examine the situation of the capital circulation and freedom of payments.

The Council, upon the proposition of the Commission, adopts a European decision for the establishment of the common positions regarding the problems related to the economic and monetary union for the providing of the place of the Euro currency in the international monetary system.

As regards the member states which, according to the decision of the Council, fail to meet the conditions necessary for the adoption of the Euro currency, they are referred to as "member states subject to derogation". Chapter IX in the Statute of the European System of Central Banks and of the European Central Bank stipulates that the member states subject to derogation and the central national banks thereof are excluded from the rights and obligations within the European System of Central Banks.

Over the period in which there are member states subject to a derogation, the specific attributions of the Central Bank in this respect are: consolidates the cooperation between the central national banks, consolidates the coordination of the monetary policies of the member states in order to provide the stability of the prices, supervises the operation of the exchange rate mechanism, organizes consultations on the problems related to the competence of the national central banks and affecting the stability of the financial institutions and markets, exercises the functions that the European Monetary Cooperation Fund fulfilled, subsequently taken over by the European Monetary Institute. Pursuant to art. III-201, in case of appearance of severe difficulties for the balance of payments of a member state subject to a derogation, the Commission examines the situation of that state and establishes the measures for the remediation of the situation. In case the measures taken by the respective state are not sufficient, upon the recommendation of the Commission, the European Council, after the consultation of the Economic and Financial Council, decides upon the providing of assistance and upon the appropriate norms.

The mutual assistance can be provided in the following forms: concerted actions at other international organizations that the member states subject to derogation may refer to, measures for the avoidance of the deviation of the commercial exchanges, in case the member state subject to a derogation, in difficulty, maintains or reestablishes quantitative restrictions towards third countries, granting of limited credits from other member states. In the situation in which the Council did not provide the mutual assistance recommended by the European Commission or if the mutual assistance and the taken measures are insufficient, the Commission authorizes the respective state to take safeguard measures.

The Council may revoke the authorization, the norms and conditions established by the Commission. In case of an unpredicted crisis in the balance of payments, unless a European decision is immediately adopted, the state subject to a derogation may temporarily adopt the required safeguard measures, the measures being able to produce only minor disturbances in the operation of the domestic market. The member state is bound to inform the Commission and the other member states about the safeguard measures, at the latest by the enforcement date thereof. Upon the recommendation of the Commission and after the consultation of the Economic and Financial Committee, the Council may adopt a European decision stipulating that the member state must amend, suspend or remove the safeguard measures that it has taken.

After a long and very complex process of negotiation and preparing for fulfilling the Copenhagen criteria, Romania joined the European Union starting with the January 1st, 2007. As a European member country our country need to implement a domestic a monetary policy whose final purpose is entering in Euro Area. Entering Euro area could have both benefits and weaknesses for an applicant country. This subject was largely presented in the specialized literature. The most important benefits of the adoption of the single currency are: decreasing of the transaction costs, currency risk reduction, removal of currency speculations, a coordinated monetary policy, intensification of the commercial exchanges between the member states. The transit to the single currency is not automatically made. The adoption of the Euro currency can be made after a period of minimum two years after from the integration into the European Union, and, in a first stage, the national currency circulates in parallel to Euro.

The European Central Bank (ECB) is the institution having the role of issuing and managing the single Euro currency. The Euro currency was introduced on January 1st, 1999 as account currency, and starting with the year of 2002, the national bank notes of the 12 European Union member states having accepted and met the convergence criteria and having participated in the Euro area were replaced by Euro.

6. Conclusions

The first decade of the Euro currency was characterized by the different economic performances of the European Union member states. The monetary policy of the European Central Bank did not manage to minimize the gaps existent between the states. A negative effect was represented by the divergence of the inflation rates, which had two consequences. The first one was intrinsically connected to the Euro currency and the long-term exchange rate policies, due to the high inflation in Ireland and southern Europe (Portugal, Italy, Spain and Greece). In order to get to the level of Germany, the economic increase and the decrease of inflation had to be stimulated. The second consequence was that the actual exchange rate of these states has to remain fixed to 1, due to the current exchange rate. The deficit of Greece was of 14.6%, of Spain of 1%, in contrast with Germany, which managed to reduce the material expenses. The deficit of the states in the Euro area was mainly due to the fact that they are poorer than the ones in the northern - eastern Europe, which made rapid progress in increasing the living standards. The Ballasa - Samuelson theory suggests that it is only by the increase of the labour productivity that the gaps between the European Union member states can be diminished.

A key element is represented by the minimization of the dysfunctions by economies that are similar in terms of structure, especially the types of produced commodities. The states in the Euro area do not have a similar structure of products, as revealed by the big volume of foreign trade in Europe. There are still big differences between the member states, the countries in northern Europe having bigger capital and higher quality commodities than the states in the southern of part of the continent, and the commodities of the ones in the north have a sale volume that is higher than that of the others. It cannot be established yet whether a single European market contributes to the reduction of the gaps between the states from this perspective or will result in a regional specialization.

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The Effects of Great Britain's Exit from the European Union

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Abstract

The exit of the UK from the European Union established by the referendum of 23.06.2016 will produce important changes in the further development of the European Union. The impact of the British vote was felt immediately on all the financial markets of the world by lowering the European banking stock market transactions and index, as well as depreciating the pound sterling. Depending on the conditions in which the UK will exit, Member States will adopt optimal strategies to ensure a harmonious evolution based on beneficial treaty for all members of the Union. Experts' views differ on future developments in bilateral relations between the European Union and the UK. The withdrawal of the United Kingdom from the European Union directly influences the economic development of Romania, which will force our country to take all the necessary measures in the current economic conjuncture in order to anchor in the international trade relations.

Key words: referendum, free movement, free trade, customs union, international trade

J.E.L. Classification: E42, E44, E52, F38, F43.

1. Introduction

Great Britain's exit from the European Union was established by the referendum held on 23.06.2016. 51.89% of the British public voted for Brexit. The output of the European Union will take two years from the time of invoking Article 50 of the Treaty of Lisbon by the British government. The commencement of the proceedings held in March, and total withdrawal will be completed in March 2019. After learning the result, international financial markets and economic policy enforcement authorities were surprised. The negative reaction of financial markets was reflected in the fact that on June 24, 2016 investors in international markets have lost about \$ 2 trillion, this day being considered "the darkest" in the history of financial transactions. "Most negative record" was registered on June 27, the day when financial transactions fell by 3 trillion. Since June 29, the financial markets have begun to recover, and the pound started to rise. In response to the referendum, the Scottish Government announced a possible referendum to exit the state of Britain's membership.

2. The effects of BREXIT

According to the analysis of Transilvania Bank, British Treasury has acknowledged that it has not prepared an action plan for the hypothesis concerning Great Britain's exit from the European Union. It shows that the depreciation of sterling against the dollar reached a low recorded in June 1985 and the European banking stock index fell by over 20% compared with the decline of 7% in the US. Regarding international capital flows, there is migration to low-risk instruments such as treasury bills. There is also a rapid reduction in interest rates on sovereign bonds. Brexit negative effects are felt most strongly in the British economy. Subsequently referendum, real estate investment funds have suspended operations. Declining investments in the UK contributes to the deterioration of international trade, particularly in relation to the Member States of the European Union, given that Britain also faces a political crisis. Given the adverse circumstances, the British government postponed invoking Article 50 of the Treaty of Lisbon. National leaders said during

the summit that took place on June 29, 2016 that British access to the single market is subject to free movement. Non-acceptance of the conditions required by the European Union members leads to economic isolation of Britain.

After the referendum, the British realized the consequences that Britain's exit can produce among the Member States. If the minimum political unity cannot be taken into account, economic unity is decisive regarding the European Union. A strong state out of gear can produce only a negative effect, firstly on that state and other states which joined the EU treaties. UK output can cause a precedent for other Member States, in which case it will produce structural changes, which entails significant changes to the treaties and hence to the economic strategies.

3. Possible consequences of Britain's outflow from the European Union

Great Britain's exit from the EU can lead to:

- a) remaining in a Free Trade Area;
- b) remaining in a customs union;
- c) bilateral renegotiation of the free trade area treaties with the Member States.

Regarding our country, the strongest negative effect could be felt by the Romanians working in the UK. According to data from the Office of National Statistics, in 2013 there were 136,000 Romanian residents in the UK. It is possible that in the future they do not have the labor and social welfare. However, through a bilateral agreement, it can be legislated to maintain these rights. The announced cancellation of free movement has the immediate effect of the prohibition to grant the right to work in the UK for the Romanian citizens. A more favorable circumstance would be their receiving on British territory provided they have an amount of money that could allow them to live on.

A damage to Romania would also be that our country would receive less money than today, given the fact that Britain is one of the main contributors, assigning in 2015 to the EU budget a sum amounting to 8.4 billion. euro net. Budget cuts of this contribution would allocate a smaller amount to the Romanian state and thus reduce its costs. This can be remedied only by boosting the economically developed states' contribution to the EU budget.

It should be noted that in the future Romanian students that leave to study in the UK will not benefit from reduced tuition fees. The UK output among EU Member States may generate termination of FTAs agreements and common regulations between the Romanian and British governments.

4. The BREXIT effect on Romania

In 2015 the value of exports to the UK was 2.3 mild.euro, which represented 4.4% of total Romanian exports, the UK is the fifth destination in this respect after Germany, Italy, France and Hungary. The value of imports from Britain in 2015 was 1.5 mild.euro, ie 2.5% of Romania's imports, the British state is ranked 14th in the hierarchy of our country's imports. Britain's outflow from the Member States has an effect on English and Romanian facilities granted to investors within partner states, where no agreements will be negotiated under the new circumstances. 2014 UK investments in Romania were 1.5 mild.euro, representing 2.5% of foreign investments in Romania, according to the report of the National Bank of Romania. Britain was located in the reference year in 10th place in terms of foreign investors.

Brexit effect may promote a negative attitude regarding the accession treaties of free trade between the EU and the US. The European Commission studies show that non-adherence to the Transatlantic Trade and Investment Partnership (TTIP) would have negative consequences in terms of economic growth, creating jobs, lowering prices and encouraging small and medium enterprises. In this respect it should be noted that the study elaborated by Lucian Cernat, Chief Economist at DG Trade Commission shows that our country can benefit from an annual growth of 0.25% and an annual increase of 0.25% and an increase of the bilateral trade of 35% if TTIP is signed.

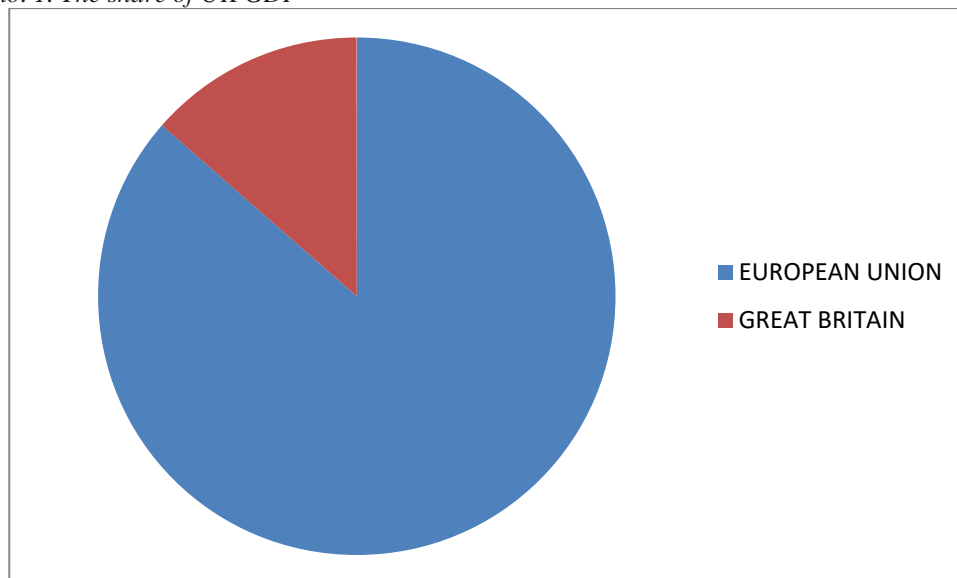
Although, as I stated above, the share of trade with Britain in Romania's foreign trade is not located at the highest rates, the exit of this strongly economically developed state creates a climate of instability and prospects for other states' exit from the European Union. It should be noted that 27 Member States may join the new treaties, given the current economic circumstances, creating strategies for a strong and stable union.

The number of people from other EU countries employed in the UK fell significantly, the factor that caused this effect being the vote on the state's exit from the European Union. The result of the vote had as first consequence the depreciation of the pound sterling. The number of people in EU countries employed in the UK fell by 19,000 in the fourth quarter of 2016, reaching 2.24 million. British employers are unhappy that they cannot find employees with appropriate training for vacancies and predict that in the future this problem will worsen.

According to The Guardian and ABC, taken by Agerpres, the British Parliament authorized the government chief, Theresa May, triggering the exit from the European Union. It was also rejected amendment proposing to protect the rights of EU citizens resident in the UK. Brexit effect will be felt both in the EU and worldwide.

In this respect, it should be noted that the share of total UK GDP was at the end of the third quarter of 2016 of 15.65%.

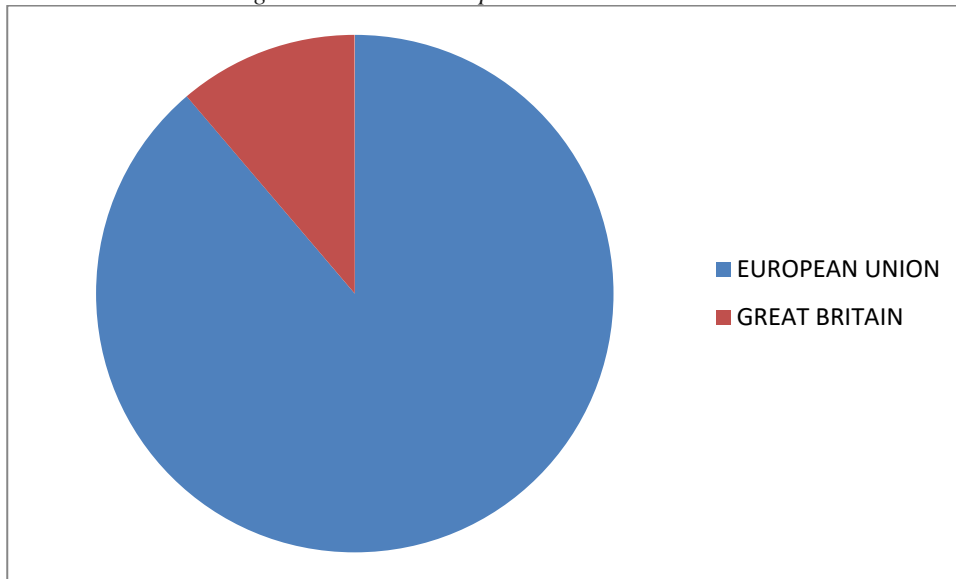
Figure no. 1. The share of UK GDP



Source: <http://ec.europa.eu/eurostat>

In terms of share in total goods and services imports was 12.65% in 2015.

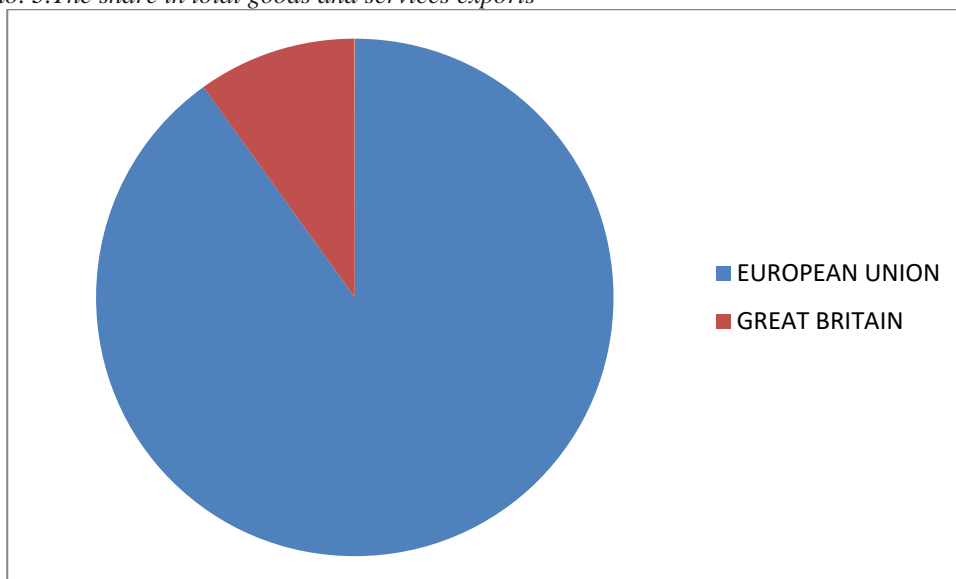
Figure no. 2. The share in total goods and service imports



Source: <http://ec.europa.eu/eurostat>

Share in total goods and services exports was 11.02% in 2015.

Figure no. 3. The share in total goods and services exports



Source: <http://ec.europa.eu/eurostat>

In the third quarter of 2016 business and consumers have increased spending and GDP in Britain rose by 0.5% in the period from July to September. According to data from the National Statistics Office, in the third quarter of 2016 household spending increased by 0.7% and investment companies increased by 0.9% compared to the second quarter. During the reported period exports increased by 0.7% and imports decreased by 1.5%.

According to forecasts, the UK GDP will grow by 1.4% in 2017 and in 2018 the growth will be by 1.7%. Regarding the public sector debt, this is projected at 90.2% of GDP between 2017-2018 compared to that expected in the month of March, 2016.

5. Conclusions

According to The Guardian and ABC publications and taken over by Agerpres, the British Parliament authorised the Chief governor, Theresa May, to trigger the process of exit from the European Union. The amendment that proposed the protection of the EU citizens' rights that reside in Great Britain was rejected as well.

Michel Barnier, Brexit Head Negotiator of the European Commission, presented the view of the European Union on negotiations with Britain on the exit of this state from the Union. An important part of the negotiations will be to protect the rights of citizens of member states of Britain, taking into account the full payment incurred by the British government until the date of the referendum. Chief negotiator stressed that the exit of the UK of the European Union will create difficulties in the implementation of EU programs financed from the Community budget. Experts estimate that the amount that the EU will request from the UK as financial commitments will be of 55-60 billion. Regarding the future negotiations it is specified that Member States will give preferential access to components approved by the UK market. In this context, the essential condition is that Member States have a voice. It mentions that Britain's leaving without signing an agreement would have serious consequences for all states.

In conclusion, we can say that if after Brexit in the European Union there will remain an area of free trade, free movement will not be impeded, residents will be given the same rights and persons on study in the UK shall enjoy the same facilities, the bilateral relations between EU countries and the UK will not degrade. Otherwise, international trade relations between the two entities will run on more onerous terms than today and the trade volume will decrease substantially.

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Protectionism in the Current International Context

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Abstract

The commercial policy that has decisively influenced international trade at different times has been outlined by both objective needs, such as the interest in global economic development, and subjective desires determined by the particular interests of different state groupings, primarily of developed countries.

The attempt to impose a set of international trade rules to be respected by world states represents progress in this area. Further issues are related to how the agreed rules apply so that the benefits of international trade are placed in an equitable area. The global financial crisis, the Brexit, Trump's attitude as candidate and especially as US President are disturbing factors in the trade relationships between states.

Key words: protectionism, trade liberalization, commercial agreements, globalization, economic openness

J.E.L. Classification: F10

1. Introduction

The origins of protectionism can be established during the formation of the unitary national states, occurring in the mercantilist policies promoted at that time. Mercantilists considered that the nations, to be strong and prosperous, should export as much as possible in parallel with a severe limitation of imports. Thus, there were created the conditions for recording a trade surplus, namely for the accumulation of a large amount of gold and silver, which is a very important phenomenon if we consider the expensive wars that were carried at that time in Europe.

From a certain perspective, the protectionist policy can be considered rational in the sense that it is based on defending the internal market against external competition; the latter, due to its strong potential, could undermine the development of the country in question. It is noteworthy that if the immediate results triggered by the application of protectionism can be positive, the long-term results are generally unfavorable, generating economic isolation.

2. The role of the GATT, respectively the WTO in international trade architecture

The experience of the protectionist measures during the crisis of 1929-1933, the destruction of the Second World War made it necessary to impose an international trade regime leading to the liberalization of trade. In this context, the General Agreement on Trade and Tariffs (GATT) was set up in 1947.

Several negotiations had been conducted within the GATT, which led to significant customs disarmament. The Uruguay Round, carried out between 1986 and 1994, was the most important round of negotiations.

The fundamental objective pursued during the Uruguay Round was to eliminate, reduce and harmonize customs duties and to reduce non-tariff barriers.

By implementing the Uruguay Round Final Act, in the case of developed countries, the average rate of customs duty on processed products has fallen gradually over the past few decades, from 40% to around 3% in 2002. Due to the need to protect the internal market, the average duty rate of developing countries was around 30% (Goldstein; Pevehouse, 2008, p.428).

The need for a balance of concessions in various fields of international trade led to a series of measures aimed at the gradual reduction of subsidies in agriculture, the liberalization of textiles trade, the protection of intellectual property rights, etc.

It should be noted that the request of the developing countries from the "Group of 77" made in 1965 to benefit from a special and differentiated treatment from developed countries resulted in the establishment of the Generalized System of Preferences (SGPC). Through this system, implemented since 1971, developed countries granted reductions of the customs duties on manufactured products imported from developing countries in order to stimulate the exports of the poorer countries and, implicitly, to stimulate their economic development.

With a stable structure of almost 600 officials working in the GATT Secretariat in Geneva, the perception on this institution has evolved substantially. If, immediately after its establishment, it was seen as a club of the most powerful countries in the world, in the 1990s, the GATT had the valences of a global institution, with a major role in regulating the international trade on a multilateral basis. Thus, the preconditions for the transformation of the GATT into the World Trade Organization (WTO) were created, which happened in 1995.

The sense of the existence of asymmetric advantages resulted from signing the final document of the Uruguay Round, at Marrakesh, in April 1994, the failure to respect the promises made by some developed countries, etc. led to a reduction in the level of confidence in the conduct of fair international trade.

Under these circumstances, the negotiations that followed the Uruguay Round, held at Seattle, Doha, Cancun, etc. did not materialize in establishing rules that would have a significant impact on international trade.

3. Evolution of protectionist trade practices

The beginnings of promoting various trade policies are closely connected to the beginnings of international trade. The period between the end of the eighteenth century and the early nineteenth century was marked by the imposition of protectionist measures in international trade. After this period, which marked the beginnings of modern trade, there was an alternation between liberal measures and protectionist measures promoted by different states, protectionist measures prevailing during economic crises. The great depression of 1929-1933 is an example in this regard.

Mihai Manoilescu's contribution to the current economic thinking, which was propagated at that time, is remarkable. Concerned about finding solutions to Romania's economic backwardness in the interwar period, Manoilescu placed the idea of the need for protectionism at the center of his theoretical preoccupations. The motivation of this approach was to create the conditions for a country to develop its economic branches with a view to ensuring increased productivity that would allow it to participate with better results in international trade. Protectionism generates a number of negative effects, most important being the limitation of the possibility for consumers to buy cheap imported products.

During the interwar period, the protectionist policies imposed in Romania by the liberal government in the pre-crisis period of 1929-1933 were followed by policies for the liberalization of foreign exchanges, implemented by the peasant government. Both sets of trade policy measures were in full contradiction with the trends across the international market during their application period.

In the interwar period, the international trade agreements were mainly bilateral, and after World War II, the multilateral trade agreements were strongly asserted.

If, in the past it, was considered that it was beneficial for the state to intervene in order to correct certain market imbalances, at present the vast majority of specialists in the field consider that protectionist measures are inadequate.

After World War II, the only truly powerful state that really mattered in imposing a new international economic order was the United States. The American economic aid to western European countries sought, among other things, to create a large market outlet for American products. The commercial policy of capitalist countries was characterized during that period by certain measures meant to isolate the socialist system. The socialist system, which, as a whole, has

isolated itself to some extent from the world economy, contributed to this fact. Commercial policy measures promoted by most capitalist countries had predominantly a tariff nature.

20-30 years after the end of the war, the European project proved to be effective in ensuring the economic development of Western European countries and prosperity for the citizens of these countries. The regional integrated economic areas have become important actors in the conduct of international economic exchanges. To all these, there added the attempts of the countries belonging to the socialist camp to come out of their economic isolation. Under these circumstances, the almost exclusive role of the United States to impose rules in international trade has diminished considerably.

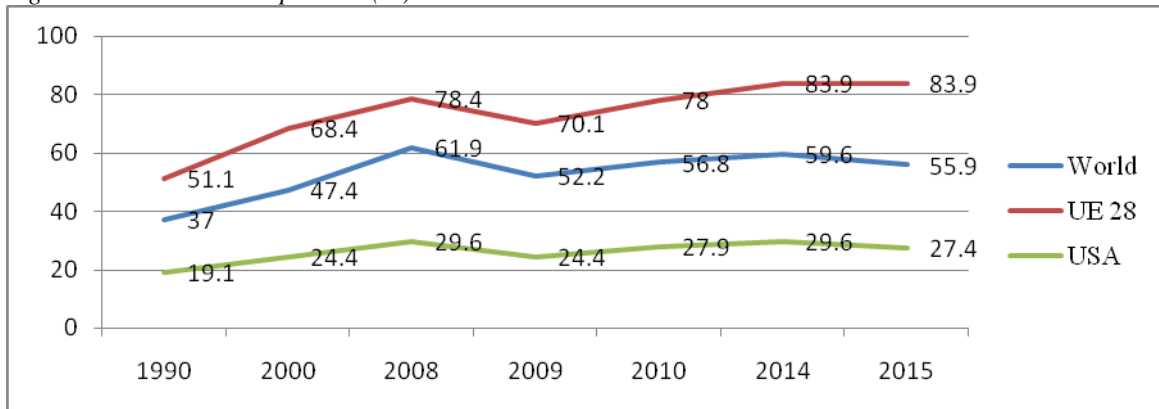
After a strong trade liberalization trend, in the 1980s, there followed a period characterized, in general, by protectionist measures. The option of imposing non-tariff barriers was predominant.

The fall of communism and the end of the Uruguay Round led to a strong opening of national economies to the global economic circuit, with positive effects for most of the world's countries, which had manifested itself until the latest global financial crisis. There were also some actions contrary to the general trend, such as those related to the economic isolation of North Korea or Cuba, for example. Although most states pronounced themselves and acted, at least declaratively, for the liberalization of international economic exchanges, a series of protectionist tendencies were manifested by:

- Increasing customs duties, sometimes unjustifiably. In principle, the WTO allows the use of customs duties for internal market protection, but only for the economic branches at the beginning of their development or for those areas in decline. This measure may be used only for a limited period, and its application must be non-discriminatory in relation to other countries.
- Imposing import quotas, agreed by the WTO, but under the conditions mentioned above.
- Imposing import surcharges to the foreign partners identified as having applied dumping prices or having benefited from subsidies on manufactured products. In principle, these measures are agreed by the WTO, but the substantiation of the action to apply them belongs to injured countries; this led to abusive practices especially from the countries with a great deal of negotiating powers, from developed countries respectively.
- Imposing rules of origin, detrimental to developing countries. In order to benefit from reduced customs duties from developed countries, in accordance with the provisions of the Generalized System of Preferences, exporting developing countries must demonstrate that these products meet a limit on added value to allow the inscription "Made in". As the level of this threshold is determined by each developed importing country, a number of abusive practices have been recorded by setting a threshold to an unjustifiably high level.

To all these, there is added a "gray" or "disguised" protectionism that consists in imposing technical, environmental or consumer protection rules on imports. (Cernea, 2016, p.7) In addition, there are included in this category the voluntary export restrictions, which have the advantage of increasing export prices for the country that has committed to such restrictions. The outcome per the entire global market is represented by the restriction of the international trade and the increase in the prices for consumer products.

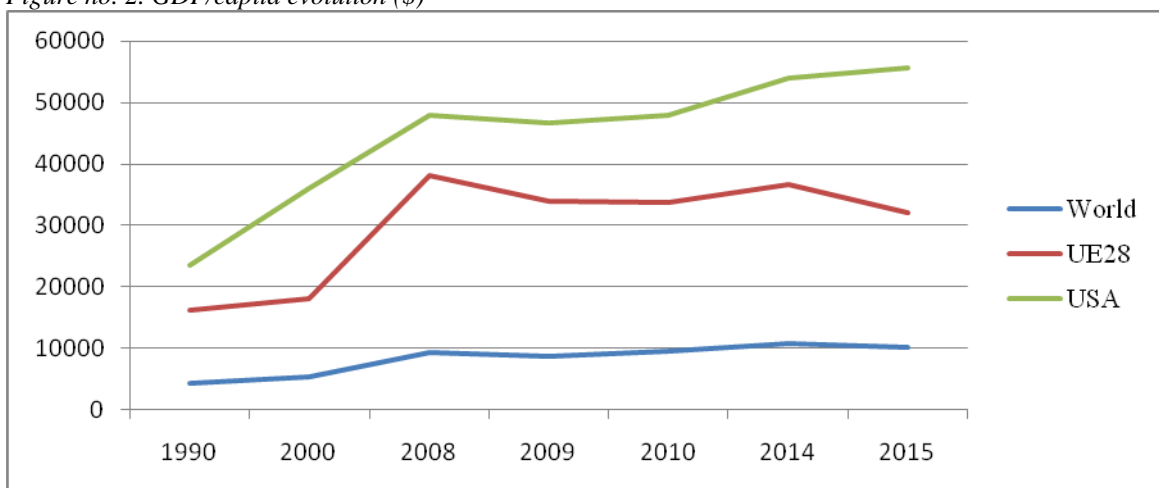
Figure no 1. Economic openness (%)



Source: processed from <http://unctad.org/en/Pages/statistics.aspx>

The fall of communism and the liberalization of international trade have led to an increase in economic globalization, illustrated by the increase in the opening (ventilation) of the world economy between 1980 and 2008, from 37.0% to 61.9%. Over the same period, the economic opening degree of the EU 28 increased from 51.1% to 78.4%; for the US, the increase was from 19.1% to 29.9%. We may notice the strong outward opening of the EU economy and the inward orientation of the US economy, the latter benefiting from the huge internal market potential.

Figure no. 2. GDP/capita evolution (\$)



Source: processed from <http://unctad.org/en/Pages/statistics.aspx>

The enhancement of globalization between 1990 and 2008 meant to the EU and the US citizens a significant economic development and prosperity, the GDP per capita rising to \$ 21,866 and \$ 24,608 respectively. Globally, the GDP growth per capita in that range was of only \$ 5,075. These figures clearly demonstrate that the international trade governed by limited protectionism was beneficial to the US, but especially to the EU, deepening the inequalities between developed and developing countries. Serious problems began with the onset of the global financial crisis, the EU economy largely dependent on foreign markets being affected more than the US economy.

Regarding the current period, we can appreciate that two major events will influence the development of international trade exchanges, i.e. the Brexit and Trump's election as the President of the United States.

Britain's exit from the EU is, in fact, a reduction in the size and in the expression possibility of the world's most important economic integrationist group. Through this act, we can talk about a restriction of the globalization phenomenon at European level, namely a limitation of the free movement of goods, capital and labor. From the GDP perspective, the EU loses its first position in

world rankings, being overtaken by the US, but enriches its performance on trade surplus. It should be noted that among the Western European countries, the United Kingdom recorded the lowest value in terms of the GDP share, as far as its own contribution to the functioning of the EU is concerned.

Some US protectionist tendencies have consistently manifested over time. In the globalization era, the US has practiced an extremely visible protectionism by maintaining the Buy American Act, adopted in 1933. Indigenous goods, services and materials were (and are) preferred for domestic consumption. Products originating from other countries are subject to surcharge and are thus excluded from competition. (Ștefan, 2012) In this way, US companies are protected to the detriment of foreign ones. Over the last year, the EU has taken into consideration, rather timidly, the adoption of such protectionist measures as a response to the US trade policy.

One of President Trump's campaign themes paradoxically addressed the negative impact that free trade would have on the US, relying on the major trade deficit that the US recorded in its relationship with China. After its installment at the White House, one of the first steps taken by the Trump administration was to denunciate the Transpacific Exchange Agreement, which was signed a year ago by 12 states including Canada, Australia, Japan, etc., i.e. traditional US partners. China, not part of this treaty, makes President Trump's initiative even more incomprehensible. The decrease in the American influence in the area will inevitably lead to a good opportunity for China to amplify its commercial influence. (Naumescu, 2017)

The taxes to be paid for the imports of Mexican products are another aberrant protectionist measure that contradicts the NAFTA principles and even the WTO principles.

The protectionist measures to be applied by the US have also caused concern among Mercosur member countries (Argentina, Brazil, Paraguay, Uruguay, Venezuela) that are preparing counterbalancing measures.

The desire to equilibrate the external trade balance and to protect the internal market through tough protectionist measures may have a boomerang effect, leading to a significant reduction in population consumption and productive consumption, with particularly severe consequences on the living standard and on the prospects of the US economy.

4. Conclusion

International trade liberalization has largely characterized the trade relationships between the world states over the last decades. The return of protectionist tendencies will cause inconvenience to many countries that are significantly involved in international trade. Praised by some and criticized by others, globalization has created a number of benefits, primarily for developed countries, including the US. The fact that globalization has led to the emergence of new major players in the world economy cannot be a pretext for initiating protectionist measures.

We can anticipate the deterioration of the trade relationships between the EU and the United States, which will ultimately lead to the US isolation, contrary to the principles cultivated by the Americans over the last 30 years. Slightly predictable a few years ago, a perspective in international trade relationships could be represented by the proximity of China to Mexico or even to the EU.

In a logical approach, the development of the EU depends on the cooperation and trade relationships with the US and vice versa. Given that the US persists in promoting protectionist measures, the EU will have to manifest its own initiatives as a world-class player in international trade. Thus, from practical needs and in response to the protectionist tendencies of the Trump administration, the EU has initiated the Comprehensive Economic and Trade Agreement with Canada.

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Rules for the Enforcement of the Exception of Non-Performance in Civil Proceedings

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Abstract

In civil proceedings, contract non-performance is a substantive defense means available to a party that, by its mere invocation, can block the claim brought by the other party (which has not fulfilled its own obligation) that, in its turn, aims at obliging the party that invokes the exception to perform its own obligation.

Key words: contract, exception, civil proceedings, defense, debtor, creditor.

J.E.L. Classification: K

1. Introduction

This exception is invoked in order to protect the contracting party that has performed its contractual obligations in good faith or that is willing to perform them. Having the right to refuse to perform its obligations, the debtor, which is, at the same time also a creditor, may avoid the eventual contest of the other creditors of the contractor. For example, if the seller were forced to deliver the item that it had sold even though the price had not been paid, it would have to face the buyer's other creditors in order to meet its claim.

This defense type can be invoked as both a substantive defense in civil and extra-judicial proceedings, directly between the contracting parties.

2. The Exception of Non-Performance

In civil proceedings, the exception of non-performance seeks to dismiss the action brought by the contractual partner in court (Kocsis, 1999, pp.15-16, Căzănel, 2014, p.275). The party invoking the exception does not dispute the claim of its partner, but on the contrary, this defense is a recognition of the respective claim and, at the same time, an implied confirmation of the debtor's decision to fulfill its own obligations when the co-contractor fulfills its obligations.

The right to defense is a distinct fundamental right that implies multiple requirements for a fair trial, but it is also an autonomous right derived from the provisions of Article 6 (1) of the European Convention on Human Rights. The legal literature has shown that the right to defense as a natural, universal, and immanent right represents the whole of the procedural means available to a party in civil proceedings, in order to protect or exercise its own legitimate rights or interests. Therefore, the right of defense cannot be considered as a prerogative belonging exclusively to the defendant in a trial and, at the same time, cannot be reduced only to the defense specific to litigation, but it is manifested in the concrete circumstances of the case and in its evolution, by many other procedural means (Deleanu, 2008, pp.210-211).

From a systemic perspective, it was considered that "the effective application of the right to defense is ensured by integrating it into the structural and functional ensemble of courts, i.e. in that ensemble of processual and procedural principles and rules that imply, as a fundamental element, the judicial assistance of the litigation parties so that they can benefit from a fair trial, indispensable to the implementation of justice in democratic political regimes"(Pătulea, 2007, p.238) .

Considering that the rights of the defense are a prerequisite for a fair trial, the Court of Justice of the European Communities stated that the observance of the rights of the defense must be ensured in any open proceedings against a person who may cause damage even in the absence of specific rules (Deleanu, 2008, p.214) . The right of defense also belongs to an economic operator susceptible to sanctioning (Deleanu, 2008, p.214) . The right of defense can be valued even in the person's relationships with the Community legislator (Regulation (EC) No.3283 / 1994, which replaced Regulation (EC) No. 384/1996). The right of defense concerns not only the contradictory stage of the procedure but also the preliminary proceedings (Deleanu, 2008, p.214) . The right of defense must be assessed within the entire procedure at issue, the introductory act of the court – in the context of a non-contentious procedure in the first phase – being constituted by bringing together the plaintiff's initial application with an appeal available to the defendant (I.Deleanu, op.cit., p.214). In our country, the Constitutional Court has often been notified of the violation of the rights of the defense and, upon examining the objections or the exceptions, it delivered solutions that represent substantial benchmarks on the valences and the effectiveness of the right to defense (I.Deleanu, 2008, p.215 shows that "by Decision no.95/2006, admitting the objection of unconstitutionality of the provisions of art. 20, paragraph 5 of GEO no.154/2005, the Constitutional Court held inter alia that the possibility of the discretionary revocation of the members of the management of the sanitary units with beds, without being held responsible for committing any offense and without being given the opportunity to defend themselves at the stage preceding the issue of the ministerial order, establishing a presumption of fault in their charge, contravenes the provisions of art. 24 paragraph 1 of the Romanian Constitution") .

From a procedural perspective, the legal literature has shown that defense, as a way of exercising the right to action, is susceptible to multiple meanings. Broadly, defense designates all the means used in order to obtain the rejection of the claim or the delay in resolving it. In this sense, the defense includes both the substance of the law (the substantive defense itself, which concerns the very existence or inexistence of the claimed right), as well as its formal part, i.e. defenses related to the formal conditions of the request for a court or judgment, Court jurisdiction, judicial organization – exceptions (Tăbârcă, 2006, p.46).

In a narrow sense, the defense concerns only those means whereby objections are raised against the merits of the claim, tending to reject the petition for legal action. Therefore, in this sense, the notion of defense encompasses only substantive defenses, but not procedural ones.

Substantive defense (also called defense) was defined in the legal literature as the means whereby the defendant objects to the plaintiff's claim, seeking to reject its claim as unfounded, after examining the merits of the respective claim (Ciobanuet *al*,2005, p.233; Boroi,2013, p.86; Deleanu, 2013, pp.941-943). In this respect, the defendant "may claim, for example, that the right invoked has never existed or that, if it existed, it has been extinguished from a subsequent legal cause or that the alleged obligation would have been affected by a plea of nullity. This is the defense proper or the substantive defense" (Tăbârcă, 2006, p.46). Thus, the defendant may claim the right to property on the property in dispute through usucapion. S/he may plead debt settlement by payment (Tăbârcă, 2013, p.262shows that in the case-law previous the new Code of Civil Procedure, it was decided that "the payments made in the performance of a contract may be opposed by way of exception, without the need for a counterclaim" - Supreme Court, Decision No. 1237/1957) or legal compensation; novation; the nullity of the plaintiff's title; the acquisition of ownership of a movable asset under art. 937 of the New Civil Code. S/he can defend himself/herself by showing that this obligation has never existed, etc(Tăbârcă, 2013, p.261shows that The Supreme Court of Justice, the commercial section, in its decision no. 669/1997 stated that "the appellant's claim that she did not owe the alleged price, since the payment obligation was generically formulated in the contract without maturity, cannot be accepted because the corroboration of the provisions of art.1361 and art.1362 of the Code of Civil Procedure with art. 43 of the Commercial Code shows that if the contract did not provide the payment date, the buyer is obliged to pay the price also at the place and time when the good is handed over").

By substantive defense, the defendant tends to prove that the plaintiff's claim is not founded in fact or in law (Boroi, 2013, p.86shows that "such a substantive defence is represented by the defendant's plea against the legal resolution under a *commissoria lex* inserted in the legal act whose enforcement is sought by the summons or by the plaintiff's oral invocation, upon the meeting, to

pay back the amount borrowed before the promotion of the action for payment of the respective amount").

On the contrary, the procedural exception is an obstacle to the request for a summons, often temporary, whereby the defendant shows that the process was engaged incorrectly in relation to the rules of judicial organization, jurisdiction or procedure or that there are shortcomings in the right to action (According to art. 245 of the new Code of Civil Procedure, the procedural exception is the means whereby, under the law and without calling into question the substance of the law, the interested party, the prosecutor or the court invokes procedural irregularities regarding the panel composition or court constitution, court jurisdiction or court proceedings or deficiencies regarding the right of action, pursuing, as the case may be, declining jurisdiction, postponing the trial, restoring certain acts or cancelling, rejecting or obviating the application). The procedural exception can be deemed as the defendant's refusal to discuss the plaintiff's claim on its merits. It is limited to analyzing the formal elements of the trial, whether they concern procedure rules or the rules on the right of action or its components. It does not call into question the merits of the case because it does not involve the investigation of those aspects related to the evidence of the existence of the subjective civil rights exploited by the plaintiff or by its extent (Boroi, 2013, p.546).

Other authors distinguish between procedural exceptions - concerning procedural acts and facts, substantive exceptions - related to the exercise of the right of action or the procedural transposition of principles or institutions of substantive law to which the right of action relates and substantive defense - tending to reject the plaintiff's claims after examining the law merits (Deleanu, 2005, pp.192-193).

At present, there are still inconsistencies between material civil law and civil procedural law with regard to the concept that it confers to the notion of exception. In the doctrine, there was formed no unitary opinion on framing substantive law exceptions (those stipulated in the Civil Code or in special laws) or other circumstances arising from substantive law and invoked by the defendant in the context of substantive exceptions or substantive defense (Leş,2005, pp.430-431) shows that "in the case-law before the new Code of Civil Procedure, it was stated that "according to the distinctions imposed by the provisions of articles 137 and 158 et seq. of the Code of Civil Procedure, doctrine and judicial practice, the exceptions raised by the parties in the civil proceedings are likely to be classified as procedural exceptions or substantive exceptions in relation to the object of the claim. Unlike procedural exceptions, which constitute defence means and which, without affecting the merits of the action brought before the court, lead to the delay or the impediment of the trial, the substantive exceptions concern shortcomings in the exercise of the substantive right to action, which have always resulted in the rejection of the action. Judicial practice has enshrined as a substantive exception all the objections to the right of action, as well as the invocation of any substantive law institution having the same effect"- C.S.J., civil section, Dec. 937/26 March 1996).

From a procedural perspective, the notion of exception has a very precise meaning. It is an objection that, without involving the case merits, is precisely aimed at avoiding or delaying its investigation. Material laws go beyond these limits and use the term of exception in a broader sense, including all the defendant's defense possibilities. In this sense, the "exception" leads rather to substantive defense.

In this broad sense, the notion of exception and defense against the common creditor is used in article 1448 of the New Civil Code, according to which "the joint debtor may oppose to the creditor all the defense means that are personal to him/her and those that are common to all co-debtors". The debtor in action cannot oppose those exceptions that are strictly personal to one of the other co-debtors. In all these cases, by the "exception" invoked, the defendant actually invests the court in investigating the merits of the plaintiff's claim.

Sometimes, even within the framework of civil procedural law, the notion of exception is used with a broader meaning than the one commonly observed. In the literature, it was pointed out that when it comes to applying the rule, "the judge of the respective case is the judge of the exception"; the term "exception" includes the proper exceptions as well as other means of defense (Ciobanu,1996, p.115). This rule, created by doctrine and jurisprudence, explains the right of the court seized with the petition to sue by the plaintiff to decide on the defense means that the

defendant uses in order to oppose this claim, even if, by these means, s/he seeks to resolve a prior issue, which is usually not within its competence (Stoenescu *et al*, 1983, p.187).

Recent legal literature has attempted to clarify these institutions through a comparative analysis of procedural exceptions with substantive law exceptions (Suciu, 2012, pp.30-31 where there are mentioned, as examples, the substantive law exceptions provided in the Civil Code: exceptions invoked by the joint co-debtor (art. 1448 of the NCC), the exception of contract non-performance (art.1556, NCC), the exception of the benefit of discussion and division (art.2295 and art.2298, NCC), the exception of guarantee to the evicted person against the party obliged to guarantee against eviction (art.1696, NCC), etc. It also lists the circumstances that arise out of substantive law and can be invoked by the defendant in a process: legal compensation (art.1616, NCC), payment (art.1469, NCC), debt remission (art.1629, NCC), taking over the debt (art.1599, NCC), novation (art.1609, NCC), nullity of the plaintiff's title (art.1247, NCC) etc.). The question arises whether substantive law exceptions and incidents can be included or not in the category of substantive exceptions. Given that substantive exceptions refer to shortcomings in the right of action, it must be considered whether the substantive law exceptions may constitute such shortcomings.

It has been established in the doctrine that the right to action must meet the following conditions for legal action: procedural capacity, procedural quality, interest and affirmation of a right or the formulation of a claim. It is necessary to consider whether the affirmation of a right or the formulation of a claim is affected by the substantive exceptions or that this act is related only to the merits of the case.

As stated in the literature, the formulation of a claim involves the assertion of a civil subjective right, whose existence is determined by the court with the settlement of the merits of the case. However, in order to pass to the research of the case merits, the court must first determine whether the conditions for exercising the civil action are fulfilled, if there are no shortcomings in the right to action.

Given that the right to action is a distinct right, autonomous from the affirmed subjective civil right, the court can investigate the subjective right when verifying the conditions for exercising the civil action only if such a subjective right is asserted (if a claim is made). In these circumstances, by failing to undertake an analysis of the subjective civil right, there cannot be investigated the aspects that challenge the existence of that right, such as novation, payment, compensation, exception of non-performance, the benefit of division etc. For these reasons, it has been argued in the legal literature that these types of defense cannot be classified as substantive exceptions (Suciu, 2012, p.33).

We support this view of the legal doctrine, since the existence of the right is only a condition for admitting the action on the merits, while it is sufficient for the applicant to assert a right in order to start the trial. Thus, in order to verify the existence of the right, whether it is legitimate or not, current and exercised for the purposes recognized by law, the court shall analyze the merits.

Thus, the exception of non-performance is perceived as a substantive defense available to a party which, by simply invoking it, can block the claim brought to justice by the other party (which has not fulfilled its own obligation), which aims at obliging the party that invokes the exception to perform its own obligation (Albu, 1994, p.128; Motica, 2005, p.79; Tăbărcă, 2013, p.262, Căzănel, 2013, p.22).

Another argument wherefore the exception of non-performance is classified as a substantive defense and not as a procedural exception typical of formal law is the fact that it is an institution inherent to substantive law, being a defense means at the disposal of the party requested to perform its obligations arising from the conclusion of a synallagmatic contract by the party that has not fulfilled its obligations. The invocation of the exception of contract non-performance also calls into question the plaintiff's subjective right, which remains unjustified (Boroi, 2013, p.548).

This distinction between procedural exceptions and substantive defense was also highlighted in the case-law previous to the New Code of Civil Procedure. Thus, the Bucharest Court of Appeal - Civil Section IV, in its decision no.2321/19.12.2006, decided: "The Court cannot examine the exception of contract non-performance invoked orally by the plaintiff because such an exception is not a reason of public order, within the meaning of art. 306, paragraph 2 of the Code of Civil Procedure. The exception of contract non-performance does not constitute an absolute and dissuasive exception, which might be invoked by the court itself at any case stage, but constitutes a

defense means at the disposal of one of the parties to the synallagmatic contract, a defense means that must be invoked under the conditions provided by art. 115 and art. 132, paragraph 1 of the Code of Civil Procedure. As this exception was not invoked before substantive courts, it cannot constitute a ground for appeal and even less a ground for public order appeal, which can be invoked after the time-limit for motivating the appeal" (Rusu, 2007, pp.187-191).

Similarly, the Bucharest Court of Appeal, in its decision no.119 / 8.02.2011, held that the request to ascertain that the plaintiff did not fulfill its own obligations constitutes a genuine *exceptio non adimpleti contractus*, which the defendants can support also in defense of the plaintiff's claims, without the need for a separate action to rescind the contract. The court stated that "the exception of contract non-performance is a means of defense available to one of the parties to the synallagmatic contract if it is claimed to perform the obligations incumbent upon it without the party claiming the enforcement to have performed its own obligations. The contract non-performance, based on the principle of reciprocity and interdependence of contractual obligations, is neither a procedural exception nor a substantive exception within the meaning of the law, but only a defense means which a party, usually the defendant, can invoke and on which the court is ruling based on the evidence in question" (Dănăilă *et.al.*, 2012, pp.140-145).

3. Conclusions

In civil proceedings, the exception of non-performance seeks to dismiss the action brought by the contractual partner in court and the party that invokes the exception does not dispute the claim of its partner, but on the contrary, this defense represents a recognition of the respective claim and, at the same time, it is an implicit confirmation of the debtor's decision to execute its own obligations when the co-contractor fulfills its own obligations. Thus, the exception of non-performance is perceived as substantive defense.

An argument in this respect is the fact that it is an institution inherent in substantive law, being a means of defense at the disposal of the party requesting the performance of the obligations arising from the conclusion of a synallagmatic contract by the party that has not performed its own obligations. Thus, the party invoking the exception of contract non-performance calls into question the plaintiff's subjective right, depriving it of its merits.

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Exercising the Exception of Contract Non-Performance in the Extrajudicial Area

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Abstract

The exception of contract non-performance implies that the person exercising it is the debtor of a due obligation and that s/he has no other reason to refuse to perform his/her contractual obligation than the other party's refusal to perform its correlated obligation. Therefore, exceptio non adimpleti contractus is a preventive remedy, i.e. it prevents the situation where one of the contracting parties performs its own obligation and can no longer obtain anything from the other party.

Key words: contract, non-performance, exception, co-contractant, excipiens.

J.E.L. Classification: K

1. Introduction

By directly invoking the exception of non-performance between the contracting parties, without court intervention, there is achieved the protection of the party that has performed its contractual obligations in good faith or that is willing to perform them. Having the right to refuse to perform its obligations, the debtor, who is at the same time a creditor, may avoid the eventual concurrence of the other creditors of the co-contractor.

2. The Exception of Contract Non-Performance

In the extrajudicial area, based on the reciprocity and interdependence of obligations in synallagmatic contracts (which makes each reciprocal obligation to be the legal cause of the other), it has been established that a specific effect of these contracts is the exception of contract non-performance. This is a defense means available to the party that is required to fulfill its obligations, when the other party that requests this performance did not fulfill its own obligations.

This "exception" has a content and meaning that does not bring it closer to the similar notion of civil procedural law or that of material civil law. It is a specific sanction of the fact that the party claiming the performance of the obligation by the co-contractor has failed to perform its own obligations. In this case, the exception is invoked directly between the parties, without court intervention, so that it can also exist outside a trial.

In recent legal literature, it has been argued that the exception of non-performance, together with the resolution and the forced execution in nature, are remedies for contract non-performance, consisting of the means available to the creditor in the event of the debtor's default (the creditor's rights in case of non-performance). The idea of "sanction" should be abandoned because it is not found in the new Romanian Civil Code regulation (Popet *et al*, 2012, pp.254-255, Căzănel, 2013, p.18). Thus, the use of the term "remedies" is consistent with both the European and international coding trend and the current doctrine (The term is found in all European and international regulatory proposals, as well as in all international instruments on contractual private law: UNIDROIT Principles; Project of the European Parliament and Council on the European regulation on uniform sales law; Pop *et al*, 2012, p.256 show that in the previous Romanian Civil Code, the regulation of remedies was brief and insufficient: the regulation of the resolution was too broad

(art. 1020-1021 of the Civil Code, 1865), the unsystematic regulation of damages, separated from the criminal clause and in conjunction with the forced execution in nature, as well as the complete lack of the principal rule of the exception of non-performance).

It can be concluded that the notion of "exception" is not only specific to procedural law, but it can also be found in substantive law, as it is used with multiple meanings, in the various branches of law. At the same time, the court may fail to rule on the exception of non-performance when the party to a synallagmatic contract invokes it, but the other party does not refer the court, claiming that its invocation has been abusive. For these reasons, it is clear from the case-law and the doctrine that the exception of non-performance as a defensive and provisional measure must meet two conditions: the existence of reciprocal and exigible obligations and the good faith of the party that invokes it, as already mentioned above.

By definition, the exception of non-performance implies that the person exercising it is the debtor of a due obligation and that it has no other reason to refuse to perform its own obligation than the refusal of the other party to perform its correlative obligation (Deleanu, 2002,p.342) . Therefore, the exception of non-performance is a preventive remedy in the sense that it prevents the situation where one of the contracting parties performs its own obligation and can no longer obtain anything from the other party. The preventive nature is even more evident in the case of the anticipated exception of non-performance (Pop *et al*, 2012, p.277have shown that anticipating the risk of performance by the co-contractor entitles the party to suspend the performance of its own obligations).

Also, as a form of private justice and as a means of constraint of the other party, the exception of non-performance implies the good faith of the one that invokes it and, in the alternative, a certain degree of gravity of the non-performance and the need for a balance between the non-performance of contractual obligations (Terré *et al*, 2005, p.617; Larroumet, 2007, p.808; Malecki,1999, p.217; Bénabent, 2003, p.256; Cabrillac,2002, p.123; Căzănel, 2016, p.7)Vasilescu, 2007, p.517 shows that "the excipiens must be honest and that s/he must calculate not only the weight of his/her refusal to pay his/her own debt, but also the importance of the obligation s/he has not performed").

In this respect, in judicial practice (C.S.J., s.com., dec. nr. 1353 of 5 March 2003 in Cucuet *al*,2006, p.74-77) it was stated that "the invocation of the exception of non-performance of the commission contract by the principal, after the partial payment of the commission and the receipt of the price of the contract that was the commission object, does not produce legal effects as long as the commissioner has fulfilled its mandate and the legal acts concluded by the commissioner with third parties produce their effects on the principal. Therefore, the principal cannot refuse to pay the due commission".

Thus, the exception of non-performance can be invoked between the contracting parties by the entitled party in its own power without the judge's intervention and without delaying the debtor, because in this case contract cancellation is not required; only its effects are suspended. Therefore, it produces its effects directly between the parties without the need for a court decision, since it is sufficient to oppose it to the party claiming the contract performance (Pop, 2009, p.720).

It is also noteworthy that its exercise is not subject to any formality. The Romanian legal literature is unanimous in considering that the invocation of the exception of contract non-performance cannot be conditioned by the debtor's delay because the exception is the simplest and most effective means of defending the party invoking it, being also a means of pressure on the other party.

In accordance with the doctrine, we consider that the delay of the co-contractor is not decisive for invoking the exception of contract non-performance, even if the effect obtained by using this defense means consists in suspending the binding force of the contract. Moreover, the party using the exception of contract non-performance may not be required to pay moratory damages for the delay in the performance of the obligations owed to the other party. Between the contracting parties, the main effect of the exception of non-performance is the suspension of the performance of the obligations by the excipiens until the date when the other contracting party performs its own obligations, which in no case constitutes a delayed performance of those obligations.

Thus, it is not obligatory for the debtor to be delayed, except for a contrary clause. In the French literature, it was considered that this entails secondary issues (Maurie *et al*, 2010, p.475). In this respect, it has been argued that, however, the debtor's delay is useful in establishing the non-performance justifying the exception and the good faith of the party invoking it, but it is not a precondition for the exercise of the exception of contract non-performance (In case-law, Cass.com., 10 décembre 1979, Bull.civ.IV, nr.327 cited in Maurie *et al*, 2010, p.475 ruled: "noting that Somechapp is debtor with significant sums which should have been paid to Elf Distribution for a long time in the performance of the contract connecting them, the court of appeal, in order to release the latter, which opposed the former the exception of the non-performance of its correlative obligations should not have required a prior delay". In the present case, Elf Distribution had promised Somechapp the annual supply of domestic fuel; then, since it has not been paid for a long time, Elf Distribution has notified the contractor by registered letter that it decided not to supply it again from the next day; it was pertinently and fairly determined that it had the right to suspend the supply contract).

This aspect reveals that the exception of contract non-performance, as already mentioned, is a simple refusal to perform, which is a tool of private justice, since the debtor refuses to perform an obligation incumbent upon it, without prior judicial authorization (Vasilescu, 2007, p.517). The decision to suspend the performance of its own obligation belongs to the debtor as its creditor fails to fulfill its own obligations. Therefore, the debtor assumes a risk that the judge will control a posteriori.

As mentioned above, the other party that is opposed the exception of contract non-performance can appeal to the court, claiming that the excipiens was not entitled to refuse the performance. In this case, the court will control the exercise of this exception. In order to avoid any confusion, we point out that this makes the difference between the exception of non-performance and contract rescission, which is usually decided by the court and operates under a final and irrevocable court decision. The explanation is that the exception of non-performance is a preventive means, and the resolution is a remedy (Pop, 2009, p.720).

The advantages of invoking the exception of non-performance are as follows: it avoids the risk of insolvency of the other party and, therefore, the non-performance of its obligation; it is a means of putting pressure on the other party, in order to make it, in its turn, to perform its obligation. Thus, it is an indirect means of obtaining the contract performance in kind.

As mentioned above, the reciprocity and interdependence of obligations, the fact that each of the obligations is the legal cause of the other implies the simultaneous execution of those obligations, i.e. the possibility of invoking the exception of non-performance, if simultaneity is not respected. In judicial practice (Court of International Commercial Arbitration - CCIR, decision no. 117 of 2 July 1999, published in Revista de drept comercial nr.6/2000, p.163), it has been established that "in synallagmatic contracts, a party cannot demand anything without providing itself with the performance of its obligation; otherwise, its claim would be rejected by the exception of non adimpleti contractus. The exception implies the simultaneity of reciprocal obligations, the good faith of the petitioner, and the proportionality to the gravity of the non-performance" (Court of International Commercial Arbitration - CCIR, decision no. 117 of 2 July 1999, published in Revista de drept comercial nr.6/2000, p.163). Thus, the exception of non-performance is a defense means against the party claiming the performance of the obligation, although it does not intend to fulfill its own assumed contractual obligations.

3. Conclusions

Based on the principle of reciprocity and interdependence of obligations in synallagmatic contracts, it has been established that a specific effect of these contracts is the exception of contract non-performance as a defense means available to the party claiming to perform its own obligation.

At the same time, it is a sanction specific to the situation when the party claiming the performance of the obligation by the co-contractor has failed to perform its own obligations. In this case, the exception is invoked directly between the parties, without the court's intervention.

On the other hand, in recent legal literature, it has been rightly argued that the exception of non-performance is a true remedy for contract non-performance, which is in line with both the European and international codification tendency and with the current doctrine. As already argued, the exception of non-performance implies that the party exercising it is the debtor of a due obligation and that it has no other reason to refuse to perform its obligation than the other party's refusal to perform its correlative obligation. Therefore, the exception of non-performance is a preventive remedy in the sense that it prevents the situation in which one of the contracting parties performs its own obligation and can no longer obtain anything from the other party.

At the same time, *exceptio non adimpleti contractus* constitutes a form of private justice and a means of coercion of the other party, which presupposes the bona fide of the claimant and, in the alternative, a certain degree of gravity of the non-performance and the need for a balance between the non-performance of contractual obligations.

The invocation of the exception of non-performance is not subject to any formalities and the debtor's delay is not required, since in that case only a suspension of contract effects takes place. Therefore, it produces direct effects between the parties without the need for a court intervention, since it is sufficient to oppose it to the party claiming the performance of the contract.

In addition, the party using the exception of contract non-performance may not be required to pay moratorium damages for the delay in the performance of the obligations owed to the other party because it is not a delayed performance of contractual obligations but a suspension of their performance in a legitimate way.

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Crisis Implications over Corporate Governance and Financial Performance

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Abstract

The paper is approaching a rhetoric towards the implications of the financial and economic crisis on the notions of performance and corporate governance. Even though the Romanian economy has overcome the crisis of 2008 – 2010, and today has reached or even surpassed the benchmarks of the precrisis period, it is important that lessons must be learned and the corporate governance should adapt to new shocks.

Key words: corporate governance, performance, financial crisis.

J.E.L. Classification: G01, G18, G34.

1. Introduction

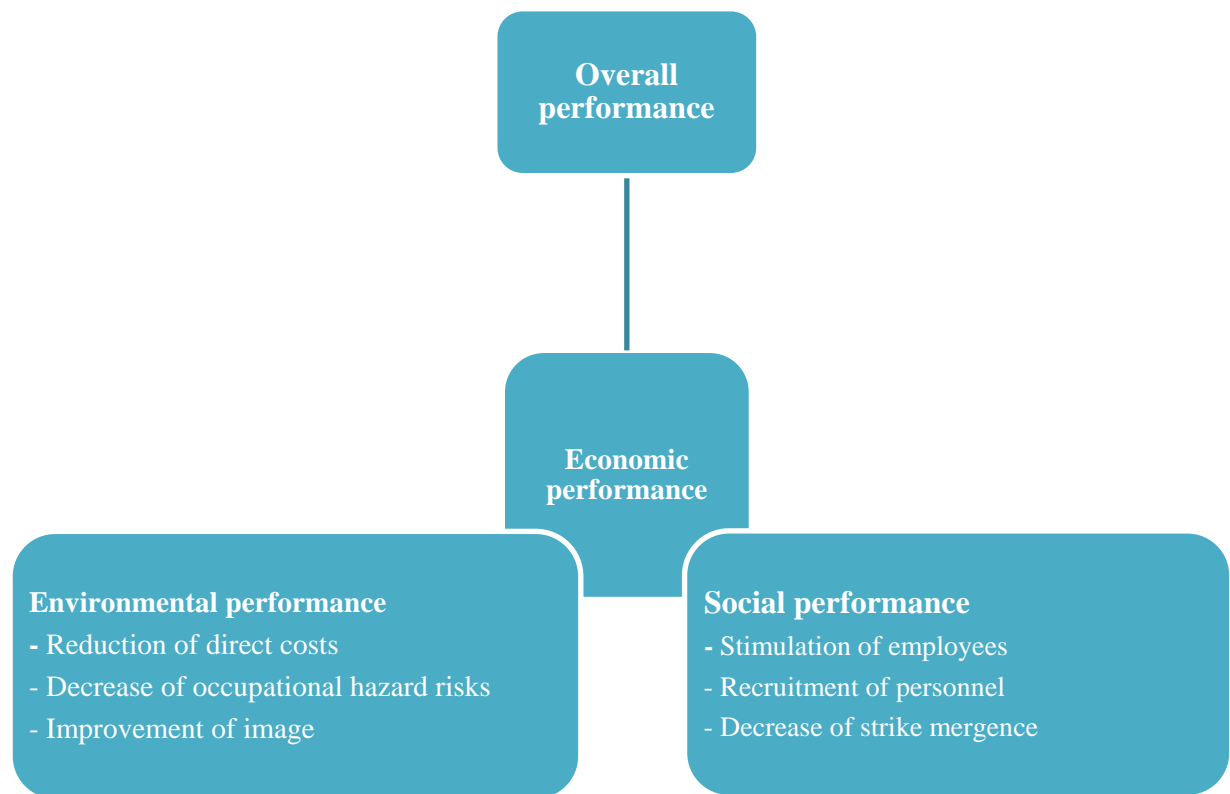
The impact of the financial crisis, has not equally affected the financial performance of the companies. It was noted that not all the companies were affected by the crisis in the same manner and with the same intensity. Recent studies show that risk management and financial policies have had a significant impact over the intensity of the crisis at the level of organizations. Taking into consideration this, we can state that the way in which the company's financial policies are outlined represents the company's way of mitigating, amplifying or cancelling the implications of the crisis over performance. In this respect, the decisions of the Board of Directors and the company's Management, and implicitly corporate governance, have helped the company to overcome the obstacles that emerged together with the onset of the crisis.

2. Approaches to the study of economic and financial performance

According to some authors (Verboncu and Zalman, 2005), performance is a significant result achieved in the economic field involving the efficiency, effectiveness and competitiveness of companies as well as their behavior. Therefore, we can say that a company is not performing in only one direction, but it needs a satisfactory result in all its activities to contribute to the overall performance of the company. Thus, a distinction must be made between the notion of performance and the result. While the result is presented as an absolute value, performance is a relative value since it is compared to other values (the preset objectives, the achieved results). In the opinion of some researchers (Albu and Albu, 2005), performance is defined by reference to three important concepts, namely: efficiency, effectiveness and value.

In the opinion of some authors (Reynaud, 2003), "global performance represents the aggregation of economic, social and environmental performance," as illustrated in Figure 1, while other authors (Germain and Trebuch) believe that global performance emerged from the reunion of financial performance, social performance and societal performance.

Figure no. 1. Overall performance of the company



Source: own interpretation after Reynauld (2003).

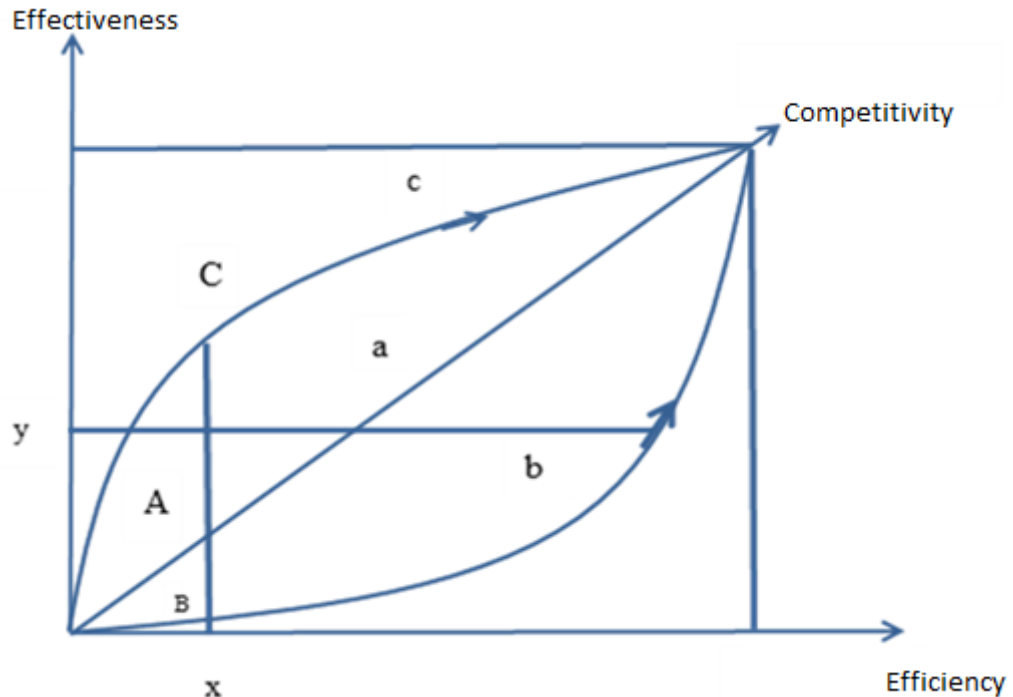
For example, while management attention is focused on the overall performance of the company, current and potential investors are interested in the company's performance in terms of their investments. On the other hand, commercial and financial creditors consider the liquidity and solvency issues important, while employees consider workplace safety as well as flexibility in terms of working conditions.

From our point of view, efficiency and productivity are causes, and at the same time effects that influence performance. While efficiency can be quantified by the level of fulfillment of external factors (customers, state, suppliers, employees and shareholders), productivity is measured by the degree in which the expectations of the company's internal environment are met.

Therefore, according to the Figure no. 2, the point "a" represents the most optimal alternative, due to the fact that it is obtained a balance between efficiency and effectiveness. In the second choice, "b", called "downsizing", the production rate is more intense than the rate of output. Therefore, this means that the enterprise has a good working capacity but it has difficulties in selling the production on the market, the demand being higher than the offer. In this regard, the company needs to pay increased attention to the market side in order to increase the sales. Therefore, in the third choice, "c", called "upsizing", the company registers low efficiency in the use of production factors, as a consequence in providing adequate fixed assets, staff shortages due to staff qualification or fluctuation, or productivity work. Therefore, the company has market power, but it has problems in achieving production according to predefined objectives.

The objective of the companies is to fit in the ideal choice, the "a" choice, but unfortunately, the reality demonstrates that most of the companies fall into the variants "b" or "c". Even if the emphasis is on the efficiency and effectiveness, the company's secondary goal should also consider raising the other variable, otherwise the company risks to have some losses.

Figure no. 2. Representation of financial performance



Source: own interpretation after Jianu, I. (2007)

Therefore, we believe that an enterprise can be efficient, but without being effective. The degree of effectiveness is achieved by the ratio between the results achieved and the results expected by the shareholders and investors. Thus, we can say that efficacy determines efficiency, and not vice versa. In reality, however, companies tend to pay special attention to production, without taking into account the consumers and markets' demands or the renewal of current products with more competitive and up-to-date ones, which leads to a decrease of company's performance.

3. Implications of the crisis over the company's performance and corporate governance

According to the literature review (Miskin, 2006), the financial crisis represents a disruption of financial markets, whereby issues like adverse selection and moral hazard are worsening, with financial markets not being able to effectively channel funds to those with the most significant opportunities of investment. In other words, the economic crisis is a sudden drop in economic activity (production, employment, investment).

The recent economic and financial crisis began in August 2007, being known in the United States under the name of Subprime Crisis, and then felt its presence in Europe and therefore, worldwide.

The crisis broke out as a consequence of the markets incapacity to self – regulate. Therefore, Nobel Prize winner for economics, J. Stiglitz, states that during the crisis we see how the most favorable free market institutions, from the most significant free market countries, ran to ask for government help and everyone says that is the end of market fundamentalism.

Throughout history, it has been noticed that the economy does not follow a linear upward trend but, depending on the impulses of economic, social or political factors, will increase or decrease by following the phases of an economic growth, apogee or prosperity, recession and depression.

At the level of worldwide economy, the effects of the economic crisis were gradually felt, starting from the US and systematically propagating across the Pacific to the countries called "Asian tigers" and implicitly across the Atlantic to European Union countries and beyond. The effects of crisis on companies and implicitly on their performance have been extensively studied in the specialized literature. Corporate governance can influence performance in terms of amplifying the effects of the crisis or, on the contrary, mitigate or even cancel the effects of the crisis on the

company. Thus, good corporate governance, here also discussing an independent and vigilant board of directors, separation of management functions and an efficient reward system between management and shareholders and respect for insignificant creditors and shareholders will help the company to be above the waterline In difficult times.

In economic literature, a number of authors (Brunnermeier, 2009) (Erkens, Hung, Matos, 2012) or (Taylor, 2009) present a direct causal relationship between the emergence of the 2007-2008 financial crisis premises and all the financial and operational difficulties faced by companies. In this respect, a large number of companies either collapsed or needed the government's intervention to be saved, the failure of these companies leading to a freezing of the lending activity and implicitly to a lasting recession in the majority of developed and developing countries.

Although a particular macroeconomic factor has been identified as a devalued monetary policy, it can be said that it invariably affected all companies; however not all companies were affected by the crisis in the same manner and with the same intensity. Recent studies show that risk management and financial policies have had a significant impact on the intensity with which the crisis has been felt at company level. In view of this, we can say that the manner in which the company's financial policies are outlined is the company's way of mitigating, amplifying or canceling the implications of the crisis on company's performance. In this respect, the decisions made by the Board of Directors and company's management and implicitly the corporate governance have helped the company overcome the obstacles that have arisen with the onset of the crisis and its effects.

The analysis conducted by Erkens, Hung and Matos (2012) shows that companies with independent management and a shareholding structure composed of institutions have experienced a wider impact of the crisis on the level of dividends. A possible explanation for this situation can be the fact that shareholders encouraged the company's management to take substantial risks for obtaining consistent dividends.

4. Conclusions

The economic and financial crisis has emerged worldwide after several years of stable economy, with a financial market at its peak and with a high inclination towards investment, fueled by a mix of rational and exuberant expectations. However, interest rates and their volatility were kept at a low level, without much fluctuation. The financial crisis in Romania arose as a result of the subprime crisis from the United States of America. A fiscal policy not convergent with the monetary policy in Romania has also led to an intensification of the financial crisis. The high level of liquidity has caught monetary policy in an unexpected trap, since its regulatory and supervisory roles did not prevent the risks that could affect the economy, implicitly investors. Therefore, **the monetary policy must be combined with the fiscal policy but also with the supervision and regulation into a harmonious relationship** and work efficiently, but these measures could not be met at that time in some of the world's major economies.

Over the years, it has been demonstrated that although there are barriers to markets, they always find their way toward innovation, as well as solutions to meet the demands existing on the market. According to a phrase from the G20 statement, which took place on April 2, 2009, regulation and supervision must keep up with the changes that take place in the market. Therefore, the recent economic and financial crisis did not represent a failure of the markets, but it was, in other words, an impossibility of the supervisory and regulatory institutions to cope with and adapt to the changes that take place in the market.

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Greed and Global Financial Crisis: Reflections on the Repeal of Glass-Steagall Act

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Abstract

One of the main causes of the economic crisis is the "greed" manifested at the different levels of society. From a moral point of view, in all religions of the world greed is repulsive and evil. In this paper, we'll look at how the degree of greed displayed by bank directors and the unscrupulous tactics significantly contributed to the collapse of the financial system and we will focus on the consequences of repealing the Glass Steagall Act.

Though, over time, both philosophers, scientists, politicians, church have tried, through their works, to influence human behavior in order to be more selfless, these actions are not enough. It requires government intervention, through strict regulations applied to institutions and individuals that lead to extreme greed and affect the population through their actions.

We have to launch a strident call for a new kind of humanism to confront a world seemingly out of control!

Key words: greed, economic crisis, Glass Steagall Act

J.E.L. Classification: A13, D64, G38

1. Introduction

The first objective of this paper is to delimit the concept of "greed" and then let's see what influence this feature has over the human behavior and the economy. Greed can be defined as the selfish desire to possess wealth, objects, humans, power, status, appreciation or attention, far beyond what is required for a basic human comfort (Robertson, 2001). To fill the feeling of void and dissatisfaction, the greedy individual acts in such a way that often costs the happiness of others. Doctor Fromm said that: "Greed is a bottomless pit that exhausts the person in an endless effort to satisfy the need, without ever getting satisfaction" (Fromm, 1939, p. 507-523).

This concern regarding the human's tendency to be greedy exists since over 2000 years ago – the Latin poet Plautus used the expression "Homo homini lupus" ("A man is a wolf to another man," or more tersely "Man is wolf to man") in his comedy *Asinaria* (Plautus, 195BC, verce 495), referring to the wild, insatiable greed which transforms some people into beasts towards their peers. In the same direction are the claims of philosopher Thomas Hobbes, who wrote that "the natural state of men is a war of all against all" (Lloyd et al, 2014, p. 2-4), or of philosopher John Locke who considered "amor sceleratus habendi (accursed love of possessing), evil concupiscence" being a cause of corruption, referring to the sinful greed of selfish people and their desire to have more than meeting everyday needs (Locke, 2003, p. 25).

From a moral point of view, in all religions of the world greed is repulsive and evil. The Bible claims that "love of money is the root of all evil" (Bible, Timothy 6:10). In Quran (C64, v16) it's written that "whoever is saved (from the) greediness (of) his soul, then those [they] (are) the successful ones".

Pope Benedict in his 2008 Christmas message said: "If people look only to meet their own interests, our world will surely fall apart." In the same sense was the answer of Dalai Lama when asked: "what is the real cause of this sort of economic crisis?" at which he replied: "Too much speculation and ultimately greed" (Suranovic, 2010, p. 2)

2. Greed and the global economic crisis

In the specialized economic literature, there are numerous papers and books that have highlighted the fact that the underlying cause of the economic crisis is the "greed" manifested at the different levels of society. In this regard, we would like to mention a few steps: Suranovic S. "Greed, Capitalism and the Financial Crisis", Lo A.W. "Hedge Funds, Systemic Risk, and the Financial Crisis of 2007-2008", Mason P. "Meltdown: The End of the Age of Greed".

Globally, greed and intemperance can lead to many issues that can include wars, invasions, massacres, extreme poverty, social instability, over-populations, climate change and, last but not least, economic crises.

The seeds of the current crisis were created during a long period of prosperity, in which we all became more tolerant of risk. In other words, "we" have become greedy. As Lo wrote, this greed has been driven by "profit-seeking, intoxicating and anesthetic effects of success" (Lo, 2008, p.14) As a result of the crisis, when everything began to collapse, our greed was then transformed into fear.

Piff et al. (2012, p. 4086–4091), investigating the relationship between socio-economic class and behavior came to these conclusions:

- 1) individuals in the upper class (the rich) behave unethically compared to the lower class
- 2) individuals in the upper class are more likely to lack ethics in making decisions, in taking valuable goods from others, lying when negotiating, deceiving to increase their chances to win a prize or to approve unethical behavior at work. Researchers believe that this behavior can be explained by a more lenient attitude towards greed.

One example of a greedy investor is Bernard Madoff, investigated for engaging in fraudulent financial activities, including securities fraud, mail fraud, money laundering and perjury, for which he got a 150-year sentence (Frank, R. et al, 2009).

In this regard, asked about the causes of the current economic crisis, the chairman of the Federal Deposit Insurance Corporation answered: "greed and myopia" (Bair, 2013)

Indeed, the situation at the beginning of the crisis was a classic example of human greed and selfishness:

- financial institution managers' greed, which facilitated the acquirement of credits and loans
- owners' greed to buy houses they could not afford
- the greed on the Wall Street that led to the creation of new financial instruments such as mortgage-backed securities
- Director-Generals' greed which led to extravagant and very large compensation packages
- customers' greed which led to excessive use of credit cards to buy things immediately

3. Repealing of the Glass Steagall Act – one of the causes of the crisis

Moving forward, we'll look at how the degree of greed displayed by bank directors and the unscrupulous tactics significantly contributed to the collapse of the financial system.

Immediately after the 1929 crisis, investigations were opened to determine the causes of its occurrence. If in the first phase their results were very weak, the hearings changed dramatically in January 1933 under the guidance of Ferdinand Pecora (former Sicilian immigrant, later deputy prosecutor). One of the witnesses investigated was Charles Mitchell, head of the National City Bank, known for promoting new risky securities. He acknowledged that the National City Bank granted bonuses to employees based on their turnovers: the riskier the titles were, the higher the bonuses. During the hearings, Mitchell also revealed that National City Bank has provided non-performing loans to Latin American countries. Six days after Pecora opened the investigation, Mitchell resigned. At the same hearing, J. P. Morgan Jr., executive director of Chase Bank, admitted that he also enriched himself through the transactions made during the crisis.

The Pecora Commission report explained:

"A prolific source of evil has been the affiliated investment companies of large commercial banks. These affiliates have been employed as instrumentalities by commercial banks to speculate in their own stock, to participate in market operations designed to manipulate the price of securities, and to conduct other operations in which commercial banks are forbidden by law to engage. Commercial banks did not hesitate to violate their fiduciary duty to depositors seeking disinterested investment counsel by referring such inquiries to their affiliates. The affiliates unloaded securities owned by them on unsuspecting investors and depositors. The activities of investment affiliates encouraged speculation by officers and directors of commercial banks and resulted in the payment of excessive compensation and profits to these officials" (Pecora Commission Report, p. 113-114)

The Congress has been alarmed that commercial bank operations support losses from unstable capital markets. Consequently, the aim pursued by the Congress was to limit bank credits used for risky speculation and to redirect funds towards a more productive use, such as commerce or agriculture. Politicians had no choice but to establish and enforce strict banking regulations.

As a result, Senator Carter Glass and Congressman Henry Steagall, members of the Democratic Party, proposed a law that reformed the foundations of the US financial system, with the main purpose of preventing unjustified misappropriation of funds in speculative operations. With this law it was aimed to separate commercial banks' business from investment, as well as securing client deposits with banks, limiting interest paid by banks to customers, and reforming the Federal Reserve.

Glass initially introduced the law project for the banking reform in January 1932. He received extensive criticism and comments from bankers, economists and from the Federal Reserve. Steagall, chairman of House Banking and Currency Committee at that moment, agreed to support the project after a change was added to allow deposits to be secured. On June 16, 1933, President Roosevelt signed, transforming the project into actual law.

The four sections (16, 20, 21, 32) that referred to this law and occupied a remarkably small number of pages, are to be included and adopted in the "Banking Act" and will remain known in history under the name of "Glass Steagall Act":

- Section 16, which although amended over the years is still in effect, confers a limited authority to banks; They are only authorized to engage in "banking" and not in underwriting or trading in securities (bonds and shares) activity.
- Section 20 prohibits Federal Reserve System member banks from affiliating with companies that are "principally engaged" in securities trading.
- Section 21, still in effect today in a modified form, makes it illegal for a firm to engage in both deposit and investment operations at the same time.
- Section 32 prohibits affiliation between member banks and securities firms.

Thus, the most important measure proposed by Senator Glass was the separation of commercial banks from investment banks. By delimiting commercial banks as deposit and lending banks, and investment banks as banks that subscribe and trade securities (bonds and shares), the Glass-Steagall Act has established that commercial banks are not allowed to carry out transactions with Securities, and investment banks are not allowed to own their own commercial banks or close links with them. As an exception, commercial banks are allowed to subscribe bonds issued by the government, as well as the possibility of obtaining a maximum of 10% of their income from the securities.

Commercial banks face certain risks because depositors have the right to withdraw their short-term funds, and external events can cause loans to not be reimbursed, even if these loans were granted in a prudent manner. Securities markets (stocks and bonds) are inherently risky because stock prices are volatile. However, exposure of a securities firm to price volatility depends primarily on the degree to which the securities company traded on its own or served as an intermediary for its clients (whether they are buyers or issuers of securities). By separating the activity of commercial banks from the investment ones, the risks in the banking system declined because financial institutions could no longer use their liabilities (money collected from customer deposits) for financial operations with a high risk to depositors and shareholders.

The Glass-Steagall Law restored public confidence in the US financial system. It also set a new foundation of integrity and stability for US banks. Even though some small banks continued to fail occasionally, depositors escaped, mostly, untouched. Together, confidence in stocks and bonds has increased. For the investors around the world, the US financial system meant a high standard of transparency and reliability.

Basically, since the day it became an actual law, banks have begun lobbying towards the repeal of the Glass Steagall law. These endeavors increased especially in the 1970s and 1980s.

Furthermore, European banks were not subject to Glass-Steagall stipulations and could form divisions of investment banking: Credit Suisse creates a joint venture with First Boston's American investment bank, which Credit Suisse later buys in 1996; Deutsche Bank buys the British investment bank Morgan Greenfel & Co in 1990; Dresdner Bank buys British bank Kleinwort Dresdner.

Since 1987, the Federal Reserve Board has interpreted the law by the fact that a member bank could be affiliated to a brokerage firm, as long as the latter was not "mainly engaged" in activities with securities forbidden for a bank (thus in 1998 it was approved to Citigroup, as owner of the Citibank, to acquire one of the largest securities firms in the world - Salomon Smith Barney). Because this merger was a violation of the Glass-Steagall Act, the Federal Reserve granted Citigroup a temporary exemption until 1999, when the adoption of the Gramm-Leach-Bliley Act GLBA provided a free path for mergers in financial services. It was thus possible to make a mix between commercial banking, investment banking, insurance and brokerage (Bank of America, Chase Manhattan, JPMorgan, Citigroup and First Union are among the first US banks to receive Federal Reserve's approval to form financial holdings).

Thereby, the Glass-Steagall Law remained in effect until 1999, when the Congress abrogated it by passing the Gramm-Leach-Bliley Law proposed by Sen. Phil Gramm, constituting the culmination of a lobby valued at \$300 million, made by representatives of the banking and financial system (the Senate passed the law with 90 votes to 8 against).

Among the senators who resisted, we mention Byron Dorgan who said:

"I think we will look back in 10 years` time and say we shouldn`t have done this, but we did because we forgot the lessons of the past and that what was true in the 1930`s is true in 2010. I wasn't around during the 1930s or the debate over Glass-Steagall... We have now decided in the name of modernization to forget the lessons of the past of safety and soundness" (Labaton, 1999).

In the same direction was Senator Paul Wellstone's statement:

"This is the wrong kind of modernization because it fails to put in place adequate regulatory safeguards for these new financial giants, the failure of which could jeopardize the entire economy. "It's the wrong kind of modernization because taxpayers could be stuck with the bill if these conglomerates become too big to fail" (Financial Services Modernization Act Of 1999, p. S13871)

One of the largest economists, Joseph Stiglitz, opposed the abolition of the Glass-Steagall Act because the banks that were previously carefully managed were carefully focused towards on acquisitions and mergers with other financial institutions (insurance, brokerage, etc.), namely riskier investments to raise their income:

"Commercial banks are not supposed to be high-risk ventures; they are supposed to manage other people's money very conservatively...It is with this understanding that the government agrees to pick up the tab should they fail. Investment banks, on the other hand, have traditionally managed rich people's money — people who can take bigger risks in order to get bigger returns. When repeal of Glass-Steagall brought investment and commercial banks together, the investment-bank culture came out on top. There was a demand for the kind of high returns that could be obtained only through high leverage and big risk-taking" (Roosevelt Institute, 2009)

What has happened then after the abolition of Glass Steagall Act? Greed has expanded from financial elites to most consumers. Mortgage lenders have convinced millions of people to buy exotic mortgage bonds, many of whom do not know what they are doing. But these companies have been aided by the complicity of banks and rating agencies. Banks bought mortgages and reorganized them, selling them to credulous investors. They had created some products that, although praised as risk management tools, were so dangerous that they threatened to bring down the US financial system. The rating agencies, which ought to have checked the expansion of these instruments, hurried to give them a certificate of good quality, which encouraged many to buy them

- including pension funds looking for a safe place where to keep the money that the laborers had set aside for retirement.

Commercial banks have played an essential role in the process of buying and selling mortgage-backed securities and in granting default swaps CDS (allow credit risk transfer: in exchange for a premium, the institution selling a CDS undertakes that when the debtor is unable to pay to cover the customer's losses. At sovereign level, CDSs reflect the price of country risk). Without the abolition of Glass-Steagall, banks would've been excluded from most of these activities.

Low interest rates and lax regulations fueled the real estate bubble. Breaking the bubble mainly affected the weakest mortgages (substandard loans, granted to low-income people), but soon came to affect all that belonged to the residential real estate. When the bubble burst, the effects were boosted because the banks had built up complex financial products that relied on mortgages at the base. This complexity, combined with the rapid pace in which the situation deteriorated and the high degree of bank over-indebtedness (just like households, banks had funded their investments by borrowing massively) caused the banks not to know if the amounts owed by them to depositors and bond holders exceeded their assets. Banks refused to borrow each other - or demanded higher interest rates to compensate for the risk. Global credit markets have begun to disintegrate. It was the moment the financial crisis triggered, followed by the economic crisis.

In the US, the lawmakers then unsuccessfully tried to restore Glass-Steagall sections 20 and 32 as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act in 2010. The law, signed by Barack Obama, was designed to prevent such excessive risk-taking that would contribute to financial crisis, and to completely remodel the US regulatory system on the following issues: consumer protection, trading restrictions, credit ratings, financial product regulation, corporate governance and transparency.

4. Conclusions

The solution for greed is to invoke his opposite, altruism. All over the world, in churches, synagogues, and mosques, people find that the right and proper way of living is not be selfish and greedy, but to be altruistic; to give others. Indeed, for each of the seven sins of death there is a virtue, and for greed the opposite is charity.

Praise for charity is prominent in the comments often quoted by authors, politicians and scientists. For example, Winston Churchill said: "We make a living by what we get, but we make a life by what we give." And John F. Kennedy said: "Ask what your country can do for you, but what you can do for your country."

But how can we influence people in a way that they are no longer led in their actions by such greed and selfishness but rather by altruism? Religion has been trying for a long time to bring individuals on the right track. Various nongovernmental organizations, from all over the world, carry out charitable activities. Culture people and writers have tried through their works to influence human behavior. But these actions are not enough. It requires government intervention, through strict regulations applied to institutions and individuals that lead to extreme greed and affect the population through their actions. Although limited greed, regarded as a wish for success, could provide a pulse for the economy, recent history has shown us that uncontrolled greed can lead us to a deep and long-lasting economic recession.

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The Relationship between Doing Business and Economic Freedom around the World in the Period 2014-2016

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Abstract

Doing business constitutes a major concern around the world, both for policy makers and entrepreneurs. Economic freedom allows individuals to be independent and choose those types and means of doing business that suit them the best.

The aims of the paper are to show the relationship between the concepts of doing business and economic freedom, and to present the rankings of the top 10 countries in the world according to these two topics for the period 2014-2016. In this respect, the methodology used is based on the research of various secondary sources such as articles and reports.

The findings highlight that there is a positive relationship between the ease of doing business and the level of economic freedom.

Key words: doing business, economic freedom, country

J.E.L. Classification: F00, L26

1. Introduction

Nowadays business world which is supposed to be aiming at sustainability, must take into account global, national and individual economic performance. The ease of doing business plays an important part in achieving better results and expanding the entrepreneurial activities.

Doing business is easier as the level of economic freedom increases, as the latter allows individuals to pursue their endeavors in such a way that maximizes their autonomy (Nikolaev et al, 2016). The concept of economic freedom is multidimensional as it covers several domains (e.g., economy, law, politics). In this respect, the main elements of economic freedom are personal choice, voluntary exchange, freedom to compete, and protection of persons and property (Gwartney et al, 2003). In essence, economic freedom emerges when people are allowed to choose for themselves the types and means of doing business they consider to be appropriate (Gwartney et al, 2015).

The aims of the paper are to show the relationship between the concepts of doing business and economic freedom, and to present the rankings of the top 10 countries in the world according to these two topics for the period 2014-2016. In this respect, the methodology used is based on the research of various secondary sources such as articles and reports.

2. Economic freedom, a pillar of doing business around the world in the period 2014-2016

This chapter focuses on the evolution of the world's first ten countries related to doing business. In this regard, their rankings were analyzed taking into account the World Bank reports. The Doing Business Report represents a yearly study published by the World Bank Group since 2003 that is aimed to highlight the ease of doing business worldwide. The ranking is based on the distance to frontier (DTF) score and it "measures the gap between a particular economy's performance and the

best practice, and serves as basis for the ease of doing business rankings" (The World Bank, 2017, p.1)

In 2014, the ranking was dominated by Singapore, which obtained an overall score of 88.27 (Table no. 1). These countries are located in the following continents:

- Europe: four countries (Denmark, Norway, United Kingdom, Finland)
- Asia: three countries (Singapore, Hong Kong SAR, China, Republic of Korea)
- Oceania and Australia: two countries (New Zealand, Australia)
- North America: one country (United States)

Table no. 1. The ranking of Doing Business for the first ten countries in the World in 2014

World ranking	Country	2014 DTF (distance to frontier) score
1	Singapore	88.27
2	New Zealand	86.91
3	Hong Kong SAR, China	84.97
4	Denmark	84.20
5	Korea, Rep.	83.40
6	Norway	82.40
7	United States	81.98
8	United Kingdom	80.96
9	Finland	80.83
10	Australia	80.66

Source: (The International Bank for Reconstruction and Development/The World Bank, 2014)

In 2015, the ranking was dominated by the same country as in the previous year (Singapore), which obtained an overall score of 87.34 (Table no. 2). These countries are located in the following continents:

- Europe: five countries (Denmark, United Kingdom, Sweden, Norway, Finland)
- Asia: three countries (Singapore, Republic of Korea, Hong Kong SAR, China)
- Oceania and Australia: one country (New Zealand)
- North America: one country (United States)

Table no. 2. The ranking of Doing Business for the first ten countries in the World in 2015

World ranking	Country	2015 DTF (distance to frontier) score
1	Singapore	87.34
2	New Zealand	86.79
3	Denmark	84.40
4	Korea, Rep.	83.88
5	Hong Kong SAR, China	83.67
6	United Kingdom	82.46
7	United States	82.15
8	Sweden	81.72
9	Norway	81.61
10	Finland	81.05

Source: (The International Bank for Reconstruction and Development/The World Bank, 2015)

In 2016, the ranking was dominated by the same country as in the previous year (Singapore), which obtained an overall score of 87.34 (Table no. 3). These countries are located in the following continents:

- Europe: five countries (Denmark, Norway, United Kingdom, Sweden, FYR Macedonia)
- Asia: three countries (Singapore, Hong Kong SAR, China, Republic of Korea,)
- Oceania and Australia: one country (New Zealand)
- North America: one country (United States)

Table no. 3. The ranking of Doing Business for the first ten countries in the World in 2016

World ranking	Country	2016 DTF (distance to frontier) score
1	New Zealand	87.01
2	Singapore	85.05
3	Denmark	84.87
4	Hong Kong SAR, China	84.21
5	Korea, Rep.	84.07
6	Norway	82.82
7	United Kingdom	82.74
8	United States	82.45
9	Sweden	82.13
10	Macedonia, FYR	81.74

Source: (The International Bank for Reconstruction and Development/The World Bank, 2016)

In the period 2014-2016, the ranking of doing business for the first ten countries in the world was dominated by European countries, Denmark, Norway and United Kingdom maintaining their presence in the top 10 throughout the years. The second place is held by Asia whose three countries (Singapore, Hong Kong SAR, China, Republic of Korea) are present throughout the analyzed period. In 2016, New Zealand managed to surpass the dominance of Singapore.

The ease of doing business is highly connected with the concept of economic freedom. Economic freedom means "the degree to which a market economy is in place, where the central components are voluntary exchange, free competition, and protection of persons and property (Caetano and Caleiro , 2009, p. 65). Economic freedom is measured starting from four broad categories (Miller and Kim, 2017, p1):

- Rule of law (property rights, judicial effectiveness, and government integrity)
- Government size (tax burden, government spending, and fiscal health)
- Regulatory efficiency (business freedom, labor freedom, and monetary freedom)
- Market openness (trade freedom, investment freedom, and financial freedom)

In 2014, the ranking was dominated by Hong Kong SAR, which obtained an overall score of 90.1 (Table no. 4). These countries are located in the following continents:

- Europe: three countries (Switzerland, Ireland, Denmark)
- Asia: two countries (Hong Kong SAR, Singapore)
- Oceania and Australia: two countries (Australia, New Zealand)
- North America: one country (Canada)
- South America: one country (Chile)
- Africa: one country (Mauritius)

Table no. 4 The ranking of the first ten countries in the World by economic freedom in 2014

World ranking	Country	2014 Score
1	Hong Kong SAR	90.1
2	Singapore	89.4
3	Australia	82.0
4	Switzerland	81.6
5	New Zealand	81.2
6	Canada	80.2
7	Chile	78.7
8	Mauritius	76.5
9	Ireland	76.2
10	Denmark	76.1

Source: (Miller, T., Kim, A. B. and Holmes, K. R., 2014)

In 2015, the ranking was dominated by the same country as in the previous year (Hong Kong SAR), which obtained an overall score of 89.6 (Table no. 5). These countries are located in the following continents:

- Europe: three countries (Switzerland, Estonia, Ireland)
- Asia: two countries (Hong Kong SAR, Singapore)
- Oceania and Australia: two countries (New Zealand, Australia)
- North America: one country (Canada)
- South America: one country (Chile)
- Africa: one country (Mauritius)

Table no. 5. The ranking of the first ten countries in the World by economic freedom in 2015

World ranking	Country	2015 Score
1	Hong Kong SAR	89.6
2	Singapore	89.4
3	New Zealand	82.1
4	Australia	81.4
5	Switzerland	80.5
6	Canada	79.1
7	Chile	78.5
8	Estonia	76.8
9	Ireland	76.6
10	Mauritius	76.4

Source: (Miller, T. and Kim, A. B., 2015)

In 2016, the ranking was still dominated by Hong Kong SAR, which obtained an overall score of 88.6 (Table no. 6). These countries are located in the following continents:

- Europe: four countries (Switzerland, Ireland, Estonia, United Kingdom)
- Asia: two countries (Hong Kong SAR, Singapore)
- Oceania and Australia: two countries (New Zealand, Australia)
- North America: one country (Canada)
- South America: one country (Chile)

Table no. 6. The ranking of the first ten countries in the World by economic freedom in 2016

World ranking	Country	2016 Score
1	Hong Kong SAR	88.6
2	Singapore	87.8
3	New Zealand	81.6
4	Switzerland	81.0
5	Australia	80.3
6	Canada	78.0
7	Chile	77.7
8	Ireland	77.3
9	Estonia	77.2
10	United Kingdom	76.4

Source: (Miller, T. and Kim, A. B., 2016)

In the period 2014-2016, the ranking of the first ten countries in the world by economic freedom was dominated by European countries, Switzerland and Ireland maintaining their presence throughout the analyzed period. Hong Kong SAR held its dominant position, followed closely by Singapore.

By linking economic freedom with doing business, the analysis shows that:

- Three countries are present throughout all the years of the analyzed period in both rankings, being placed in top positions: Singapore, New Zealand and Hong Kong SAR.
- Denmark, United Kingdom and Australia have also appeared in both rankings without a constant presence.
- There are 12 unique countries in each ranking (out of a total of 30, throughout the period analyzed, the rest – 18 – representing the recurrence of some of the countries in more than one year). Out of these 12 countries, 5 countries are present in both rankings:

Australia, Denmark, Hong Kong SAR, Singapore and United Kingdom, which represents 41,66%. This means that there is a connection between the two concepts: doing business and economic freedom.

3. Conclusions

Numerous researches have been carried out regarding the concepts of doing business and economic freedom in the business literature and are of great concern for international and national organizations. Economic freedom represents a key factor that supports business activities around the world and is crucial for their prosperity.

The paper has shown that the two concepts are linked. In spite of the European domination by number of countries present in both rankings, Asian countries are the ones placed on top positions. Also, the paper confirms that there is a positive relationship between the level of economic freedom and the ease of doing business (Angulo-Guerrero et al, 2017).

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China's Rise and Its Implications for the Global Economy

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Abstract

Since 1978, the world has been witnessing China's formidable growth at an average growth yearly rate of about 10%. Even when the world economy was affected by the global economic-financial crisis, China's economy grew 9-10% per year. The objective of this study is to provide a complex view of the Chinese economic growth and to identify the effects of this growth on the world economy. To that effect, this paper is structured in two parts. In the first part, we analysed the evolution of the Chinese economic growth and the drivers of this spectacular growth. In the second part, we identified and analysed the implications of this growth for the global economy. To achieve our objective, we used the method of documentary research.

Key words: *China, economic growth, implications, world economy*

J.E.L. Classification: F43, F63, O44

1. Introduction

In recent years, China became a major centre of economic, military and commercial power at a global level. It is currently the second most attractive destination for foreign direct investment, it has the largest stockpile of foreign currency and it is the largest creditor.

It is worth mentioning that China also played a major, dominating role in the world economy from 1100 to 1800. Thus, Professor Petras, based on the empiric data provided by John Hobson in his work *The Eastern Origins of Western Civilization*, underlined the importance of this player during that period. According to Petras, "as early as 1078, China was the world's major producer of steel (125.000 tons); China was the world's leader both in technical innovations in textile manufacturing (seven centuries before Britain's 18th century 'textile revolution') and in trade. It is especially important to emphasise how China made the West's emergence possible. It was only by borrowing and assimilating Chinese innovations that the West was able to make the transition to modern capitalist and imperialist economies" (Petras 2012). While China's status of world leader was challenged by Britain in the 19th century, in the 21st century, China regained the status of the second biggest world power. Following up on that, the next section will review the main aspects related to China's rise in the world economy.

2. China's rise in the world economy

Throughout time, China experienced a remarkable economic growth. This was due to the fact that, starting from 1978, "the central government undertook significant reforms to industrialise and open up the economy with a dual-track system comprised of 'market-economy' and 'plan-economy' segments for each market" (Akkemik, 2015, p. 133); furthermore, the Chinese government "developed systems of physical and institutional infrastructure to attract foreign

investors" (Kaya, 2014, p. 347), becoming one of the most attractive destinations for foreign investment, especially that coming from Europe.

"In the past 20 years, China had a spectacular evolution as far as economic growth, infrastructure development and attracting FDI are concerned. In 2010, China was ranked second among the world economies based on GDP, surpassed only by the US, after China's GDP in current prices had exceeded Germany's GDP in 2007 and Japan's GDP in 2010" (Oehler-Şincal, 2010, p. 31). However, it is important to note that the gap between China's GDP (\$11,383 trillion) and the US GDP (\$18,558 trillion) also remains high in 2016.

The share of the Chinese economy in the world GDP increased from 2.2% in 1982 to 14.6% in 2012. In 2016, China was responsible for 15.256% of the world GDP and it is expected to account for 20.008% in 2020, according to the estimates of the IMF. China's spectacular growth is all the more noteworthy since "other world powers, at the beginning of their growth, started off from a far more substantial share of the world GDP e.g. 6.5% for Germany in 1870, 7.1% for Japan in 1960, 8.9% for the US in 1870 and 9.6% for the Soviets in 1950" (Kliman, 2014).

Table no. 1: China's economic growth from 1978 to 2021 (%)

1978-1989	9.587
1990-2000	9.836
2001	8.3
2002	9.1
2003	10.0
2004	10.1
2005	11.3
2006	12.7
2007	14.2
2008	9.6
2009	9.2
2010	10.4
2011	9.2
2012	7.8
2013	7.7
2014	7.4
2015	6.91
2016	6.588
2017	6.171
2018	6.030
2019	6.000
2020	5.9
2021	5.8

Source: The World Bank, IMF

As the table above shows, the average yearly growth rate in the period 1978-1989 and in the period 1990-2000 was 9.587% and 9.836% respectively. After China's admission to the WTO in 2001, the growth rate increased to 14.2% in 2007, but then dropped in the following years due to the global economic-financial crisis. Nevertheless, the growth rate remained in the vicinity of 9-10%, "effectively raising China to the status of the saviour of the world economy" (Akkemik, 2015, p. 135). Its average contribution to the yearly world economic growth between 2007 and 2011 was 24.3% (Pencea, 2012, p. 42). After 2013, while China's economic growth rate remained far superior to that of the major powers, it slowed down.

China's spectacular economic growth was due to factors that acted as "driving forces" for the Chinese economy. These factors include: international trade, capital investment, China's admission to the WTO etc.

In terms of trade, China's commercial exchanges grew at a fast pace. For instance, in 1980, China's international goods trade amounted to \$37,940 million, while, in 2016, it totalled \$3,685,592 million. In 2009, China became the world's largest exporter, surpassing Germany, as well as the world's second largest importer. In 2013, China's trade amounted to \$4,159 billion (exports of \$2,209 billion and imports of \$1,950 billion), making it the biggest trade power of the world, surpassing the US. In this context, researchers Subramanian and Kessler told *The Economist* (2013) that "the share of Chinese exports in the total of global exports, which experienced a remarkable growth of more than 10%, can be compared to that of Britain in the 19th century, when it used to control the commercial flows as the world's top exporter". Furthermore, "the development of China's foreign trade accelerated the modernisation of the national economy and improved the standard of living of the 1.357 billion people in China. This also helped towards the Chinese economy's integration into the world economy and managed to make the process of economic globalisation to lead to the common prosperity of all countries and regions" (Kaya, 2014, p. 348).

As far as capital investment is concerned, it comes, on the one hand, from attracting foreign direct investment and, on the other hand, from internal savings. According to statistical data, after China's admission to the WTO, FDI attracted by China increased from \$44,241 million in 2001 to \$249,859 million in 2015.

Another driver of economic growth in China was its admission to the World Trade Organisation (WTO) in 2001, after 15 years of negotiations, "a time during which it concluded bilateral agreements with 37 countries" (Edmonds et al., 2006, p. 1).

It is important to note that, despite experiencing an average yearly growth rate of about 10% in the past 39 years, China promotes a "peaceful growth". In this context, Chinese leaders emphasise the fact that the People's Republic of China "respects the US as the guarantor of international order in East Asia and has no ambition to seek hegemony and dominate world affairs; China will further integrate itself into the international economic system and acquire world resources by peaceful means, that is trade and investment" (Jianyong, 2008, p. 440).

Unfortunately, "China's success, while impressive, masks some severe deficiencies in its economic structure" (Troilo et al., 2010, p. 274). This was due to the fact that the Chinese growth rate is driven, for the most part, by exports and by FDI, which are not sustainable in the long run. That is why, in order to achieve its long-term economic growth objectives, China should adopt strategies of economic development based on stimulating internal consumption. An important role in supporting China's sustainable economic development will also be played by an increase in the importance of the research and development field. According to Moniruzzaman, "rapid growth of China needs to be sustained by skilled intellectuals and scientists that become the core of Chinese modernisation and development." (Moniruzzaman, 2013, p. 11). In addition, the World Bank, in its report *China 2030: Building a Modern, Harmonious, and Creative Society*, emphasised the fact that "well-designed fiscal reform can help sustain rapid growth, address important social gaps, and make the development path more environmentally friendly" (World Bank, 2013, p. 89).

To sum up what we have shown so far, we can say that the People's Republic of China is currently a global player that is vital to the world economy. This is also emphasised by Krugman in his paper: "China is destined to be a major economic power even if it achieves only a fraction of Western productivity levels" (Krugman, 1994, p. 75). As such, China is bound to influence the world economy. In the next section, we will identify the implication of China's economic growth for the world economy.

3. The implications of China's economic growth for the world economy

The reforms implemented by Deng Xiaoping aiming at opening up the Chinese economy to the whole world resulted, on the one hand, in the growth of the economy, making China the second biggest power in the world, and on the other hand, in the change of the world order. China's economic development and its integration into the world economy comes with both benefits and challenges. According to Moniruzzaman (2013, p.1), a sustainable economic growth in China "will shift the epicentre of political power from the West to the East bringing a civilizational change".

Since the design and launch of the market reforms, the Chinese economy has grown about 30 times, becoming "one of the most important manufacturing centres in the world" (Ikenberry, 2008), which resulted into an increase in the demand of raw matter. "Until 2006, China had already consumed 32% of the world's steel, 25% of the world's aluminium, 23% of the world's copper, 30% of the world's zinc and 18% of the world's nickel" (Wolf, 2008). Moreover, „China is one of the top energy consumers. Most of the energy comes from the Muslim countries"(Moniruzzaman, 2013, p.22). In this context, China adopted a policy of cooperation with the Muslim countries based on "harmony, security and prosperity to the neighbours"(Jianyong, 2008, p.442). As we well know, some Muslim countries are known for frequent violations of the rules necessary for the proper functioning of the world economy, rules laid down by competent international institutions and organisations. This caused the major powers to become irritated and "has undermined China's international moral image" (Jianyong, 2008, p. 440).

According to researcher Pencea, "China's influence over the world economy manifests itself not only through its impact on the global demand for various goods, but also through the impact on the world supply" (Pencea, 2012, p. 62). Considering that the People's Republic of China manufactures goods at low prices, it also influences global prices for those products, forcing companies making the same products to go bankrupt or to change their policy on market competitiveness.

Unfortunately, China's economic success comes at a high price: environmental degradation. Pencea highlights this price in her work: "about one third of the Chinese territory is affected by acid rain, 25% is desert and almost 100 cities experience landslides due to the overexploitation of groundwater. Moreover, 80% of rivers are polluted and 50% of the populations consumes contaminated water. China holds one third of the waste produced by mankind, with vast quantities being stored, untreated, on the shores of Quemoy Island, while 1 billion tonnes of untreated waste water are released into the Yangtze River every year" (Pencea, 2010, pp. 67-68). Furthermore, many analysts claim that the People's Republic of China is one of the world's biggest polluters. Thus, Zhou et al. (2013, p. 18) "suggest that this formidable growth of China affected both the Earth's resources and the energy. In addition, environmental degradation leads to conflict between the Chinese civil society and government."

If we look at the way in which the major world powers perceive the impact of China's rise in the world economy, we notice that the US claims that "a healthy economy in China is vital both to the United States and to the rest of the world" (Ikenberry, 2008). At the same time, the US sees China as a threat both from an economical and scientific point of view, and from a military point of view.

With regard to the impact of China's economic growth on the EU, this has been and will continue to be a massive one. China became the main source of Europe's imports, while the EU became the main market for the Chinese goods. As a result, China quickly turned into one of the most representative commercial partners of the EU.

It is important to mention that certain analysts suggest that a 2% decrease of the Chinese economy in the years to come may cause a drop of 0.6% of the GDP growth in the euro area (Schuman, 2015).

In view of what we have shown above, we can conclude that China's rise and integration into the world economy provides both opportunities and challenges to all the countries of the world.

4. Conclusions

Over the years, China experienced a multidimensional growth: economic, political, military, scientific and technological.

In the past 40 years, China underwent dramatic reforms and enjoyed a remarkable economic growth. As a result, the country's importance in the world grew. By the size of its economy and its potential for economic growth, China stands as a political and economic world power that impacts not only the Asian economy, but also the global one.

In our opinion, in order for the People's Republic of China to continue to experience sustainable economic growth, it should adopt development strategies based on innovation, stimulate internal consumption and, last but not least, revise its policy of cooperation with the less earnest Muslim

countries. Such a revision is recommended with a view to gaining the trust of the major world powers.

It is worth mentioning that China does not wish to take the place of the United States. On the contrary, China claims to promote a peaceful economic growth aimed at developing a world living in harmony.

Furthermore, throughout this paper, we had the opportunity to note that many researchers are following China's rise closely. Some believe that this player will become the biggest world power of the 21st century, while others think of this as a myth. That is why, we feel that the right answer to the question "Will the 21st century belong to China?" is "Only time will tell".

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Kinetic Corporation: an Ethos for the New Realities in Business Environment

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Abstract

We can say that today the world is more interconnected and more interdependent than ever in the past. This idea is covering for all levels of analysis, beginning with the individual and organizational levels and up to the regional and global levels. It is most likely that the globalization, although it has become quite a truism, has not yet depleted its generating phenomena and its patterns of expression. The developments in the sphere of technology have changed the logic of the economy and fused the fragility and the volatility of the business environment. In this new economic habitat, which has been anticipated by the authors who have shaped decades of reflection with their authority and the depth of their thoughts, companies are faced with an avalanche of challenges and especially with the deep crisis of identity born from the complexity and the impermanence of a globalized economy. How will they behave? How will they defend against the vulnerability? How will they exploit the opportunities?

Keywords: turbulence, normality, dynamics, organization

J.E.L. Classification: F23, M16

1. Introduction

The environment in which the various categories of companies perform has become wavy and even more difficult to manage; this trend characterized both the business environment of small and medium enterprises, as well as the corporate business environment. Equally, certain features which have marked the business environment before the beginning of the global crisis have maintained during the postcrisis years. In essence, it is obvious that the international business environment is relatively more complex than national and regional business environment, complexity being related directly to the political risk, the existence of different legal systems, different cultures, different currencies etc.. Beyond these special peculiarities, chaotic has become a feature of the business environment both at local /national level and at the global level.

2. Toward a new status of normality?

In the economic system of the first decades of the twentieth century, usually good times for business alternated more or less regularly with bad periods for business (Mises, 2006); the decline followed the economic boom, ascension followed the decline, and so forth. In economic literature, the interest has been strongly stimulated by the problem of cyclical changes which were shaping the business environment. But today the intensity of the interdependencies which characterize the world economy is more than ever; globalization and technology are mainsprings of some kind of synchronized fragility which, according to Kotler & Caslione (2009), could generate changes at any time. This thesis continues an idea which has gained a contour for the first time in the '60s in the works of Peter Drucker. Thus, in *The Age of Discontinuity*, Drucker (1969) outlined the vision

of an era of discontinuity at the world level, shaped by transformations in technology, economic policies, industrial structures, economic theory, in the knowledge needed to govern and to manage, as well as in the economic topics. In his best known work, the *New Realities*, Drucker (1999) describes a new economic habitat, like a transnational world economy, with a concrete existence but very different from that of the national economies, and at the same time with a significant influence on them (which sometimes go up to controlling them). In this new habitat, built on a tight network, the borders have been torn apart, the pace of change was considerably accelerated and the effects irradiate almost instantly (Toffler, 1973). In a metaphoric way of speaking, the dynamics of changes threw economies, and especially the most technologically advanced ones, in a state of progeria, and at the same time, give birth to an economy of impermanence and transience, as it was described by Alvin Toffler (1973). "...The change is accelerated and the complexities are multiplied", Toffler (1973, p. 68) notes, anticipating a profound reconfiguration of the economic system. In this economic system foreseen by Alvin Toffler, i.e. the economic system of the third wave, corporations are forced to perform in a volatile and confusing environment, full of risks and pressures, shaken with spasms and convulsions, chaotic penuries and surpluses of energies and resources, fast-changing attitude of consumers, workers and managers, trade imbalances and other (Toffler, 1983).

Drucker's and Toffler's foresights and interrogations have proved to be built. Beginning with the '80s, phrases like *chaos* and *turbulent environment* have been used more and more frequently to describe the business environment (Drucker, 1980; Drucker, 1986; Dauphinais et al., 1996; Sanders, 1998, etc.). Today, a growing body of literature embraces the conviction that the turbulence, with its obvious consequences in chaos, risk and uncertainty, has become a new normality in the global business environment (Kotler & Caslione, 2009). The industries, markets and companies are confronted with an increased vulnerability, but also with an avalanche of opportunities arising from this new normality. Turbulence, as Kotler & Caslione (2009) emphasize, is the new normality, interrupted by periodic and intermittent outbursts of prosperity and decline, and even by long periods of depression.

In today's more interconnected and interdependent world any company is exposed to a number of risks and sources of pressure; the main factors which may cause chaos in the markets and in the business environment of the firms are (Kotler & Caslione, 2009):

- *Technological development and informational revolution* remain a veritable engine of globalization and at the same time it creates interdependencies among all markets from different areas of the world.
- *Technologies and disruptive innovations* lead to the spectacular changes in some markets because it happens frequently that a current technology wears off faster; the users of such technologies face with an essential choice: either they adapt quickly and anticipate the following wave of technology, or they are overcome. The idea of "disruptive innovation" is linked to *creative destruction*, a thesis developed by Schumpeter, and it refers to a major innovation, that changes dramatically a sector or an industry (Schumpeter, 2011).
- *The ascension of the "the rest of the world"* refers to the reconfiguration of the centers of global economic power from the USA and Europe to emerging economies such as Brazil, Russia, India, China or South Africa; more often lately the *Global 500 Fortune* ranks an increasing number of companies from India, Russia or other emerging economies.
- A factor arisen from globalisation is *hipercompetitiveness*, meaning that the competitive advantage of companies erodes and it must be regained constantly through new strategy and decisions adopted quickly.
- Environmental restrictions, protection of natural resources, the phenomenon of global warming and other issues regarding the "eco" technologies, "eco" products or services etc., have become a further source of pressure on the companies from all over the world.
- *The influence of customers and of other interest groups* with regard to the activity of business companies is a distinct source of pressure and turbulence in today's business environment.

- Finally, it can be said that other factors linked closely to the process of globalisation in the contemporary world (i.e. the influence of some integration schemes such as the EU; an influence of certain sovereign investment funds on the financial markets; the amplification of the international terrorism, etc.) are sources of pressure in the socio-economic environment and consequently in the businesses around the world.

3. MNCs facing with themselves

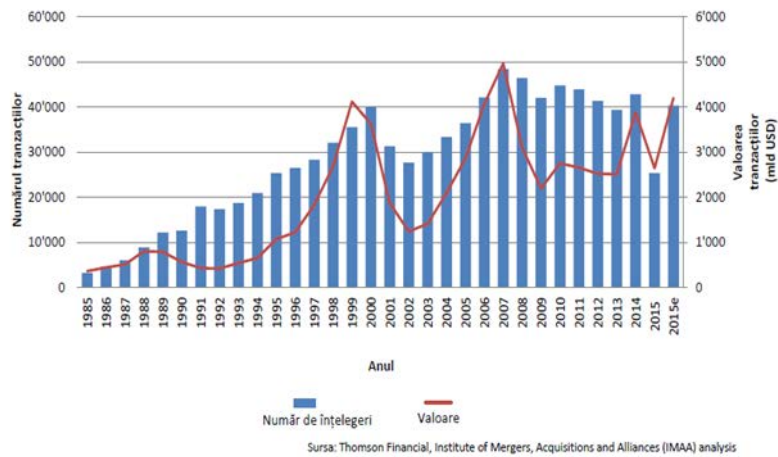
During the postwar decades, capitalist economies were in a period of prosperity and technical, economic and social development; at the roots of this progress were companies in the sector of the small business and especially those in the corporate sector. Despite that is rather difficult to quantify completely accurate the contribution of each type of companies to the creation of prosperity, the Western World would certainly look like different without multinational corporations (even if the wealth created by them shall not be distributed fairly among the social groups). In a certain respect, MNCs contribution to the welfare of the modern economies derived from the principles and practices of management setted by these economic "actors" as a "model" for other types of organizations, including for public institutions. About seven decades ago, Peter Drucker (2008, romanian edition) described the principles of management developed by General Motors as a "model", a prototype of the modern company; inspired by these principles, many companies in Europe and Asia have reconfigured themselves up to what we now call the modern corporation.

The complexity and the dynamics of an increasingly integrated world economy have born challenges and have reshaped not only the environment in which these MNCs operate and flourish but their position in the world arena too. The statute of "the power behind the throne", the influence which they carries on not only upon the decisions of the governments, but also in the international organizations, and the relations with civil society have become important topics in the horizon of scientific reflection (Strange, 1997; Strange, 2002; Korten, 1995; Korten, 1999; Löpfe & Vontobel, 2012). The thesis according to which the MNCs compete directly with the power held by a democratically-elected government has shaped a real niche in the economic literature in the '50s and in the next decades. How will the balance of power be reconfigured? Which will the shaping forces be?

The manifest relationship between globalization and strengthening the position of the MNCs is ambivalent; *on the one hand*, globalization has made loose the ground for the expansion of the MNCs in the world economy and, *on the other hand*, this expansion has become an amplifier phenomenon of globalization and a form of its expression.

The ability and the responses of multinational corporations to the challenges born from the tumult and complexity of a globalized economy are extremely diverse; depending on their mission and objectives, the law, the common law practices governing the markets and not only, the strategies developed by MNCs could be significantly different; moreover, these strategies shall be amended and adjusted permanently. In a market that is always on the move, companies are now forced to adjust continuously their position; the trend observed by Toffler (1973) for 1970s has continued in the next decades too; companies tend to respond to the dynamics of market by waves of mergers and acquisitions, but also by disinvestments and remergers. Empirical evidences regarding the number of mergers and acquisitions at the global level reveals an high enough interest for such transactions, especially comparing with the situation in the 80s, 90s and the beginning of the 2000s (figure 1).

Figure no. 1. The number and value of mergers and acquisitions at the global level (1985-2015)

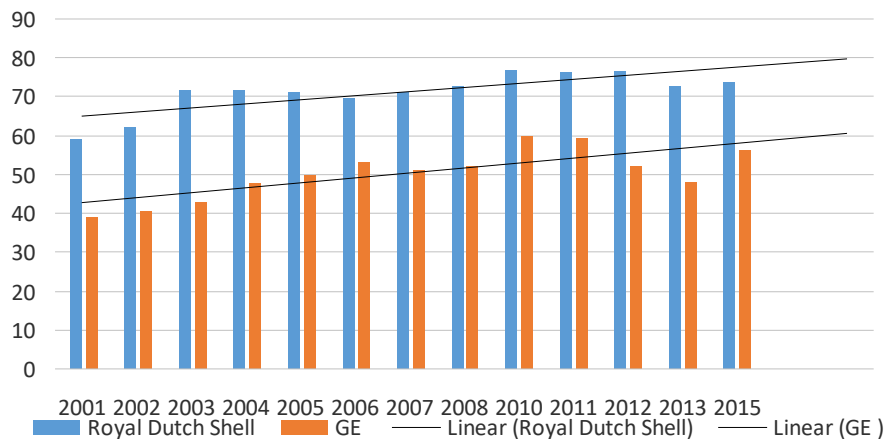


Source : (Institute for Mergers , Acquisitions and Alliances, 2016)

Hill (1997), Hill & Hult (2016) explain that globalization is also the one that shapes the corporate strategic decisions starting with the strategies of internationalisation up to the global ones. In the next decades, as the *Global Trends 2025* report suggests, we can expect to an increased turbulence around the world: rapid changes of the emerging markets governance; major twists of policies of different countries; the escalation of the armed conflicts; budget reductions at the level of the national /local administrations, etc.; gradually, the companies around the world are becoming aware of the fact that the new business environment normality requires new management strategies (National Intelligence Council, 2008).

Therefore, these closer integration of the markets has born the need to reconfigure the strategies; thus, companies have reoriented toward more comprehensive visions meant to change their roles as actors in the global economic area. Global strategies, developed for the world market as a whole, shall replace the local or regional strategies and fall under much more complex goals than traditional ones. Global actors from the "new style multinationals" class developed in the 80s and in the next decades (Dunning, 1988) will seek to meet the challenges launched by the globalization of the markets and at the same time to exploit the opportunities that born with it by an integrative vision of the market and competition. For example, the evolution of Transnationality Index (shown in figure no. 2.) for Royal Dutch and General Electric, two companies to which the magnitude of their transactions abroad has constantly ensured the top ranks in UNCTAD Top 100 non-financial TNCs/MNEs, allows us to accept the presumption that reconfiguring and expanding the "borders" of the business could be a form of adaptation to the new realities.

Figure no 2. The evolution of the degree of internationalisation for Royal Dutch and GE (TNI, %)



Source: Processed after (UNCTAD, 2001-2016)

The examples of the two companies aren't unique; empirical evidences attest an extensive presence of MNCs in the global market, either they look for cheaper or more performance factors of production, or pursue to gain new markets or to find and exploit new opportunities (UNCTAD, 2001-2016).

This new normality, and its obvious forms of manifestation, generate crises of identity for large corporations, as Toffler (1983, p. 307) noted, and at the same time they compel them to a shift of paradigm of the traditional role of the corporation that transcends the strictly economic specialized register. The prevailing economic vision seems to depleted most of its replies to the questions about corporations and their role. The environment in which the corporations perform forces them to reconfigure the approaches of their own ethos, their own objectives and their own responsibilities. The realities of our days confirm Toffler's anticipations from the 80s (Toffler, 1983); the corporations physiognomy has suffered radical transformation; from a manufacturer the corporation has become a producer of social effects, environmental effects, moral effects, political effects and, the last but not the least, it has become a producer of knowledge, this role being more important as the knowledge-based economy is in full development. Moreover, organizational culture, the core competencies of the organization, the distribution of power and other similar issues shall be adjusted during the time (Perman & Scouller, 1999).

4. Conclusions

Today, it is obvious that economic literature has almost fully embraced the idea that the turbulence and especially the heavy turbulence, with its manifest forms - chaos, risk and uncertainty - has now become the normal state of industries, markets and businesses. Since the 80s of the last century, instability and the development of features that are related to the chaos in the business environment have entered in the horizon of theoretical reflection. All the more the interdependence induced by the development of the information and telecommunications technology and by other technological factors have led to a much faster spreading of changes in the environment, market, demography or technology. From this point of view, we believe that the idea of *chaotics* catches a complex and dynamic reality in which the sources of pressure multiply and diversify continuously.

For multinational corporations as main players in the global market chaotic environment of global business is complex and difficult to manage. Due to the need to manage their businesses in an increasingly turbulent environment, these actors need a new conceptual framework and certain new principles and rules according to which they can develop their management strategies and their major decisions. The metaphor of the kinetic corporation profiles a new and objective state of affairs, corporations being in an almost perpetual process of reorganization, redesigning and redefinition under the shaping forces of circumstances.

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European Sovereign Bond-Backed Securities – a Proposal to Mitigate Risks Arisen from the Lack of an Euro Area Common Fiscal Policy

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Abstract

“European Sovereign Bond-Backed Securities” explores the complexities of having a fiscal union for Euro Area. All measures taken for fiscal integration are elements that need cohesion in order to break the vicious circle of unsustainable public debt affecting the balance sheets of banks and deepening the need for rescue, which signals a further deterioration in asset valuation and markets shrinking, worsening further the economic conditions. The need for a synthetic bond obtained by securitization of Euro Area governments’ debts emerges as viable proposal to break this public debt – private debt circle. Furthermore, it explores the “impossible trinity” (Mundell-Flemming) and the translation into the Euro Area. The conclusions point to the need for institutionalized and official approach of introducing such derivative products like European Sovereign Bond-Backed Securities in the quest for safe assets, aiming to break the circle of debt (effect) by substituting the absence of a common fiscal policy (cause).

Key words: European Safe Bonds, Sovereign Bond Backed Securities, Fiscal Policy, Trilemma, Synthetic Eurobonds

J.E.L. Classification: E44, E60, E62, F32, F33, F34, F36, F45, G01, G15, G21, G28, H63, H81

1. Introduction – The need for a deeper fiscal frame

The onset of the financial crisis and its development in Europe in waves of shocks exposed weaknesses in the financial system in Euro Area and critical failures in its core structure, triggering malfunctions in the Economic and Monetary Union (De Grauwe, 2013). The original idea in the Werner Report (Council, Commission, 1970, p.10) was centered on a monetary union and a budget policy and resources centrally administered. MacDougall Report (Commission, 1977, vol.1) presented the first view on the role of public finance in European integration, stating that a budget of 2.0% – 2.5% during transition phase and 5.0% – 7.0% after the integration the long-term objective being “a Federation in Europe in which federal public expenditure is around 20-25 percent of gross product as in the USA and the Federal Republic of Germany” (Commission of the European Communities, 1977, p.10-11). The budget would be deemed mandatory to smooth macroeconomic disequilibria and ensure a minimum convergence of incomes. But France rejected the idea of a European Communities Common Budget and dismissed the Werner Report. These reports did not rally political support. Therefore, the Delors Report (Committee for the study of Economic and Monetary Union, 1989) approached and laid out the guidelines for a monetary union, advancing the idea that political desire to deepen the integrative process to fiscal level would follow a strong economic and monetary integration. The common budget remained all this time up to today at around 1% of Gross Domestic Product.

Next step occurred in 1992, when the Maastricht Treaty enforced national fiscal discipline by setting out limits for indebtedness on short term (fiscal budgetary deficit not to exceed 3% of GDP) and on medium to long term (public debt not to exceed 60% of GDP) leading the way to the Stability and Growth Pact and to the most important additions: the six-pack in 2011 and the two-pack and fiscal compact in 2013 (Commission, 2017). At Maastricht, the core idea was that the monetary convergence preparing the adoption of the common currency, would need complementarities from

national fiscal policies adopting flexible fiscal measures to compensate and accommodate asymmetric shocks in the economies (Thirion, 2016). Financial and commercial integration would result in convergent business cycles that would help it evolve into an Optimal Currency Area (Frankel and Rose, 1998). The monetarist view (Friedman, 1963) pushed the idea price stability (manifested by inflation as phenomenon of quantity of money) would prevent highly speculative asset bubbles to form (as opposed to Keynesian theory to use fiscal policy measures to correct negative economic situations with the support of public spending from the budget). This monetary view is seen in ECB's mandate or statutory documents to ensure stability of prices by targeting inflation (ECB, 2017). The effect of financial, monetary and commercial integration has been a better synchronicity of economic cycles in Euro Area but that did not resulted in smoothly absorbed asymmetry.

The freedom of movement of the workforce is still at low levels, while the differential in prices and salaries has expanded regional disparities and lead to macroeconomic imbalances. To combat disparities and to attract flows of investing capital, fiscal policies in peripheral countries have been pro-cyclical instead of anti-cyclical, accumulating debt that has been financed by issuance of government debt by State Treasury (The Finance Ministry). Since banks financed the selling of those instruments because they have all the incentives to keep adequate liquidity and capital adequacy ratios (Bank of International settlements, Basel Committee on Banking Supervision, 2011, 2013, 2014), their balance sheets fully loaded with such assets deemed safe, treated by Basel as 0% risk weight for nationals. When those marked-to-market instruments fluctuated, banks became distressed and needed rescue.

The absence of a Fiscal Union in Euro Area is a concern for the European Commission. Under the listing of "achievements" it presents: the process (European Semester), the laws or governance rules (six-pack 2011, two-pack 2013, the Fiscal Treaty on Stability, Coordination and Governance in 2012), the debates over instruments (green paper on Stability Bonds in 2011) and the interventional tools (European Financial Stability Fund / European Stability Mechanism), so there are elements of a fiscal union (ECB, 2017).

A fiscal union "can be defined, in very broad terms, as transfer of part of fiscal resources and competences in the area of fiscal policy and fiscal management from the national to supranational level" (Dabrowski, 2015, p.7). Researchers and decision factors, independently or under institutional supervision, issued recommendations of various ways to develop this envisaged fiscal union: European unemployment (re-)insurance scheme for large shocks and automatic stabilizers (Benassy-Quere, Ragot and Wolff, 2016), correction of architectural weaknesses in the system to reduce the incidence and severity of future crises and provide long-term credibility to the crisis measures (Allard et al., 2013), the need for better sharing of the residual risk as wide range of risk exposure across countries is harmful to a monetary union (Cottarelli, 2012). The Five Presidents Report talks about an Integrated Framework for Sound and Integrated Fiscal Policies (Juncker, 2015, p.13) and of an Advisory European Fiscal Board (Juncker, 2015, p.23).

European discussions so far for a fiscal union resort to four main topics: crisis resolution mechanisms, rules coordination and risk reduction, common debt issuance, fiscal insurance and stabilization funds (Thirion, 2016, p.9). A special proposal has been made in 2011, regarding common debt issuance, to be discussed further, in the light of desired shared sovereignty / shared risks. The actual need is to simplify public finances in Euro Area countries and to clean balance sheets of commercial banks, by reflecting the correct exposures to risks.

2. The "diabolic loop", the "flight to safety" and the proposal of "Euro Safe Bonds"

The proposal of "Euro Safe Bonds" and the term "diabolic loop" has been coined by Euronomics Group in 2011 (updated in April 2012, revisited by Marco Pagano in 2016 and by Euronomics representatives in 2016 hosted by ESRB working papers series). The "diabolic loop" is facilitated by regulation. To ensure capital adequacy, commercial banks have a preference to store value in assets deemed "safe" and Basel Agreement states that government issued bonds are risk-free with 0% risk weight in banks' balance sheets, for the country of the bank. Analyzing the early stage of the financial crisis onset (2007-2009), commercial banks set up conduits to securitize assets while insuring the newly securitized assets using credit guarantees designed to reduce bank capital

requirements under Basel Agreement and transposed in legislation by EU under Commission's Capital Requirements Directive and subsequently by every country (Acharya, 2010). Therefore, banks keep a significant portion of portfolios in government bonds, not taking into account the differential in national fiscal systems.

Markets, however, price the risk of governments defaulting on their issued bonds, under the form of "Credit Default Swaps" which can be regarded as the cost of insurance to exchange the debt for money, in tranches of 10 Mil. USD, as basis points (1%=100bps). According to country ratings given by renowned institutions such as Moody's, Fitch, or Standard & Poors, reflecting the stability of the country, the cost of its debt varies over time and across regions and countries. For instance, on May 4, 2017, Greece's 5 years CDS is 672.005 bps while Italy's 5 years CDS is 160.755 bps (CNBC, 2017). Both countries are in Euro Area, but markets perceive the risks differently regarding the default risk over sovereign bonds issued on 5 year term: 6.72% versus 1.61%, a difference of 5.11%. This differential of risk of default is not reflected in banks' balance sheets according to accounting methodology of Basel Agreement.

When investors fear the risk of default on government bonds due to uncertainty of realizing future incomes as source for repayment (for instance, because the sources for budget income are decreasing, collection of taxes does not occur appropriately, or the national value in an economy usually Gross Domestic Product is decreasing, etc), they start to sell so the price drops to sell government bonds. When prices drop, yields increase and thus, the cost of refinancing increases for state and banks alike. Bank balance sheet is revalued at the new lower prices and banks start to sell assets to return to the levels of required capitalization adequacy (Adrian and Shin, 2014). These fresh sales of assets on the market push all prices down further, in combination with limitations on new lending. The economy suffers and GDP decreases, pushing higher the cost of default risk. When banks of systemic importance face the risk of illiquidity, insolvency or even bankruptcy, the state intervenes to recapitalize banks, by issuing more debt, bailing in or bailing out the financial institutions, to prevent contagion risk to other banks. This proves investors they were right to expect the initial increase in the risk of default and the loop starts again. It is a vicious circle, or rather a spiral unfolding, self-fuelling on public and privately held debt.

Euro Area banks have 1900 billion EUR on sovereign bonds (Brunnermeier et al, 2016, p.3) and are subject to European Central Bank supervision. Art. 123 of the Lisbon Treaty forbids to any of the Eurosystem's central banks to lend to public authorities or to buy bonds directly from them. Euro sovereign bonds are in reality not 100% safe and the sovereignty rights are "sub-sovereign" (Goodhart, 2013) and are issued in a currency that is above national control via monetary policy (Grauwe, 2013). The effect in the end is an increasing sovereign default risk, a deteriorating banking system and a decreasing macroeconomic activity.

The "diabolic loop" in which banks and governments are inter-locked in a financial trap is doubled by another phenomenon: in deteriorating economic environments, the investments are withdrawn and the capital "flights for safety", which accentuates the financial distress of public finances and private banks. To exit from such spiral, a change is needed and economists proposed various solutions. One of them seems to be the most adequate: "Euro Safe Bonds" (Euronomics, 2011, revisited up to 2016). In short, ESB is a synthetic bond obtained as a derivative via securitization of government bonds asset classes and tranching is essential. The principle is the following: based on a pool of government bonds, the senior tranche is "Euro Safe Bonds" with calculated risk of 0% weight and the junior tranche "Euro Junior Bonds" as risky assets that would bear the loss, but would have the highest potential of gain. The pooling of national bonds would be done by allocation according to country's weight of GDP in Euro Area's total GDP.

In this structure, ESB would ensure the safety of capital and EJB would benefit from coupons and expected higher yield on a smaller portion of initial capital and take the full impact of default risk. The Euronomics propose an independent agency to be created European Debt Agency (EDA) that would assume the process of securitization, marketing the instruments and taking charge of legislation. Countries would not have any joint responsibility. Relevant scenarios are taken into account (status quo, national tranching, pure pooling and pooling and tranching) in 3 models (severe recession with 5% probability, mild recession 25% and expansion 70% according to NBER surveillance on business cycles from 1854 to 2010), indicating that a cut-off at 70% ESB and 30% EJB would ensure AAA-rating for ESB. They would require no changes in the European Treaties

and could become an instrument of monetary policy for ECB as well as an instrument of reserve, and would be Basel-compliant (Brunnermeier et al, 2016, p.9&17).

In Europe, only Germany, Netherlands and Luxembourg have AAA rating. Deutsche Bunds represented in 2015 only 25% of Euro Area GDP compared to 105% US treasuries in USA GDP. The need for safe assets is evident in Europe and ESB with EJB cut-off at 30% would generate 4200 billion EUR of safe assets in Europe (Brunnermeier et al, 2016).

What ESB and EJB do not achieve is to resolve the problems of low economic growth, lack of economic competitiveness and productivity, or to ensure enhancement in public finances and execution of fiscal policy. They address the effect, not the root causes. In stress tests of Euro Area banks, those with higher exposure to sovereign default risk saw increases in insolvency risk a decrease in new loans and a rise in non-performing loans (Altavilla, Pagano, Simonelli, 2016).

3. The "trilemma"

Unofficially, the ECB is also interested in this subject matter, as a senior adviser, under the disclaimer that the views presented are personal and do not represent the views of the ECB, approached this topic under the title "Addressing the safety trilemma: a safe sovereign asset for the Eurozone" at CASE 25th Anniversary Conference in Warsaw in November 2016 and published under ESRB in March, 2015. In short, after 25 years since Maastrich Treaty, a missing piece of the European Monetary Union is a single safe asset, as EMU assets are sub-safe, sovereign bonds proved risky in real conditions outside Basel Agreement, the Euro Area is confronted with a safety trilemma (as per Mundell-Flemming model) and a differential in sovereign bonds, moral hazard and proposal of synthetic bonds as securitization of national sovereign government bonds.

To support trust in the safety of sovereign bonds, EU took legal measures and ECB supported the markets by interventions, such as: reinforcing fiscal discipline (6 pack, 2 pack, Fiscal compact), the introduction of European Semester and the macroeconomic imbalances procedure, establishment of the European Financial Stability Fund / Mechanism (EFSF / ESM), the European Banking Union (incomplete, under development) and ECB with double role: lender of the last resort and buyer of the last resort under Expanded Asset Purchase Programme with all its components.

The "safety trilemma" (van Riet, 2017, p.32) shows that only two out of three elements can be achieved, never all three of them: investment in a risk-free asset is not compatible with a free open market for capital and a stable monetary union, because of the implicit elements – when sovereign bonds do not generate yields, they are sold in exchange for liquidity that triggers flows of capital in search for higher returns / yields and assuming higher risks therefore the safety and guarantees of sovereign bonds make these instruments incompatible.

The best solution would be a monetary union and a fiscal union with a European Finance Minister and a European Treasury (as showed in this article, it requires the political consensus and will). The alternative seems to be the synthetic Eurobonds but it involves also a moral hazard: participation should be conditioned by sound fiscal policies and structural policies and phase out the preferential treatment of sovereign government bonds in EU financial legislation. A safe asset in Europe associated with German sovereign bonds is preventing free flow of capital across Euro Area and EU, thus affecting the financial stability of Euro Area (van Riet, 2017).

4. Potential developments in European Sovereign Bond-Backed Securities

The synthetic bond with underlying asset government bonds is a derivative and derivatives are considered speculative investments with high risk. The securitization of Euro Area debt according to any proposed criterion (GDP weights, initial national currencies weights in EUR, etc) reinforces hierarchy in Euro Area economies, favouring the growth of political economic division (Lagna and Wilhelm, 2017).

ESRB suggests in the survey closed at the end of January 2017, a series of possibilities for the entity (public, private or public-private), the countries (Euro Area or by extension and voluntary adhesion all EU countries), weights assigned to sovereign bonds (countries' contributions to ECB capital), categories of government debt (only central governments), markets (primary or secondary), the size of the market (according to ECB's Public Sector Purchase Programme), cut-off point (70%

senior -30% junior), sub-tranching (possible) and credit enhancements (not needed).

My personal opinion is that for such arrangements to work, the entity (EDA or another chosen name) should follow the securitization procedures and ask rating agencies to give a rating to any new issuance of such synthetic bonds, to be later traded on capital markets. I expect to also impact countries' CDS values and trading. Since CDS are perceived as an insurance-like instrument against the risk of government debt default, would EJB receive a special CDS symbol for trading?

Euronomics suggest in their mentioned studies that due to the existence of junior tranche, any exceeding of 60% debt-to-GDP ratio would actually reflect the default risk of the countries, like CDS. The divergence is that for indebted countries, such a securitization could affect borrowing costs and risk perception, should a country follow an exit procedure from Euro Area at some time.

Derivatives are highly speculative products and speculative investors in search for high returns could "gamble" on European debts like EJB, which would need a financial market for trading. Should such instruments exist at some time, they would have the potential to become disruptive for the markets, as speculative transactions would be carried on to hedge the risk, to exploit differentials in prices by short selling or "butterfly spreads" or other high risk techniques in search for a better coverage of speculative profits. It appears there would be a need for regulation and monitoring of markets, instruments and transactions.

5. Conclusions

ESRB finally took over the proposals issued over the last years and specifically for ESBies, by establishing in September 2016 a special group "High Level Task Force on Safe Assets" (the mandate is to investigate the potential creation of Sovereign Bond-Backed Securities, which could comprise senior and junior claims on a diversified portfolio of government bonds) and by launching the survey on Sovereign Bond-Backed securities, on December 22, 2016, under the disclaimer that much of the literature and research belong to Euronomics Group and they "provide much of the intellectual foundation for the work of ESRB's High Level Task Force on Safe Assets. However, they are published under the author's responsibility; the ESRB does not necessarily endorse any particular claim or policy proposal they may contain" (ESRB, 2016).

ESRB acknowledges that the creation of Sovereign Bond-Backed Securities is inspired by two key policy objectives: namely, to reduce systemic risk and mitigate financial fragmentation: Sovereign Bond-Backed Securities would reduce systemic risk by allowing banks, insurers and other investors to diversify their government bond portfolios at relatively low transaction costs. Greater diversification is welcome insofar as concentrated portfolios provide a risk transmission mechanism between sovereigns and financial institutions (ESRB, 2015) and Sovereign Bond-Backed Securities would mitigate financial fragmentation by allowing all participating countries to contribute to the supply of low-risk euro assets. At present, low-risk euro assets are supplied asymmetrically, thereby inducing flight-to-safety capital flows across Member States during periods of stress (Lane, 2013).

It remains to be seen whether the implementation of such a proposal, regardless of the name (Euro Safe Bonds, European Sovereign Bond Backed Securities or other name), mitigates the risks of the "diabolic loop" and capital "flight to safety", restoring trust in European safe assets. When ECB will withdraw the monetary stimuli of the expansionary monetary policy, countries will still need to address the imbalances in national fiscal policies and structural problems of economic sectors, issues that the proposed synthetic bonds do not address at all.

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The Internationalisation of Higher Education, as Keystone for Development in Eastern Europe. A Case Study on Bucharest University of Economic Studies in Romania

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Abstract

This paper elaborates on three innovative processes that have a major impact on the evolution and competitiveness of modern higher education institutions, regardless of the field in which they are specialized, namely: internationalization, the knowledge-based society and leadership. The target segment of our scientific research is represented by higher education institutions in Romania, in correlation with trends in similar organizations in other European Union countries. Higher education institutions are a true backbone of a country's health and economic and social development, but the analysis of this sector is not achieved in an isolated manner, but in close consistency with other systems of national and international economy and society, referring especially to those from the European Union (EU).

Key words: internationalization, Higher Education, leadership, organizational culture.

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1. Introduction

Globalization is an increasingly important and present phenomenon, both in our lives as individuals and at the level of organizations. The phenomenon determines numerous political, economic, social, cultural changes etc.

One thing that is easy to perceive is the ease with which some entry barriers can now be overcome on a number of markets that were considered to be local markets with local actors and which could be easily defended by potential new competitors. These processes are strongly supported by an unprecedented development of information technology and telecommunications.

We notice that universities that until a long time operated locally have now come to provide global products or services as a result of the use of the Internet and other means of communication.

2. The context of internationalization for higher education institutions

Under the conditions of globalization we can talk about a tendency to uniformize some approaches and working procedures. Quite often, the multinational companies use standardized elements that can lead to an increase in the speed of work and a unified understanding of the phenomena addressed. These are elements which, in various forms, are also taken over by universities that internationalize their activities.

However, we can not say that things are so simple, that we can address the management processes and relationships in the higher education institutions identically. Even if the phenomenon of globalization continues to manifest itself with increasing dynamics, nations and cultures try to preserve and even develop their own identity (Năstase, Dobra, Valimareanu, 2016, p. 4-11).

This requires that the organizational leaders to consider to a great extent the local, regional specificity and cultural differences, together with other factors and all these together will continue

to shape the characteristics of interactions between universities and the national and international environments to which they address. At the same time, the values, attitudes and behaviors of educational leaders are largely influenced by the characteristics of the national and organizational culture in which they have formed and acted (Reed, 1999, p. 453-483).

A major challenge in organizational functioning is the way leadership manifests, how leaders of different teams act inside and outside the organization. In building a higher education institution capable of significantly expanding its activities at international level, leaders' vision and determination to develop systems and mechanisms that favor the process of internationalization of the organization and attract all its members is very important. In doing so, a strong organizational culture can be modeled to support openness to collaboration with organizations, not only local and national, but also internationally.

This means capitalizing the cultural dowry of many cultures, civilizations and facilitating an international transfer of know-how that supports the organization's performance orientation.

The Romanian society has undergone numerous transformations and the educational system has also undergone major changes, but also contributed to the quality of the transformations in society. Major changes after 1989, driven by the transition from the communist system to the free market economy, have generated numerous mutations of a quantitative and qualitative nature, including in the educational field (Heath, Norman, 2004, p.247–265). Although over two decades have passed, we can state that the educational system is still in the process of transformation, both in terms of its own functional parameters and in terms of the contribution expected

Internationalization is now seen as a state of normality. Most of those asked about the international activities of the university they work in will say that they are running regularly, at a relatively high intensity. Some even consider that the topic of internationalization of higher education institutions is a false one, because at the moment all these organizations have included such activities in the program (Scherer, Palazzo, 2011, p.48).

However, we can have a simplistic approach in which internationalization is often assimilated to the mobility of students and teachers. It is therefore good to recall some of the various ways in which it is possible to materialize and support the internationalization of higher education institutions, the elaboration and implementation of a strategy of university internationalization, the development of foreign language study programs, the conclusion of strategic partnerships with similar institutions Or complementary programs from other countries, participation in international programs, institutional involvement, as well as teachers in international networks, both institutional and specialist.

3. Trends in the internationalization of higher education institutions

One of the major challenges that higher education institutions at Europe level have to face is the implementation of the EU 2020 strategy and where education and research play a key role.

In this respect, we can mention the increase in the share of graduates of higher education among the population aged 30-34, over 40%, which outlines the major impact that universities are expected to have in the near future.

Here too, we can mention another strong European strategic objective, namely the participation of at least 15% of the population aged 25-64 in lifelong learning, which will lead to an increase in the quality of the activities carried out by this segment of the population.

The Bologna process is another major factor that has significantly altered the organization and functioning of higher education in Romania, providing a unitary approach at the level of universities and, at the same time, a necessary predictability of the stages of study that a person can go through.

The existence of a unitary structure, correlated with the transferable credit system, allowed the comparison of the results obtained by students from different countries, but also the possibility to integrate them into different educational systems in other countries, without interrupting the educational process (Oplatka, 2007). Practically, their teaching activities in foreign universities and the results obtained are recognized by the universities where they are enrolled, thus giving them a high degree of flexibility in accessing information and diverse training methods in multicultural environments.

Such an example is in Romania the Executive Unit for Financing Higher Education, Research, Development and Innovation (UEFISCDI).

Among the most common used, but also with a powerful impact on internationalization, we can notice the following trends for higher education institutions:

- Development of strategic partnerships at the international level – it implies that two or more universities decide to put together their resources in order to achieve strategic objectives, in a long term vision. It can deal with academic or research or even both fields actions,

- Designing dual degree programs – it is an attractive option for the universities as it easily facilitates the know-how transfer between the two involved institutions, as it is common that the professors who teach in such programs to come from both organizations. At the same time, it allows to both universities to take advantage of the partner's brand, but also to enter new markets in a consolidated manner.

- Develop more aggressive marketing approaches to attract quality students, teachers and researchers – it is a mirror of what it really happens in the business environment where the issues are not any more related to having a good product or service, but to be able to bring to the market. It is important that the universities to be able to reach the market niches that really need their products and services and to be able to continuous update them in order to meet at the highest standards their stakeholders' expectations.

- Increasing the connections between the academic environment and the business environment – more and more students or specialists who want to develop their professional competencies are not more interested only in the name or design of an academic program or course, but by the extent to which that program assures their professional progress and a high chance to be appreciated in the labor market. That's why, the universities struggle to attract as much as possible the important players in business environment, in order to design programs that are in accordance with the labor market demands. On the other hand, the companies are more aware that they can highly benefit by well qualified workforce without many investment from their part, if they strongly cooperate with the higher education institutions. They have also access to a good know-how that is created within universities and can attract talented young professionals.

- Developing publications that include in the Board of Journal, in the category of reviewers and as authors, specialists from several countries – this is a special approach that provide the academic and business community with updates related to different types of research that take place within universities. The cooperation within journals of a wide range of specialists strenghtens the opportunity to build up networks of international experts and to facilitate the international cooperation, at individual, team and institutional levels.

As we now talk about the revolution of knowledge and the transition to a knowledge-based economy, it is clear that these are accompanied by an increase in the educational, scientific, economic, technical, ecological and cultural changes that impact the internationalization of universities (Ronald, Bradley, Donna, 1997, p. 853-886).

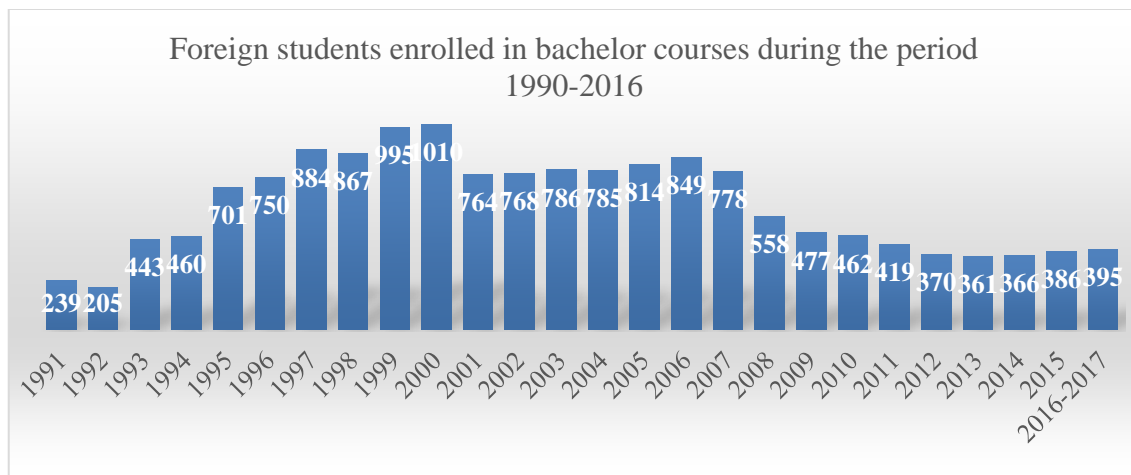
That's why the leadership becomes a central topic that attracts attention and generates numerous discussions about the impact of educational leaders in internationalizing the universities, in setting up and realizing some bold objectives, both in didactic and research fields and they must be able to build up and implement an attractive international vision (European Commission, 2017,p.84).

4. BUES Case

The internationalisation of the Bucharest University of Economic Studies (BUES) has been a constant effort of our institution over the last 20-25 years, a process in which support instruments such as TEMPUS and the programme of the World Bank in the mid-1990s were developed; these have encouraged the initiation and the development of study programmes and academic infrastructure. These programmes have been further completed by the Socrates/Erasmus programme and the operational programmes financed by the European Union (POSDRU, PODCA, etc.), the main target of which was the encouragement of mobility and the exchange of experience. The university intends to develop itself at an international level, in line with its centennial tradition and its vocation to be an economics, business and public management school, so that it becomes a visible presence, internationally recognised as a competitive educational and research option.

Looking behind, BUES has some background related to international experience, in terms of students and staff mobility, international cooperation projects as well as bilateral and multilateral academic cooperation partnerships developed through years.

For example, the aggregate analysis of the number of foreign students who have graduated BUES since 1990 shows a fluctuating evolution of this indicator with a growth rate in the period 1999-2000, with a consolidation stage in the range 2001-2007 and with a relative decline after 2008 (a situation explained by the unfavorable international context, the period being marked by the economic and financial crisis that started at the end of 2007). Starting with 2016, the number of foreign students has regained its upward trend, thus creating the premises for a pick-up in the enrollment. All this occurred against the background of an expected improvement in the national visa system. Foreign students from Europe mainly come from Austria, Italy, France, Sweden and from non-EU countries, mainly from Congo, South Africa, South Korea, Guinea, Mongolia, Sudan, Russia, Zaire, Ethiopia, Lebanon, Venezuela, Morocco, Turkey, Nigeria, the USA, Bangladesh, the People's Republic of China, Iraq, the Arab Republic of Egypt, Yemen, Rwanda, Zimbabwe and Algeria.



Source: IRD, BUES, 2016 – Foreign students enrolled in bachelor's degree courses between 1990 and 2016

Furthermore, in order to ensure an on-going, growing flow of mobility funded through the ERASMUS Community programme, BUES has consistently sought to increase the number of cooperation agreements with partner universities within the European Union. Thus, the number of these agreements has increased steadily, from one university year to another, reaching from 18 agreements in the academic year 2000-2001 to 133 in the academic year 2015-2016. For the academic year 2016-2017, a total of 151 Erasmus partnership agreements were active. As for the number of outgoing students enrolled in BUES within the Erasmus programme, starting with the academic year 1998/1999 and up to the academic year 2016/2017, 3,288 students participated in mobility study programmes. As regards European students in Erasmus mobility at BUES, the situation for the last 10 years reveals a number of 779 incoming students. Thus, although efforts have been made to increase the number of ERASMUS mobility for both outgoing and incoming students, a proactive new approach is needed to support this mobility programme by ensuring an increase in the number of incoming students) at BUES level. Regarding the situation of Erasmus teachers receiving Erasmus mobility dedicated to teaching assignments within partner universities in the EU, statistics unfortunately provide unsatisfactory data: in the 1998-2016 reference periods, only 64 BUES professors participated in teaching assignments (STA) and 46 people attended training sessions (STT).

As for the evolution of BUES professors foreign mobility, a quantitative approach for 2006-2016 reveals a positive evolution, with a peak in the period 2011 - 2012, which is explained by the numerous projects financed through POSDRU and implemented at university level, these projects having an important component of transnational dissemination. However, it is noted that, in the absence of such a source of external funding, the share of participation in international conferences

and doctoral and post-doctoral research mobility is significantly diminishing.

In terms of bilateral and multilateral academic cooperation, the current state reveals a multi-level approach to institutional partnerships through memoranda of understanding (MoU), scientific cooperation agreements and specific cooperation agreements, on the priority institutional partnership level and on the BUES faculty-level cooperation. Thus, at institutional level, BUES has concluded a number of 169 Erasmus partnership agreements and 5 multilateral cooperation agreements within academic networks (CEESENet, CEEPUS, VUA, NISPACee, HERMES), agreements generating specific annual mobility for students and teachers, as well as concrete actions of university representation and cooperation in EU and international funded projects. In the field of bilateral cooperation over the past 10 years, BUES has concluded 150 agreements and memoranda of cooperation with universities from over 40 countries. Within the framework of 50 agreements, specific cooperation activities, such as dual degree programmes, bilateral student and teacher mobility, ad hoc cooperation actions, and various collaborations in the field of scientific research have been recorded over time (Freeman, 1984, p.252-284).

From the point of view of the financial impact, between 2010 and 2016, the participation of foreign students in bachelor, masters and doctoral programmes generated gross revenues from the collected tuition fees of 4,621,634.52 euros. As for the financial contribution of the Erasmus +, Key Area 1 - Mobility allocations to the BUES budget, the analysis of the last years (2010-2016) shows a stabilizing trend in the financial allocation, which allowed the use of important resources to support the process of internationalization of BUES:

Academic year	Erasmus financing KA1
2010/2011	616.046 Euro
2011/2012	732.684,56 Euro
2012/2013	665.303,6 Euro
2013/2014	617.851,29 Euro
2014/2015	670.609,65 Euro
2015/2016	755.929 Euro
2016/2017	762.785 Euro
Total 2010 - 2016	4.821.209,1 Euro

For the academic year 2017-2018, at the level of BUES, 1,185,085 euros (related to KA103) were allocated to the ERASMUS National Agency and KA107 - Mobility with partner countries was requested in the competition for 469,514 euros (the results of the competition will be announced in the second part of 2017).

Within a SWOT analysis perspective, we consider that the process of internationalization within BUES shall aim at capitalizing and maximizing the potential of the institution in terms of the educational infrastructure, the international competences and cooperation relations, in the context of the opportunities offered by the external environment, materialized through the possibility of accessing the sources of international financing for the funding of transnational cooperation, capitalization of the results of the participation in various international rankings and the possibility to increase the international prestige through the Alumni Network of the Romanian graduates working / studying abroad as well as the foreign ones. The involvement of the Romanian Diaspora professors of economics, business and public administration will be a priority of the internationalization process.

The strategic approach to internationalization in BUES shall follow the pragmatic integration of a set of conditions that are specific to the internationalization process as part of the institutional strategic approach, respectively (1) the dynamic nature of the internationalization processes and their growing relevance for institutional and national reforms, (2) the general re-assessment of the reasons and purposes for the internationalization of higher education, (3) the demand for increased responsibility of higher education institutions that are required to prove the benefits of internationalization and (4) the required financial support needed for the success of this given process.

Within this context, we consider that internationalization of BUES for the next at least 10 years should focus on: (1) in-house internationalization (related to classroom approaches, on campus or in the academic community, which helps the academic community to develop international knowledge and understanding and intercultural competences), (2) internationalization abroad (focusing on those activities that involve travelling abroad, including the mobility of students, teachers and researchers, the internationalization of study curricula), (3) internationalization of research (meaning the set of actions that allows the expansion of collaborative networks in research, development, innovation (RDI) of BUES researchers, in order to encourage the setting up of international research consortiums or the joining already existing and functioning consortiums, to ensure an efficient background for training BUES researchers in line with the new RDI trends) and (4) the consolidation of international prestige (related to the set of actions that allows for the growth of international visibility of BUES and allows the university to position itself as a regional leader in economic and administrative higher education).

Given the increased importance granted to international university rankings both by potential candidates and international partners, and by national bodies (see in this respect the initiative of the Ministry of National Education to introduce meta-ranking as a criterion for university financing), we consider that, in the same time, the BUES presence and the consolidation of its position in international rankings represent a catalyst for institutional development (Clarkson, 1995, p.92-117).

5. Conclusions

The commitment of the Bucharest University of Economic Studies (BUES) to the internationalization process have to be considered as one of the priorities of the academic management structures and have to involve the common effort both of the entire academic community and the administrative support. The BUES findings on internationalization, the powerful international competition, as well as the present legal and financial constraints call for a proactive approach of the internationalization process, meant to reposition BUES on the global education market, and for a coherent vision in accordance with the specific features of the university and of the national and European contexts. The benefits of the internationalization process are measurable and they will give good leverage to motivate the academic community and students in the university.

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The World's Most Innovative Companies in the Period 2015-2016

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Abstract

Since the beginning of the twenty-first century innovation has represented a major challenge for companies around the world. Innovation is both a powerful driver for rapid and profitable corporate growth, and an important determinant of competitive advantage. The aim of the paper is to present the evolution of the world's ten most innovative companies in the period 2015-2016. In this view, the methodology is based on the research of various secondary sources such as books, articles and reports. The paper shows that the vast majority of the world's ten most innovative companies remained the same in the period 2015-2016 and that the research and development activity constitutes an important source of innovation within business organizations.

Key words: innovation, company, research and development

J.E.L. Classification: O3

1. Introduction

Since the beginning of the twenty-first century innovation has remained a major concern for companies around the world. On the one hand, innovation is a powerful driver for rapid and profitable corporate growth (Gerybadze et al, 2010; Almquist et al, 2013; PricewaterhouseCoopers, 2013). On the other hand, innovation represents an important determinant of competitive advantage (Lengnick-Hall, 1992; Nonaka et al, 1995; Brem et al, 2016).

The issue of innovation has gained prominent significance both as a vital business imperative and a means for achieving growth and obtaining competitive advantage. Therefore, innovation is driven by a plethora of organizations, such as multinational and transnational corporations, small and medium enterprises or academic institutions (World Economic Forum, 2014).

The aim of the paper is to present the evolution of the world's ten most innovative companies in the period 2015-2016. In this respect, the methodology is based on the research of various secondary sources (e.g., books, articles, reports). The next part of the paper displays the literature review. Then, it briefly analyses the evolution of the ten most innovative companies worldwide. The paper ends with conclusions.

2. Literature review

The understanding of the role played by innovation in the business world has become a key subject in the literature in the last decades. The ability of a company to innovate constitutes a pre-condition of its competitiveness and business success. This is why most of today's business organizations are innovation-driven companies.

Innovation refers to "a company's efforts in instituting new methods of production and/or bringing new products or services to market" (Burgelman et al, 1986, p. 10). At the corporate level, innovation requires the involvement of different stakeholders (e.g., management, employees) and the integration of different activities (e.g., research and development- R&D) across the business organization. Innovation is driven within companies by "encouraging inter and intra department communication, distribution of responsibility and accountability for innovation, attracting smart

talent and retaining them as creative teams, consistently leveraging ability to innovate as a competitive advantage, increased focus on innovation in core products and services" (KPMG, 2017, p. 10).

Corporate innovation implies product and/or service, process and organizational innovation. Product and/or service innovation represents the company's capability to successfully launch a new or improved product and/or service on the market, process innovation refers to the adoption of a new or improved production/distribution process, and organizational innovation relates to the company's efforts directed towards encouraging innovation through its different systems (Neely et al, 1998; Huse et al, 2005).

Therefore, innovative companies are business organizations that foster a culture for innovation. They are organic, open, dynamic, enthusiastic, anticipative, creative and knowledge organizations that are eager for putting innovation into practice (Burns et al, 1961; Nonaka et al, 1995; Katsaros et al, 2005; Lewrick et al, 2012; Kahan, 2013).

3. The evolution of the world's most innovative companies in the period 2015-2016

There are numerous innovation rankings in the business literature. In this regard, the paper is focusing on the evolution of the best ten companies of the Global Innovation 1000 Study published yearly by PricewaterhouseCoopers (PwC).

According to PwC's ranking Apple was the world's most innovative company in the period 2015-2016 (PricewaterhouseCoopers, 2017). In 2015, the world's ten most innovative companies belonged to various industries as follows (Table no. 1):

- Three companies were from computing and electronics (Apple, Samsung, IBM).
- Three companies were from software and internet (Google, Amazon, Microsoft).
- Two companies were from automotive (Tesla Motors, Toyota).
- Two companies were from industrials (3M, General Electric).

Taking into account their headquarters, these companies were located in the following three countries:

- the United States of America (Apple, Google, Tesla Motors, Amazon, 3M, General Electric, Microsoft, IBM);
- Japan (Toyota);
- South Korea (Samsung).

Table no. 1. The ten most innovative companies in 2015

2015 Rank	Company	Industry
1	Apple	Computing and electronics
2	Google	Software and internet
3	Tesla Motors	Automotive
4	Samsung	Computing and electronics
5	Amazon	Software and internet
6	3M	Industrials
7	General Electric	Industrials
8	Microsoft	Software and internet
9	IBM	Computing and electronics
10	Toyota	Automotive

Source: (PricewaterhouseCoopers, 2017)

In 2016, the ten most innovative companies belonged to the same industries as follows (Table no. 2):

- Four companies were from software and internet (Alphabet, Amazon, Facebook, Microsoft).
- Three companies were from computing and electronics (Apple, Samsung, IBM).
- Two companies were from industrials (3M, General Electric).
- One company was from automotive (Tesla Motors).

Taking into account their headquarters, these companies were located in:

- the United States of America (Apple, Alphabet, 3M, Tesla Motors, Amazon, Facebook, Microsoft, General Electric, IBM);
- South Korea (Samsung).

Table no. 2. The ten most innovative companies in 2016

2016 Rank	Company	Industry
1	Apple	Computing and electronics
2	Alphabet	Software and internet
3	3M	Industrials
4	Tesla Motors	Automotive
5	Amazon	Software and internet
6	Samsung	Computing and electronics
7	Facebook	Software and internet
8	Microsoft	Software and internet
9	General Electric	Industrials
10	IBM	Computing and electronics

Source: (PricewaterhouseCoopers, 2017)

One of the main sources of corporate innovation is the R&D activity. From this point of view, Volkswagen was the world's biggest R&D spender in the period 2015-2016 (PricewaterhouseCoopers, 2017). In 2015, the world's ten biggest spenders belonged to different industries as follows (Table no. 3):

- Three companies were from software and internet (Microsoft, Google, Amazon).
- Three companies were from healthcare (Roche, Novartis, Johnson & Johnson).
- Two companies were from computing and electronics (Samsung, Intel).
- Two companies were from automotive (Volkswagen, Toyota).

Taking into account their headquarters, these companies were located in:

- the United States of America (Intel, Microsoft, Google, Amazon, Johnson & Johnson);
- Switzerland (Roche, Novartis);
- Germany (Volkswagen);
- South Korea (Samsung);
- Japan (Toyota).

Table no. 3. The ten biggest R&D spenders in 2015

2015 Rank	Company	Industry
1	Volkswagen	Automotive
2	Samsung	Computing and electronics
3	Intel	Computing and electronics
4	Microsoft	Software and internet
5	Roche	Healthcare
6	Google	Software and internet
7	Amazon	Software and internet
8	Toyota	Automotive
9	Novartis	Healthcare
10	Johnson & Johnson	Healthcare

Source: (PricewaterhouseCoopers, 2017)

In 2016, the world's ten biggest spenders belonged to different industries as follows (Table no. 4):

- Three companies were from software and internet (Amazon, Alphabet, Microsoft).
- Three companies were from healthcare (Roche, Novartis, Johnson & Johnson).
- Two companies were from computing and electronics (Samsung, Intel).
- Two companies were from automotive (Volkswagen, Toyota).

Taking into account their headquarters, these companies were located in:

- the United States of America (Amazon, Alphabet, Intel, Microsoft, Johnson & Johnson);
- Switzerland (Roche, Novartis);
- Germany (Volkswagen);
- South Korea (Samsung);
- Japan (Toyota).

Table no. 4. The ten biggest R&D spenders in 2016

2016 Rank	Company	Industry
1	Volkswagen	Automotive
2	Samsung	Computing and electronics
3	Amazon	Software and internet
4	Alphabet	Software and internet
5	Intel	Computing and electronics
6	Microsoft	Software and internet
7	Roche	Healthcare
8	Novartis	Healthcare
9	Johnson & Johnson	Healthcare
10	Toyota	Automotive

Source: (PricewaterhouseCoopers, 2017)

The period 2015-2016 witnessed the supremacy of Apple as the most innovative company around the world. The ranking of the ten most innovative companies was dominated by companies from two industries: computing and electronics, and software and internet. Also, the ranking emphasizes the significant innovation gap between the American companies and the other companies.

Interesting enough is the fact that Apple held only the eighteenth place in 2015 and the eleventh place in 2016 regarding the R&D spending (PricewaterhouseCoopers, 2017). In spite of the fact that Volkswagen was the world's leading R&D spender in the period 2015-2016, it did not succeed in becoming one of the most innovative companies worldwide. However, five out of the ten most innovative companies were among the biggest R&D spenders in 2015 (Google, Samsung, Amazon, Microsoft, Toyota) whereas the number decreased to four companies in 2016 (Samsung, Amazon, Alphabet, Microsoft).

4. Conclusions

Numerous researches have been carried on about the importance of innovation in the business world in the past decades. Without any doubt innovation constitutes one of the key prerequisites for achieving business success and, therefore, a crucial challenge for today's companies.

The paper has shown that 90% of the world's ten most innovative companies remained the same in the period 2015-2016. Also, it has confirmed the fact that the R&D activity represents an important source of innovation within business organizations. This is why great efforts should be made by any company around the world to undertake and develop R&D activities and, therefore, to improve its innovative capacity.

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EU Contribution to Strengthening Regional Development and Cooperation in the Black Sea Basin

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Abstract

EU's agenda had for some time a topic (at least at an idea level) about the "strengthening of cooperation in the Black Sea Region." It faced an interesting paradox: the lack of (or, in the case of existence, sub-optimal) economic relations between countries in this area, regardless of their geographical proximity. The paradoxical situation considered to be mostly due to their different historical and political backgrounds. Therefore, a form of support of regional development in the area was necessary, as it has been considered in EU's Black Sea Synergy, which encourages cooperation between countries in the Basin while offering a forum for solving common issues and promoting political and economic reform. Regional cooperation in various areas stems from a high political involvement as the main initiator but requires a strong involvement and participation of both civil society and private sector as main drivers of cross-border cooperation. Our paper focuses, apart from its conceptual research background, on mapping the effective outcomes of the EU initiatives in the area and on providing future perspectives for EU contribution to strengthening regional development and cooperation in the Black Sea Basin.

Key words: Cross-border cooperation, Energy, Entrepreneurship, Regional Cooperation, Regional development

J.E.L. Classification: O1, O2

1. Introduction

Called the backyard of the Ottoman Empire, the continuation of the Mediterranean world and an extension of the Soviet zone of influence, Black Sea Basin has been dominated by different hegemonic powers throughout history. (Çelikpala, 2010).

Throughout history, at the confluence of cultural synergies, trade routes, empires, quests for domination and control, and civilizations, the Black Sea is nowadays the border between NATO and UE and the volatility of Russia and Turkey. Some countries in the Black Sea basin find themselves the adepts of Western values and institutions, while others are exponents of authoritarian regimes and questionable governance. Despite these different political approaches, we can still refer to the attempts of building frameworks for constructive cooperation, during the early post-Cold War period and in the following years. The main reason for these attempts would be represented by the fact that the access to the and from the Black Sea is vital for all coastal states and nearby neighbors, as it forms a critical crossroads and a strategic intersection of East-West and South-North corridors.

The Black Sea Economic Cooperation (BSEC) was established in 1992 at an Istanbul summit on June 25th, as a project-based, joint initiative in specific areas. So far, despite its institutional architecture, the success in project implementation is limited, to say the least, while the organization provides a meeting place for conflictual partners.

For the European Commission, *"the Black Sea region is a distinct geographical area rich in natural resources and strategically located at the junction of Europe, Central Asia, and the Middle East. [...] The region is an expanding market with great development potential and an important hub for energy and transport flows. It is, however, also a region with unresolved frozen conflicts, with many environmental problems and insufficient border controls thus encouraging illegal migration and organized crime. In spite of significant positive developments in the last years, differences still remain in the pace of economic reforms and the quality of governance among the different countries of the region"* (COM(2007) 160 final). The same mentioned communication states that in the view of the European Union, *"a dynamic regional response to the issues can greatly benefit the citizens of the countries concerned as well as contribute to the overall prosperity, stability and security in Europe."*

By bringing Bulgaria and Romania to NATO (2004) and the European Union (2007), a new area of influence of control was brought with added benefits and consequences. Within this assumed framework of the EU Security Strategy, the European Council proposed in 2004 a document on the European Neighborhood Policy (ENP). This document, amended in 2008 to become the Eastern Partnership for enhanced EU bilateral relations with Armenia, Azerbaijan, Belarus, Georgia, Republic of Moldova and Ukraine, included Russia and Turkey in the Black Sea Synergy.

2. Brief attempt to introduce the Black Sea Region

Including Greece, Bulgaria, Romania and Moldova in the west, Ukraine and Russia in the north, Georgia, Armenia and Azerbaijan in the east and Turkey in the south, the Black Sea region does not bring at the table solely littoral states.

A precise definition of the area is difficult to say, as it can also be known as "Black-Caspian Seas Region" and "Black-Mediterranean Seas Region" (Çelikpala, 2010). Fragmentation, both political and economic, on the outskirts of more historically relevant regions, such as the Mediterranean and Europe (Braudel, 1976), was the accompanying characteristic of the aforementioned territorial variety and cultural diversity. Even the status as a region is questionable, considering the different theoretical approaches to the concept of regionalization. One argument is that, nor the international community, neither the inner states think of it as such. Called an "intellectually constructed region," characterized by a weak regional identity, the Black Sea area carries obvious discrepancies among the component countries regarding economic and social development but also regarding political orientation and cultural aspects. It has neither internal nor external potential for region building (Aydin, 2005). However, from another perspective, we must consider that all the regions, in a sense, are the construct of region-wide intellectual endeavors.

The approach to defining the Black Sea from within, as opposed to the case of other regions, has its strengths and weaknesses. As outsiders are not enforcing it, this situation could not lead to resentments in the component peoples, as they acknowledge common geography and interests. This strength counterbalances the crave for recognition from outsiders. (Aydin, 2005)

Through its heterogeneity, a mix of conflict and cooperation, the Black Sea is paradoxical, with continuously changing boundaries. This trait is further highlighted by the fact that almost each country in the area has specific links with the EU and other international organizations exercising a significant impact on domestic and foreign economic policies (Manoli, 2010).

3. EU Presence in the Black Sea Basin from a Regional Development Perspective

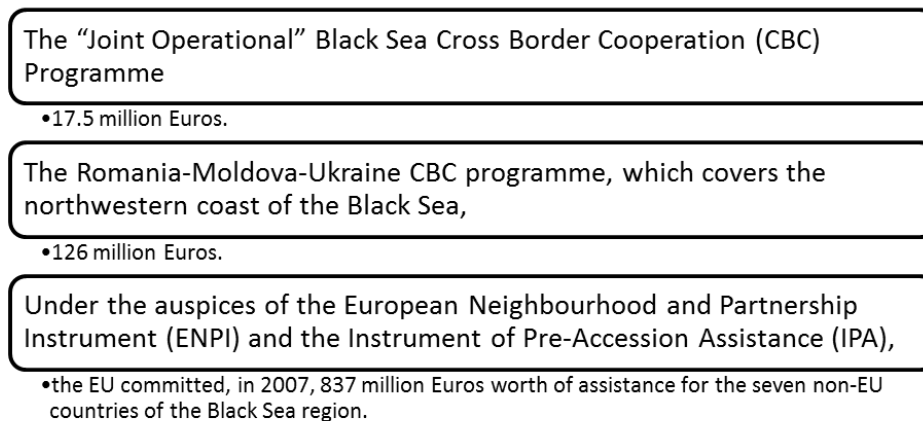
From European policies perspective, we could state that, in a way, the Black Sea became almost an internal sea of the EU with the accession of Romania and Bulgaria. Within this context, from April 2007, the EU has a holistic vision: "Black Sea Synergy-A New Regional Initiative" (COM (2007) 160 final, 11.04.2007).

The Black Sea Synergy (BSS) is believed to be a mechanism for recognizing *"the whole region as strategic for the EU and consolidating the existent engagement mechanisms of the Union in the region"* (Açıkmeşe, 2012). The objectives set out in the BSS refer to sharing experience and good practices between the countries in the area, introducing common standards for saving and

exchanging information, increasing political involvement for avoiding regional conflicts and addressing ongoing regional conflicts.

Starting in 2010, the EU defines the sectoral partnerships as well as the funding provided for the Black Sea, with most of the cooperation funds being from the EU. (Memo/10/78, 15 March 2010). Within a similar framework, the European Neighbourhood Policy (ENP) which was initiated by a Commission Communication in March 2003 (COM (2003) 104 final, Brussels, 11 March 2003), provided the bilateral policies and the Action Plans.

Figure no. 1 The budget allocation for the Black Sea region in the 2007-2014 financial period



Also, a way for component countries to pool resources is the Neighbourhood Investment Facility (NIF) (COM (2008) 391 final, Brussels, 19 June 2008, p. 10).

Despite all assistance provided, there is a reluctance of the EU to become fully involved in the Black Sea, a situation which has led to ridiculous instances in which countries, such as Georgia, prove to be more involved and assertive regarding the EU involvement in the region than the EU itself.

Still, any study on the dynamics of economic integration around the Black Sea, which reveal a reorientation of regional economic flows away from local markets and towards the EU (Manoli, 2010), includes the EU as the largest source of trade and capital.

4. EU Contribution to Strengthening Regional Development and Cooperation in the Black Sea Basin: the Black Sea Basin Cooperation Programme

The main EU program addressing the Black Sea Region within the framework of the ENPI was the Joint Operational Programme „Black Sea Basin 2007-2013” (Black Sea Basin Programme).

Figure no. 2 The objectives of the Joint Operational Programme „Black Sea Basin 2007-2013.”

The objectives of the programme	to support regional transport cooperation and construction of new energy infrastructure,
	to facilitate the development of contacts between communities, cities, universities, cultural institutions, civil society organizations in the Black Sea region,
	to establish a strategic environment for cooperation, enhancing the implementation of multilateral environment agreements in the region,
	to support the cooperation between the countries in the region in the social, scientific fields, strengthening cross-border cooperation.

For reasons both social and economic, facilitated by the membership of 5 component states to the ENP and the Member State status of Romania and Bulgaria, the BSB 2007-2013 was supported financially by the EU under the instruments and mechanisms of ENPI and other external assistance. Added to these was the European Regional Development Fund as funding sources for the Member States.

In this sense, the regional activities of the European Bank for Reconstruction and Development, the European Investment Bank, and the Black Sea Trade and Development Bank (with the headquarters in Thessaloniki) offered different possibilities for the creation of common funding mechanisms.

Within this framework, there were eight participating countries: Armenia, Bulgaria, Georgia, Greece, Republic of Moldova, Romania, Turkey, and Ukraine. As already mentioned, the program was financed by the ENPI, while the Instrument finances the participation of Turkey for Pre-accession Assistance (IPA). The Black Sea Basin Programme had three top priorities and seven measures aiming to increase economic, social, environmental and cultural development in the Black Sea Basin region, the total budget of the program amounting to 38.5 million Euros (including co-financing of the participating countries). 62 projects have been approved for financing, of which 19 projects had been awarded under the first call for proposals and 43 projects under the second call for proposals. The contracting process of all applications ended on December 31st, 2013, the final deadline specified by the applicable regulations. These 62 projects received a total amount of 33,678,382.80 Euro (ENPI and IPA funds)

For the 2014-2020 programming period, EU has allocated a total contribution of 49 million Euros (ENPI+IPA) for the ENI CBC Black Sea Basin (BSB) Programme 2014-2020, meaning a 40% increase compared with 2013-2020 period. For the current EU intervention, The ENI CBC Black Sea Basin Programme' s aim is to achieve strategic objectives as the promotion of social inclusion and fight against poverty, the environmental protection, climate change adaptation and disaster and the accessibility to the regions, development of transport and communication networks and systems. We can also mention the fact that, according to the Partnership Agreement signed between Romanian government and EU Commission, the development of maritime potential (marine knowledge, protection of marine environment, Maritime Spatial Planning and Integrated Maritime Surveillance) may also be addressed through joint actions.

The idea of the ENI CBC Black Sea Basin Monitoring Committee is to increase the efficiency of the program, to maximize its impact via more focused objectives and streamlined procedures. The projects should be more result oriented, with stronger partnerships and local added value (as stated on the package of the Joint Operational Programme Black Sea Basin 2014-2020).

As a weak point of EU contribution to the development of the Black Sea Basin, one area that is not sufficiently covered by an integrative approach is the energy security of the region. There is a need for more coherence (at least in dialogue) among members states, as there is a visible heterogeneity in the dependence on Russia for gas (countries in the Black Sea basin and Central, Southeastern, and Eastern Europe are more dependent and create deep security vulnerabilities). Also, there are significantly different approaches to nuclear energy.

The same Black Sea region is pivotal regarding addressing the challenge of gas supply diversification for Europe as the main solution appears to be the geographic diversification of gas supply.

Therefore, an effective and efficient energy policy in the Black Sea region is part of a new, to be created, wider and more encompassing paradigm, because a safe and peaceful Black Sea area is vital for European energy security, and for the regional economic development.

5. Conclusions

A key instrument in a volatile part of the world, the Black Sea Synergy has the potential of becoming a source of peace and stability. There are however several elements to be mitigated:

- The capacity of the component states to shift from stable to unstable within a very narrow timeframe, particularly in political terms
- The infrastructural vulnerabilities, which cannot be solved without the funding from the EU
- The dependence on the EU financing
- The heterogeneous dependence on Russian gas
- The social and economic discrepancies between and within countries.

To be addressed via transnational cooperation and projects, on the success of these elements is also hinged the success of the EU as an active driver for change not solely for member states, but also for its neighbors.

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Section II

Regional Development, Integration and Globalization

Constructive Solutions in Achieving Sustainable Development Objectives

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Abstract

The 2030 Agenda for sustainable development adopted by the UN aims to encourage the efficient use of resources, by focusing on the modern technologies for protecting the environment during the farming process. World agriculture is under increasing pressure as a result of a complex of mutually reinforcing factors: the upward trend of world population, the inefficient use of scarce resources, the lack of concrete solutions that make agricultural production more efficient without affecting the environment. Food security has become a global priority, thereby, achieving the SDO's objectives will depend on the ability of nations to meet current challenges: climate change, biodiversity degradation, desertification or rural abandonment. Among the measures unanimously accepted as the basis of the global sustainable development strategy, we find: stimulating investments in agriculture in all developing countries, namely creating jobs and providing decent incomes (especially for young farmers), giving real support to small farmers by facilitating both partnerships and access to resources.

Key words: agriculture, SDO, investments, farmers, environment, resources

J.E.L. Classification: Q 01

1. Introduction

Despite the significant impact of technological progress on both agricultural productivity and global hunger reduction, currently 1 out of 9 people are undernourished and about 2 billion have nutrition problems, lacking the necessary nutritional value. Globally, access to resources is unevenly distributed, and this is why international organizations have adopted resolutions (UN 2030 Agenda, together with the Paris Climate Change Agreement COP21) in which they set major goals to fight inequities. By efficiently monitoring the production methods and the generated results in agriculture, also the management and environment protection systems along the entire distribution chain, an ultrasound of the current situation will be made as a premise for elaborating future strategies. The concrete measures applied today will generate the context of future generations. But what are these concrete measures that can make the difference between gloomy predictions and optimistic visions? This paper will outline some of the solutions upon which agricultural specialists agree to challenge in order to ensure food security. The fragile balance between needs -expressed by demand- and the resources -transposed into the offer- can be ensured through a unitary strategy that focuses on supporting the small farmer, through policies designed to facilitate the financing of the agricultural sector and also by creating new jobs, ensuring an attractive payment system for the small farmers and their employees, increasing accessibility to modern production methods which improve both labor productivity and return on investment. Developing public-private partnerships could be the cure solution for implementing many programs that, beyond the funding hurdle, would be useful to the final consumer, responding to market needs. Considering the actual context, there are plenty of indicators regarding global development which need to be improved in the years to come, to achieve the GDO's, as we can analyze in the table 1:

Table no. 1: Relevant indicators of global development

Global objective	Global Indicators	Relevant information and data	Year
Food Security	Population undernourished	11% (down with 2% comparing with the data collected between 2010 and 2012)	2014-2016
Income	Population living < \$1.90/ day (purchasing power parity)	This is a MDG indicator. 10.7% - compared with 12.4% in 2012, and 35% in 1990 (The World Bank Report, 2016)	2013
Water and sanitation	Population without access to an improved drinking water source	Globally, 1 in 10 people lack access to water- 10%. It is estimated that 663 million people are affected. (World Health Organization Report, 2015, p.15)	2015
	Access to sanitation	Between 1990 and 2015, the use of improved sanitation rose from 54% to 68%. The global target was established at 77%, so it was missed with 700 million people. ((World Health Organization Report, 2015, p.20) 1/3 of the world population lack access to a toilet (2.4 billion people). As incredible as it may sound, there are more people around the world owning a cell phone than people with access to a toilet!	2015
Health care	Population without regular access to affordable essential medicines	81% of developing countries have an updated EML – Essential Medicines List, in order to measure the access of their citizens to it. The rest of 19% need to establish or update the one they have. ¾ of the world's population lacks access to proper pain relief treatment, while almost 5.5 billion people have no access to medicines. In low and middle income countries (LMIC), availability averages of medicines are: 42% in public sector and 72% in private sector (Vandam, 2016, p.4)	2015
Education	Children not enrolled in primary and lower secondary school	Worldwide, a total of 121 million children and adolescents (61 million aged between 6 and 11 years old and 60 million aged between 12 and 14) aren't enrolled in school. This total is constant since since 2007. 78 million of these children live in GPE countries.(UIS GEM Report, 2016, p.2	School year ending in 2014
Energy	Population lacking access to electricity	According to WEO, in 2016 approximately 1.2 billion people, meaning 16% of the global population – did not have access to electricity, with 15 million less than the data collected in 2015.	
Gender equality	Employment gap between women and men in waged work (excluding agriculture)	According to Eurostat, in EU 28 (in 2015) women's gross hourly earnings were on average 16.3 % below those of men. In the euro area, the gap was smaller: 16.8%. Across member states, the gender pay gap varied from 5.5 % in Italy and Luxembourg to 26.9 % in Estonia.	2015
		Globally, in 2016, the average progress on closing the gender gap stands at a score of 0.683—meaning an average gap of 31.7% remains to be closed worldwide across the four Index dimensions in order to achieve universal gender parity (World Economic Forum Statistics)	2016

	Representation gap between women and men in national parliaments	According to Inter-Parliamentary Union, only 23.3% (Lower House: 23.4% and Senate: 22.8%) of all national parliamentarians were women as of 1 st of March 2017, an increase with 12% from 11.3% in 1995. So the gap is still important and it should be reduced in order to meet the GDOs.	1 st of March 2017
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Source: Adapted and updated starting from Raworth, K., 2015

Reducing the waste phenomenon, while enhancing resource consumption and protecting natural habitats, eradicating illegal deforestation, responsible water use, or using renewable energy will help increase agriculture's ability to respond to global food demand. Food security and sustainable agriculture have become priorities on the sustainable development agenda precisely as a result of the establishment and assumption of SDGs. They gradually address all the vulnerabilities that contemporary society faces, strong economic principles through which countries will manage to end poverty, protect the planet, and ensure prosperity for all their citizens. Specifically, the United Nations is pursuing the following goals: eradication of poverty and hunger (first two objectives) good health and well-being, education and gender equality, clean water and sanitation, affordable and clean energy, decent work and economic growth, industry, innovation and infrastructure, reduced inequalities, sustainable cities and communities, responsible consumption and production, climate action, life below water and on land (objective number 14 and 15) peace, justice and strong institutions and last but not least, the 17th objective, partnership in reaching mutual goals. Through a fruitful collaboration among the main actors: governments, civil society, economic agents and simple citizens, each of the 17 objectives aims to reach their precise targets over the next 15 years.

2. Concrete measures for sustainable agriculture

Ensuring food security as a primary goal for the safety of future generations can't be done in the absence of a global strategy based on the common pillars set by the 17 sustainable development objectives. Concrete measures and unitary actions are required to generate a steady change in the consumption rate of limited natural resources, caused by the consumerist habits of states (mainly developed countries, where food waste levels along the entire distribution chain reaches alarming odds). The concern of many debates and analyzes, the identification of concrete solutions that generate productivity while protecting the environment, ensuring decent incomes for small farmers and thus transforming agriculture into an attractive sector - especially for young people - is starting to work.

2.1 Focusing on the solutions for developing agricultural sector

There are five major priorities regarding the most useful solutions that could generate the global development of the agricultural sector: sustainable development by increasing investment in this sector, especially in developing countries; focusing financial support towards small farmers; Promoting smart nutrition by identifying innovative agricultural and food systems; Efficient resource consumption and environmental protection by eliminating the main damaging factors: habitat destruction, abusive deforestation and biodiversity degradation; The implementation of mutual and rapid communication systems for farmers and also, really useful, implementing a crop insurance system, so that the economic risks generated by climate change are minimized. The effectiveness of the measures outlined above will be bolstered by its implementation as part of a strategy. Thus, the results will become consistent only through an integrated approach, covering the whole range of farmers' needs. Next, I will thoroughly present the significant aspects of the solutions presented.

2.2 The need for increased investment in the agricultural sector

It is well-known that the gaps in development between states can't be met in the absence of consistent investment. Developing countries will be able to recover economic gaps by allocating additional funds to sectors with growth potential, including the agricultural sector. Public and private investment, both from domestic and external sources, must be channeled to the agricultural sector, so that production capacity is maximized. Unfortunately, recent trends in government spending are downward. Between 2001 and 2013, the agricultural orientation index, (share of agriculture in government spending divided by the share of the sector in GDP) declined with 32.5%, from 0.37 to 0.25. Except for the period between 2006 and 2008, when this index rose as a result of the food price crisis, the fall of agricultural spending has negatively influenced the agricultural index. (United Nation Report, 2016). With a well-developed strategy, with medium and long-term funding programs to encourage small farmers, providing them with access to modern technologies and sustainable farming techniques, improved results will be easily reached. Faced with the many current challenges, such as: increasingly aggressive climate change, price volatility, rural abandonment or desertification, the main alternative is agroecology. However, the reconciliation of the environment with agriculture can't be done without the development of small and medium farms, with an intensive diversification of their activity. Invariably, the goal of better funding is to produce high-quality food in sufficient quantities by permanently connecting farmers to market signals. Within the European Union, on the basis of the Common Agricultural Policy, Member States are encouraged to identify new methods of supporting agricultural sector. Although subsidies for farmers are not allowed, access to European grants and private public partnerships can generate outstanding results. Within the framework of constructive partnerships between the Government and the primary industries, intensive research activities (which support innovation) can be funded. In some very clear exceptions (supporting small businesses, promoting entrepreneurship, research, development and innovation, regional development, providing venture capital, job creation, protection of the environment), EU rules prohibit state aid (regardless of the type of aid: subsidies, loan guarantees, tax or interest exemptions) because it distorts competition. In the long term, innovation programs will generate superior agricultural output. Respecting the principles of sustainable agriculture, by implementing the latest innovations, farmers are able to increase the efficiency of chemical fertilizers by up to 50% and reduce nutrient losses considerably. Through intelligent funding of research and development programs, it is possible to achieve outstanding results also in terms of quality of food products. One such example is the New Zealand program, identifying a new and improved type of lamb. The program is called Omega Lamb and its goal is to meet a premium consumer demand: a much healthier lamb consumption with a high omega 3 fatty acid content. Granting responsible funding to projects that comply with environmental protection requirements, by conditioning the grant, will produce a paradigm shift in the mentality of farmers. A good example of success in this respect is Cadastro ambiental rural, a program from Brazil that has granted one-year temporary pardon to those who have illegally stolen. In this way about 400 million hectares have been verified and recorded, while about 4 million rural properties have realized the importance and effects that the lack of environmental protection can generate.

2.3 Small farmers, DNA of sustainable development

Invariably, the small farmer plays an essential role in the precise fulfillment of sustainable development objectives. The farmer and the problems he faces, starting with the lack of funding, with the difficult access to resources: seeds, modern techniques of ecological production, know-how for accessing non-reimbursable funds (funds needed to ensure both product quality and competitiveness), must represent the center of sustainable development policies. An essential role in maintaining food security is to ensure financial comfort for those who depend on the efficiency of the sector. Thus, raising farmers' incomes, sustaining productivity growth and trade liberalization are vital food security objectives, in the medium to long term. Intensive production is a challenge for small farmers, especially in the context of restrictive environmental protection. That

is why reaching the break-even point, as a small farmer, is more of a challenge and bankruptcy can become a reality for many. Thus, careful monitoring of sustainable land use at local level is required, as well as introducing the concept of precision farming. The management of agricultural land is based on natural variation, soil specificity, and not the administrative division of land. Increasing production can be achieved simultaneously with conservation and restoration of natural resources: water, air, soil fertility, biodiversity. However, the tension between farmers and international bodies, regarding the efficiency of cross-system services, is well-known. Thus, farmers are constantly demanding the reduction of environmental protection criteria, considering this will help in rising their profit margin. In reality, things are exactly the opposite, because the costs of restoring the affected land are significantly higher than those associated with prevention. Thus, farmers should be encouraged to return to eco-friendly farming practices as studies have shown superior crop yields. Increasing productivity, with firm respect for quality criteria, is largely determined by access to modern production methods. At the same time, increasing the attractiveness of the agricultural sector depends on the increase in income generated by this activity. In this sense, the liberalization of markets could be a determining factor in reducing price volatility.

3. The role of CAP in ensuring food security

Under the leadership of Jean Paul Juncker, the European Commission has placed a particular emphasis on protecting the environment by officially assuming environment friendly principles, in different documents adopted in the last years: the 17 GDOs, the Common Agricultural Policy, Paris Agreement under UN Framework Convention on Climate Change. The implementation of the CAP aims to ensure food security by encouraging the development of markets based on the principle of superior production in qualitative and quantitative terms, with an efficient consumption of resources. The whole strategy underlying the CAP is based on 3 principles: a) Ensuring the necessary food for the entire Europe, in both quantity and quality (safe food –by focusing on the implementation of traceability); b) Sustainable management of natural resources; c) Balanced development;

Around other 3 key objectives, complementary goals such as combating extreme poverty in rural areas, promoting research and innovation in agriculture, improving nutrition quality and eradicating hunger are being pursued. Among the suggested solutions we find crop diversification and permanent pasture maintenance, with an important role in water management, soil erosion, biodiversity and environmental and natural landscape conservation. The European farmer is thus obliged to become familiar with the compliance of a whole set of environmental rules, while respecting also quality standards. Why are these rules so important to acknowledge? In the EU the agro-food sector provides no less than 44 million jobs. The implementation of CAP aims at ensuring the food security of the entire continent, but the new challenges of the modern world must be taken into account. It is therefore necessary to restructure the CAP by introducing new objectives: sustainability and biodiversity. Increasing the profitability of the agricultural sector by improving competitiveness, by diversifying and sustaining rural entrepreneurship, will help to improve CAP results by generating new jobs and ensuring decent incomes for those involved. Equally, we must not abandon the classic objectives set in 2013. All this principles continue to be current: viable production, sustainable management of resources, balanced development. These are objectives whose implementation horizon is set for the coming years, as the cancellation of cleavages between different regions does not depend exclusively on the capacity to modernize the agricultural sector, but rather on the interconnection of different economic aspects such as the development of infrastructure and the degree of development that the business environment makes to reach - especially in rural areas. Investing in innovation and research in each of the less-favored regions will allow a gap recovery, a developmental uniformity. With a reform of the CAP payments system, farmers can be conditioned by the use of organic production to receive 30% of direct payments. At the same time, there are proposals for the possibility of introducing an additional criterion: farmers' commitment contracts, beyond the production unit criteria (number of hectares, number of animals held). These commitments would be set in the long run and would

reward farmers to encourage them to deliver public goods through compliance with the 17 ODDs. As such, a considerable increase in the budget associated with the implementation of the CAP could be imminent, given the complexity of modern challenges.

4. Conclusions

Current challenges require global coordination, thus international bodies play a fundamental role in drawing up common principles of sustainable development. Responsibility for ensuring food security is immense and the pressure between growing needs and depleted resources must be balanced by a joint effort and by measures to develop agriculture. At the molecular level, the small farmer can be supported so that his production respects both the environment and food quality criteria. The struggle against waste and the fair distribution of resources can annihilate the hunger phenomenon, yet worryingly developed for the level of technology and modernization that mankind today has access to. Solutions exist (as we have presented in this paper) and as expected, they are more about efficient fund management, prioritizing funding for programs that respect the drastic set of sustainable development criteria and putting the small farmer needs in the central point of the strategies. Also, there is an urgent need for a mutual political will and a concerted effort among states, the correlation of economic policies, the reform of the common agricultural policy at European level, in a word: adapting to the new challenges of this millennium.

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The Quality of Life in Romania Viewed from the Perspective of the Sustainable Development

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Abstract

Sustainable development has become a focus both at a world and at an international and national level, in the context of population growth and, implicitly, consumption growth. Sustainable development aims at ensuring a balance between environment preservation and protection, life quality and economic growth. One of the most important aspects refers, of course, to protecting the most important resource, i.e. human resource. To this purpose, the hereby work aims at analysing a range of indicators, thus outlining a strategic direction regarding possible areas of intervention in human capital development.

Key words: sustainable development, human resource, sustainable development indicators, strategy.

J.E.L. Classification: I00

1. Introduction

The interest for sustainable development dates back to 1970, when environmental issues and the concerns for protecting it from human action were dealt with by international conferences. Human activities, life quality, safety, health and economic balance largely depend on resources and on the environment. The initial definition was asserted by the World Commission on Environment and Development in the report "*Our Common Future*" or the Brundtland report: "Sustainable development is the one aiming at satisfying present needs without compromise to the possibility of future generations of satisfying their own needs". (Report of the World Commission on Environment and Development: *Our Common Future*). The concept of sustainable development harmoniously combines a range of elements, based on providing a balance between the social, economic and ecological dimension.

The social dimension mainly refers to life quality, living standards or equity; the economic dimension includes a range of economic indicators that validate growth or efficiency, while the ecological side fights to prevent pollution, protect human resources and biodiversity. Development is generally considered to be sustainable if it is based on the three dimensions: social, economic and ecological.

Sustainable development has acquired an outstanding importance in the latest years, becoming a key goal of the European Union. A strategy focusing on sustainable development and starting from the combination of several indicators has been outlined at the EU level. Some of the most representative are: sustainable transport, public health, social inclusion, climate change, socio-economic development, demographic changes, natural resources, sustainable consumption and production.

The article presents three of the most important indicators of sustainable development (social inclusion, demographic changes, public health) in Romania. The study provides an overall image of our country in terms of the previously mentioned indicators, dealing with aspects such as life expectancy, the employment rate for people aged 55-64 or the status of persons facing poverty or social exclusion.

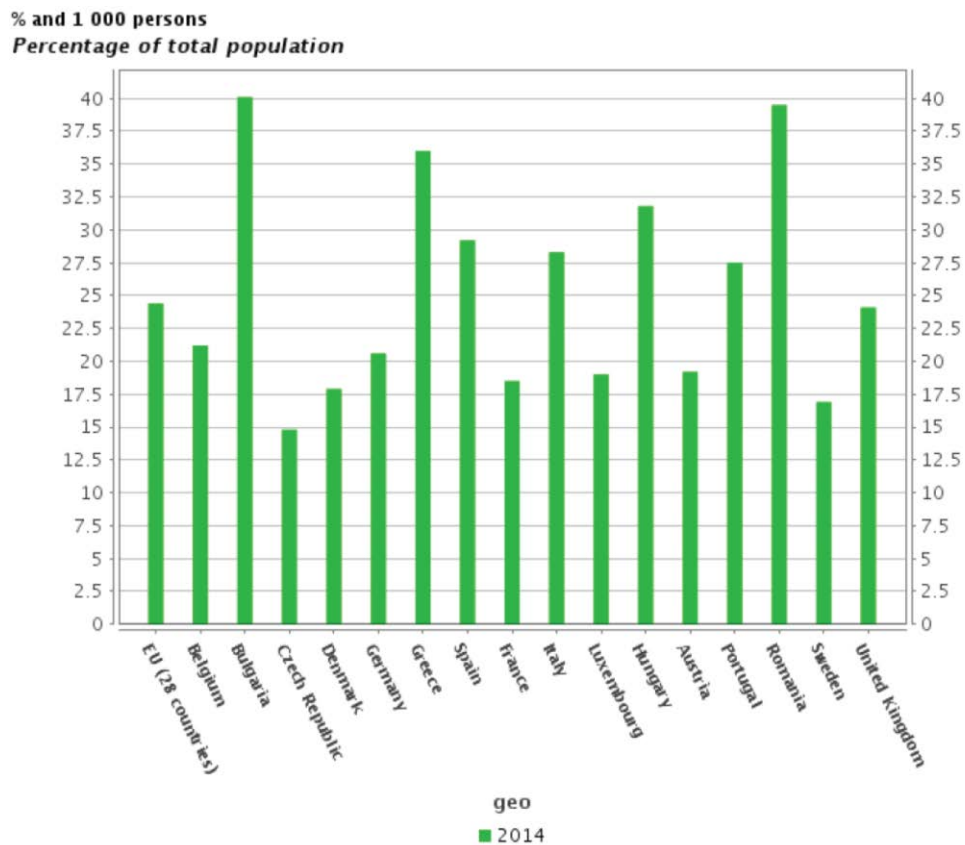
For a more relevant approach, we have also chosen other EU countries, representative for each region, with reference to the EU average for each criterion.

2. Social inclusion

The Europe 2020 Strategy promotes social inclusion, with the main target of at least 20 million people leaving poverty and, hence, reducing the social exclusion risk. A person falls within this category if s/he meets at least 4 of the following 9 criteria simultaneously: s/he cannot face unexpected expenses, s/he cannot pay rent or utilities, s/he cannot afford to maintain a suitable temperature in the house, s/he cannot afford to eat meat, fish or any other equivalent protein once every two days, s/he cannot buy a car, s/he cannot buy a colour TV, a phone, a washing machine and s/he cannot pay for a week of holiday outside the residence.

As for the social exclusion risk, according to Eurostat, Romania has a 39.5 percentage, much higher than the EU average (24.4). A similar situation is seen in Bulgaria (40.1), Greece (36) or Hungary (31.8). The opposite is valid for states in Central and Northern Europe, as well as Western Europe (Sweden - 16.9, Austria - 19.2, Luxembourg - 19, France - 18.5, Germany - 20.6, Denmark-17.9, Czech Republic - 14.8, Belgium - 21.2).

Figure no. 1. People at risk of poverty or social exclusion



Source: Eurostat

Social inclusion is dealt with by many national strategies; a very significant step to this purpose is the Sectoral Operational Programme "Human Resource Development 2007-2013", approved in 2007. Such a programme provides for the development of social economy structures likely to facilitate the access of vulnerable groups to the job market. Statistics show that the adoption of such measures may create up to 5,000 jobs, while the number of participants in qualification programmes may rise up to 150,000.

2.1. Poverty rate after social transfers

Poverty rate calculated as a ratio of total population in 2004-2013 indicates a negative image of Romania, confirming its modest position within the EU as well. We should remark that the trend is ascending: if poverty rate was 17.9 in 2004, it would reach a peak (24.8) in 2007 and stabilize at 22.4 in 2013. Another aspect to remember is that 2007, when Romania accessed the European Union, is the year when poverty is highest. The years following the accession to the EU are not better either; improvements are almost imperceptible, though one of the most significant indicators in the EU strategy refers to poverty reduction.

Table no.1. Poverty rate

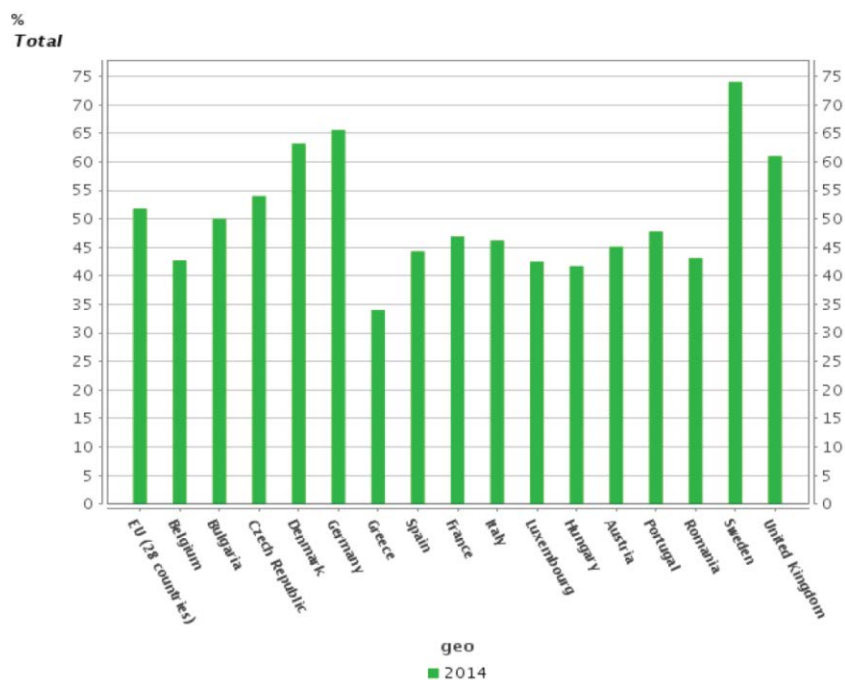
YEAR	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total persons	17.9	18.2	18.6	24.8	23.4	22.4	21.1	22.2	22.6	22.4

Source: National Institute of Statistics

3. Demographic changes

The employment rate of elderly people is calculated as a ratio between the number of people aged 55-64 who have a job and the total population of this age segment. Employed population is that category which, at the moment when the study was drawn up, performed an activity for salary or profit for at least one hour a day or which did not work, but was on a leave from the job during the reference period.

Figure no. 2. Employment rate of older workers



Source: EUROSTAT

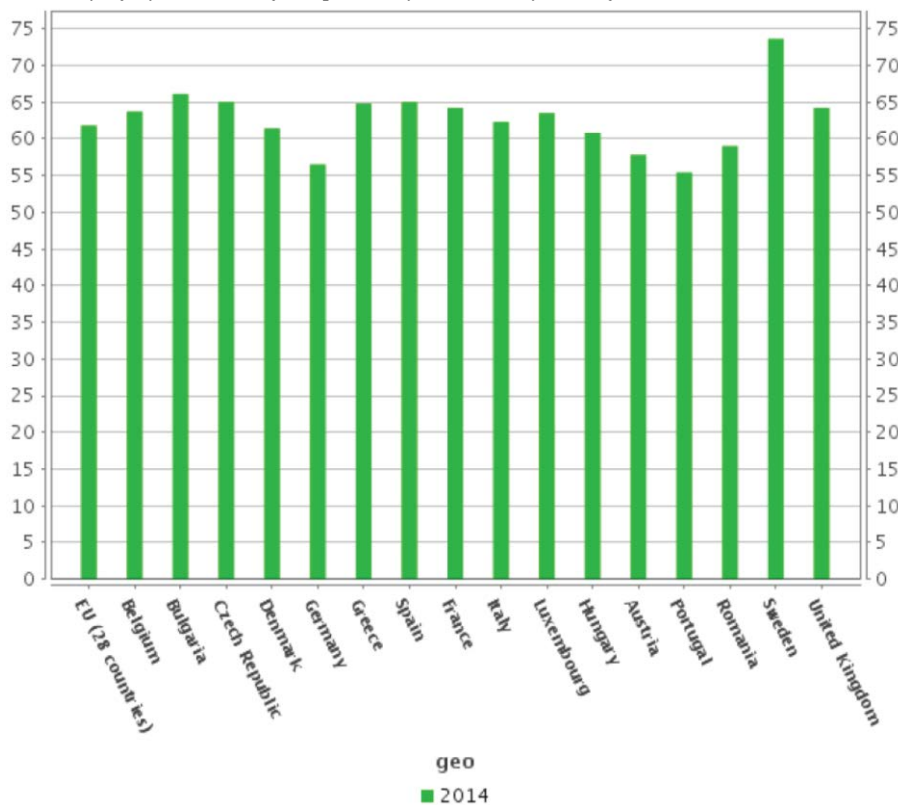
As for the employment rate of elderly people, Romania is still placed under the EU average (51.8), with 43.1%. The same happens in countries such as Portugal (47.8), Hungary (41.7), Italy (46.2), France (46.9), Spain (44.3).

The opposite is seen in Germany (65.6), Czech Republic (54), Denmark (63.2). In most cases, the low percentage is due to the health conditions, which results in early retirement for disease. To this purpose, two other indicators with a direct effect on the employment possibility should be analysed, i.e. life expectancy and life duration in a context of health. Another recommendation would be for persons who reach the retirement age to remain active if possible and if they want to pursue the activity.

4. Public health

The HLY (Healthy Life Years) indicator measures the years a person lives in a context of health. Good health conditions refer to the absence of any disabilities. It is also referred to as disability-free life expectancy (DFLE). The indicator is calculated separately for women and men.

Figure no. 3. Healthy life years and life expectancy at birth, by sex – females

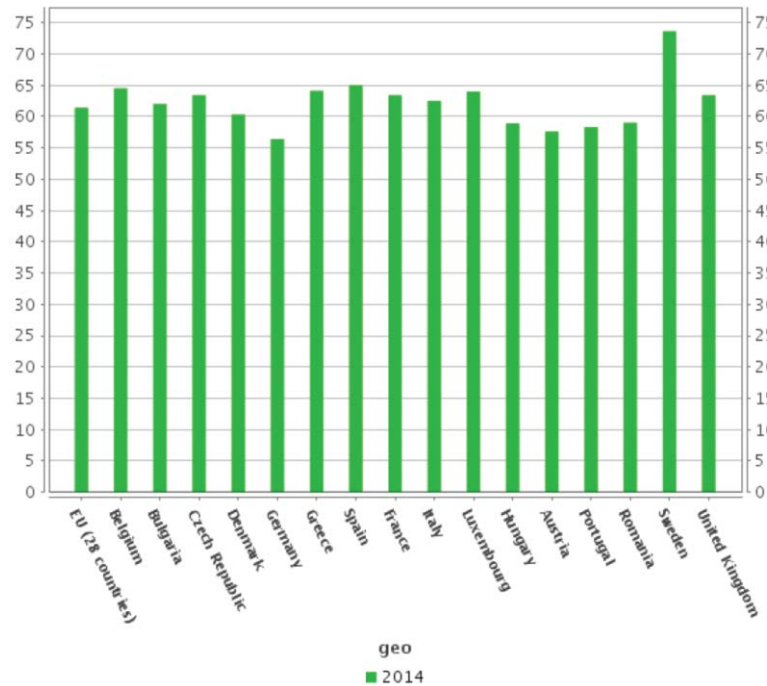


Source: EUROSTAT

As for the HLY indicator for women, Romania indicates an age of 59 years as the limit for living in health conditions, also below the EU average (61.8). Countries with a lower age than Romania are: Portugal - 55.4, Austria - 57.8, Germany - 56.5, while all other countries have a higher age: Great Britain - 64.2, Sweden - 73.6, Luxembourg - 63.5, Italy - 62.3, Ireland - 67.5, even Bulgaria - 66.1.

As for men, the situation does not change in Romania: men have a life expectancy of 59 years in conditions of health, just like women. The leader in the EU is also Sweden - 73.6, followed by Ireland - 66.3, Spain - 65, Belgium - 64.5, Greece - 64.1, Luxembourg - 64, France - 63.4. Lower values than Romania are seen in Portugal - 58.3, Austria - 57.6, Hungary - 58.9, Germany - 56.4.

Figure no.4. Healthy life years and life expectancy at birth, by sex- males

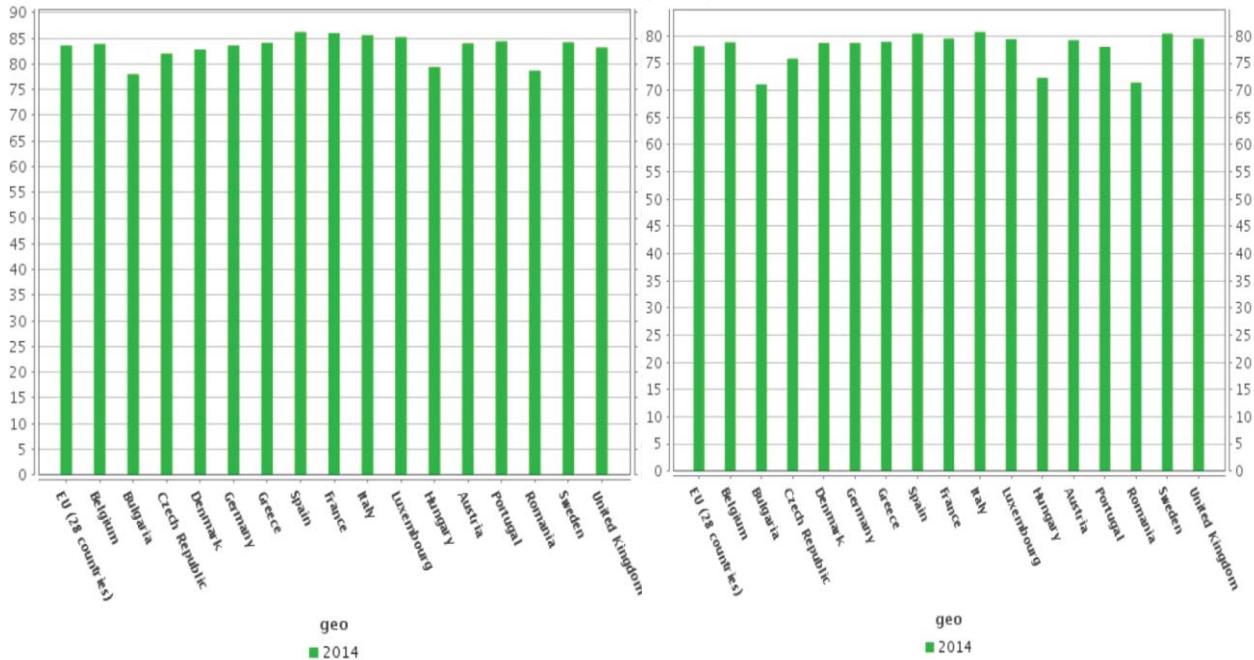


Source: EUROSTAT

4.3. Life expectancy

Life expectancy as of birth is defined as the average number of years a person lives since s/he is born, if exposed to current mortality conditions along his/her life. This indicator is also calculated separately for women and men.

Figure no.5. Healthy life years and life expectancy at birth, by sex –female vs males



Source: EUROSTAT

Life expectancy for men in Romania is much lower than that of women, with statistics showing a difference of almost 7 years (71.4), and a EU average of 78.1. Only Bulgaria has a lower lifetime than Romania (71.1). A smaller difference is seen compared to Hungary (72.3), while countries such as Great Britain (79.5), Sweden (80.4), Portugal (78), Luxembourg (79.4), Italy (80.7), France (79.5), Spain (80.4), Denmark (78.7) are visibly farther away, above the EU average.

Life expectancy for a woman in Romania is 78.7 years, under the EU average of 83.6. For the group of analysed countries, only Bulgaria has a lower life expectancy for women than Romania (78). The other countries are better off than Romania, and some even exceed the EU average: Spain 86.2, France 86, Italy 85.6, Luxembourg 85.2, Sweden 84.2 and Great Britain 83.3, Hungary 81. Eurostat data reveal a troublesome situation, with negative effects in the long run. Thus, national forecasts suggest a considerable decrease, as the population of Romania will reach 20.8 million in 2020 and 19.7 million in 2030.

We may think that this data is actually optimistic since it does not take into account the possibility that migration would increase even further, resulting into a vertiginous decrease of population in the years to come. A somewhat darker forecast combines the natality rate with migration effects, so that Romania might reach 18.6 million inhabitants in 2030. Generations after 1989 will strongly feel the burden of these effects, as they will represent the active and, implicitly, productive segment of population.

5. Conclusions

Sustainable development is a very important indicator for assessing gaps between EU member states, as well as a method to assess life quality. To this purpose, Romania should align its strategy to that of the European Union and implement a value added-generating development plan.

Considering the elements presented for each indicator, we may state that drawing up a strategy on the population of Romania should be a priority for the recovery of natality, the reduction of mortality, the increase of average lifetime and an enhancement of the health state.

Therefore, a suitable healthcare system should be developed for elderly people, and those in the rural environment should also benefit from such a system, along with an ever more intense development of information campaigns on sports activities and balanced nutrition.

Another most significant aspect refers to workers who have reached the retirement age, but they want to keep working, thus helping balance the dependency ratio in the pensions system. Last but not least, the migration phenomenon should be mitigated, since it will enhance the decrease in Romania's population in the long run, with negative effects on all the fields of social and economic life.

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Prospects of Development of the Transit Function of Georgia under the Conditions of Globalization

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Abstract

The purpose of our research is to analyze the effectiveness of transit potential of Georgia for the sustainable development of the country's economy in terms of globalization and to evaluate the role of transport infrastructure in the field of transport. The object of the research is a transit function, transport infrastructure and an added value in transport system. The main method of the research is correlation-regressive analysis, assessment of value added in transport system and its share determining in GDP. The conclusion of the research indicates that the development of the transport industry will cause synergistic effect to accelerate development of other prospective sectors.

Key words: Transit potential, transport infrastructure, an added value

J.E.L. Classification: F61, F63, H54

1. Introduction

Georgia is not distinguished by the diversity of the strategic natural resources, though it has favorable transportation geographical location, granting it the transit function of strategic importance. Growth of the transit potential serves as one of the directions for the strategic development of the country, which supports trans-economic activities in the future. Our county represents a natural hub for the Caucasus and Central Asia. Though, still developing infrastructure and low competitiveness of transportation system does not enable it to fully apply the aforementioned potential.

One of the main problems of existing transportation infrastructure lies within the fact that it is devoid of the networking effect. Due to deficiency of the infrastructure related to various transportation means the energies are not fully utilized in transportation and logistics. Hence, it is necessary to ensure systemic development of transportation and logistical infrastructure, making transportation corridor passing through Georgia more competitive and acquiring the image of effective transit corridor for the country.

2. Transit potential in Georgia

A particular focus is made on the role of the railway transportation in the development of the transit function and the potential of transporting the oil from Turkmenistan in the work, which is of significant importance for raising competitiveness of Georgia. As the result of analyzing statistical data of the railway transportation it was clarified that the share portion of the transit cargos in the total volume of the cargo transportation (38% liquid and 18,2 % dry cargos) significantly exceeds the analogous indicator of the local cargos (2,2 % liquid and 14.7% dry cargos).

Despite the fact that during 2015-2011 total volume of the railway transportation was characterized by the tendency for decrease (with almost 30%), 56% of the total volume comes on the transit cargos. The above-mentioned type of high indicator in strengthening the transit function indicates at the importance of the railway transportation. It is also noteworthy that JSC "Georgian Railway" represents one of the largest corporate employers in the country, currently employing 12.966 people, an average salary of which comprises 955 Gel; besides this, the salary is basically fixed and is not dependent on the volume of the transportations.

Table no. 1 Freight transportation volume by destination

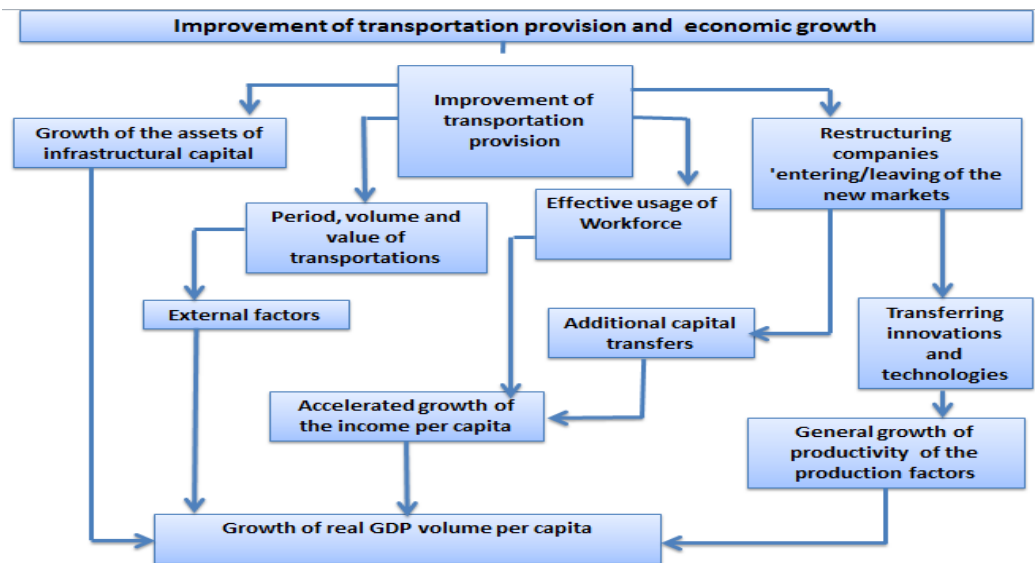
	Million tons					Percent				
	2015	2014	2013	2012	2011	2015	2014	2013	2012	2011
Liquid cargoes	6.7	7.5	9.1	9.5	10.5	47.7%	45.1%	50.0%	47.2%	52.0%
Transit	5.4	6.3	7.9	8.2	9.2	38.0%	37.7%	43.5%	41.1%	45.5%
Export	0.0	0.0	0.1	0.0	0.0	0.2%	0.3%	0.3%	0.2%	0.2%
Import	1.0	1.0	0.9	0.9	0.9	7.3%	5.7%	4.9%	4.4%	4.4%
Local	0.3	0.2	0.2	0.3	0.4	2.2%	1.4%	1.3%	1.5%	1.8%
Dry cargoes	7.4	9.2	9.1	10.6	9.7	52.3%	54.9%	50.0%	52.8%	48.0%
Transit	2.6	3.2	3.3	3.9	3.4	18.2%	19.3%	18.0%	19.3%	17.0%
Export	1.1	1.6	1.7	1.7	1.5	7.6%	9.5%	9.2%	8.3%	7.7%
Import	1.7	2.0	1.9	2.4	2.0	11.8%	12.1%	10.2%	11.9%	10.2%
Local	2.1	2.3	2.3	2.7	2.6	14.7%	14.0%	12.6%	13.3%	13.1%
Total	14.1	16.7	18.2	20.1	20.1	100%	100%	100%	100%	100%

Source: http://www.railway.ge/files/q12012/annual_report_2015.pdf

Mastering mineral fossils in the Middle Asia and the process of increasing economic growth in the region will further increase total cargo turnover in the countries of Middle Asia and Transcaucasia, relevantly the number of the cargo to be transported via Georgia will be increased. As under the condition of fierce competition it is not difficult to search alternative routes of transportation, hence it is desirable for the Government of Georgia to offer competitive tariffs for transportation of the cargo to the abovementioned countries, as well as increased speed, high level of trust and simplicity of transportation service, which will be ensured by the Railway, Automobile and Maritime transport of Georgia in a complex way. Developed transportation system serves as a necessary pre-condition for social-economic development of the country; whereas the link and interrelation between transportation field and economic growth is rather close.

There are diversified approaches in relation to which is the primary: economy (represented with the structure of economic system and proportions), which has an impact on the transportation field or the transportation field which stimulates the economy. To say in another way, is economic growth generated by the investment in the transportation sector or economic growth results in growth of the investment in the transportation infrastructure? Some authors pay a particular attention on the number of the employees while investing in the infrastructure of separate regions, whereas for other authors it would be more interesting to receive benefit through development of the transportation field. In any case it is clear that well-developed economy correspondingly requires well-developed transportation system.

Figure no. 1. Multiple links existing between transportation and economic growth



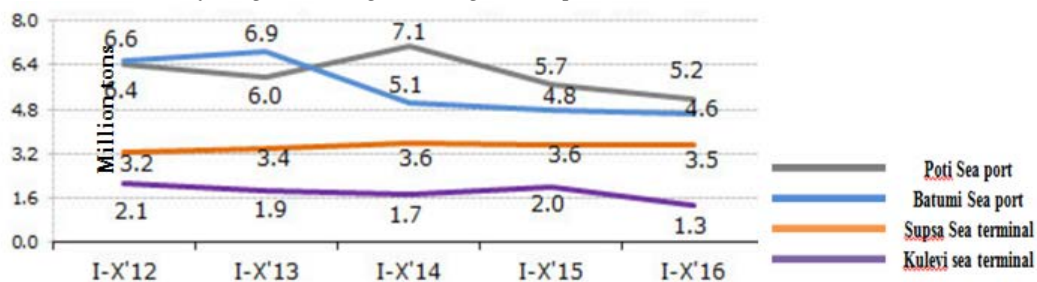
Source (adopted from Sherbanin I. 2011)

Multiple links existing between transportation and economic growth is reflected on the scheme. Development of the transportation network contributes to generating consecutive positive effects. In particular, improvement of the transportation provision on the one hand supports growth of the infrastructural capital, companies' entering/abandoning of bigger markets, more effective application of the workforce, which on its way will be positively reflected on the real volume of the Gross Domestic Product, growth of the employed population, reduction of producing the products and value of distribution, etc. Development of the transportation serves as a pre-condition for expansion of the commerce and intensification of the competitiveness of the economic regions. Similar development is observed in parallel to the economic growth, whereas growth of transportation sector influences on the number of the employed and their income growth.

The investments in the transportation infrastructure is actually always considered to be as a forerunner of the economic growth, as a stimulus for forming a demand, which to certain extent contributes to the development of the economic development. The investments result in reduction of the final price of the goods though reducing the expenses on the transportation meters and play a significant role in reducing the level of economic disproportions between the regions, increasing competitiveness for accessing new markets, having influence on migration of the workforce, specialization and cooperation, as well as on reduction of the value for registering the cargos in internal and external logistic systems of the country.

Georgian transportation infrastructure cannot be imagined without development of the sea ports.. Access to the Black Sea enables Sea Ports of Georgia to perform the function of regional transit center and increase their portion in the transit cargos. This serves as one of the priority of the country, though the above-mentioned strong side is not effectively applied, being indicated by the dynamics of the cargo transportation in the Sea Ports of Georgia.

Table no. 2 The volume of cargo handling at Georgian sea ports and terminals



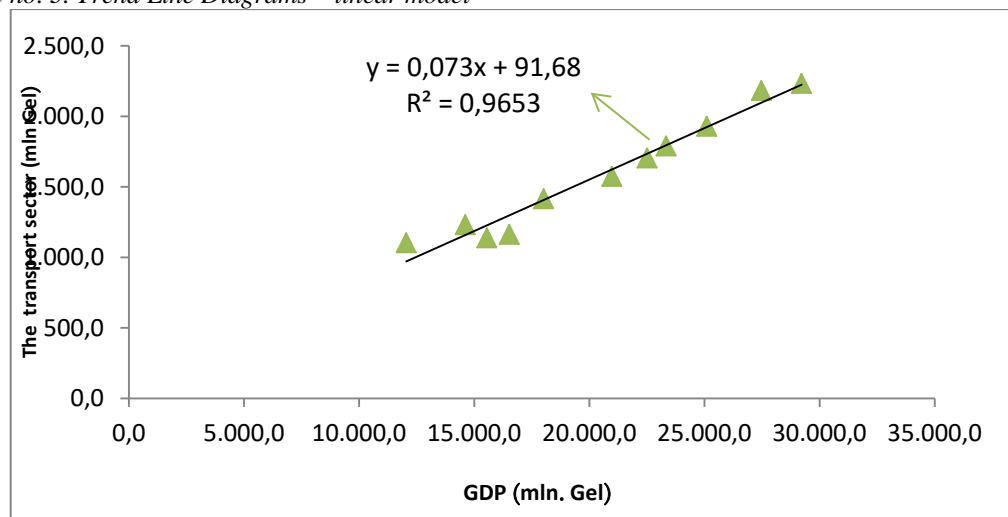
Source: <http://www.economy.ge/ge/economic-data/transport>

As we see, the number of the cargos processed in sea ports and terminals are characterized by the reducing tendency. E.g. by the data of I-X months of 2016 the volume of the processed cargo at Batumi Sea Port was decreased with 33% in comparison with 2013. Currently, lack of cargos is observed at Batumi Sea Port, which could be resulting from already-changed and ineffective management of strategically important enterprise for the country. It is recommended that the development of the ports to be proportionally relevant with other transportation infrastructure of Georgia.

In view of this, we think that it is possible to creating maritime logistic clusters in Georgia in the future. Sea Port as a generator of cargo stream will connect the circles constituting transportation-logistical chain of the supply with each other. In this form it represents the cluster, the port –being its core. The aim of forming a port cluster is to increase competitiveness of the transportation knot.

Forecasting indicators for increasing oil extraction in the Caspian Sea region are rather impressive. The data provided that oil extraction forecast is considerably increased and for 2030 it will reach 5.7 barrel per day. Passing the above-mentioned volume of oil is only possible through currently existing pipeline, whereas a part of it can be passed though the railway, from Georgia Sea Ports. Unless maritime infrastructure of Georgia is unprepared for the above-mentioned process, the cargos shall be distributed on other alternative directions.

Figure no. 3. Trend Line Diagrams – linear model



According to the size of correlation coefficient we can debate about linear dependence of added value indicators for the field of transportation with result indicator of Gross Domestic Product.

As seen from the Figure no. 3, added value formed in the field of transportation ($R^2=0,9653$), it is noteworthy that closer is the correlation coefficient with 1, it further indicates on leaner correlation of this statistically received two indicators.

As shown by the mode, growth of the added value in transportation with 96,53% will further lead to growth of Gross Domestic Products in the forecasting period or vice versa.

For forecasting expected outcomes in the economy a model of exponential regress is often used, being described with the following equation $y = be^{mx}$. The meaning of exponential trend can be forecasted with the help of the **GROWTH function**. Forecasting of the expected results can be made in the transporting for the years of 2017, 2018 and 2019.

The results received though applying the function GROWTH is provided in the table no. 2. In 2014-2016 transport sector is not distinctive by rising of the rate and is marked by unstable data of the noted indicators. According to the proposed developed model in the forecast period of 2017, 2018, 2019 rate of increase of added value, transport sector is also distinctive by rapidly rising dynamics.

Table no.2. The results received though applying the function GROWTH

YEARS	Transportation (Million GEL)
2006	1 102,8
2007	1 231,2
2008	1 162,5
2009	1 138,0
2010	1 415,1
2011	1 573,4
2012	1 703,9
2013	1 789,2
2014	1 928,9
2015	2 181,7
2016	2 233,2
2017	2 436,7
2018	2 630,7
2019	2 840,1

Therefore, development of the transportation infrastructure represents a main objective for the Georgian economy, on which all other economic measures and achieved successes are to be based on. The transportation infrastructure represents a basis which will result in raising economic attractiveness of the country, better regional and international integration of Georgia, as well as improvement of the investment environment within the country. It is necessary to take complex measures for removing the factors (undeveloped infrastructure, low service quality and high prices), preventing from transportation development.

3. Conclusions

The role of transit corridor gives Georgia the function of international importance and enriches it with far more opportunities for sustainable development. That's why utilize of this chance is so important. The specific sectorial challenges for integration of Georgian regional and global economy are:

- the following: to use strategic location of Georgia as a transit corridor between central Asia and Europe to create additional values in economic.;
- To develop logistic sector according to the western standards
- To contribute participation of private sector in transport infrastructure for the improvement of effectiveness, service quality, access of distance zones, communications and long-term financial state with the reform of regulation spheres.

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The Importance of European Capital Markets Union for the Romanian Companies

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Abstract

This paper analyzes the possible impact of European Capital Market Union on the development of Romanian economy. It discusses also the actual size of Romanian capital market, the evolution of it between 2014 and 2016 and the harmonisation of Romanian legislation to European Community aquis regarding the capital market. Another topic is the access of Romanian companies to different sources of financing such as: internal funds, from banks and non-bank financial institutions and from Romanian capital market in period 2014 - 2016. Romania is a country with an undeveloped capital market and Romanian companies will benefit from cross-border financing from European Capital Markets Union if the implementation of this union will succeed in European Union.

Key words: Capital Markets Union; European Union; economy; financing

J.E.L. Classification: F33, F36, G15

1. Introduction

The Capital Markets Union (CMU) is a plan adopted on 30th September 2015 by the European Commission with the purpose to mobilize capital in Europe. It will channel it to all companies, including small and medium-sized enterprises (SMEs), and infrastructure projects that need it to expand and create jobs. By linking savings with growth, it will offer new opportunities for savers and investors.

The Capital Markets Union is a new frontier of Europe's single market the completion of which is due to extended from 2015 to 2019.

Deeper and more integrated capital markets will lower the cost of funding and make the financial system more resilient. All 28 Member States of the European Union (EU) will benefit from building a true single market for capital.

The free flow of capital was one of the fundamental principles on which the European Union was built. Despite the progress that has been made over the past 50 years, Europe's capital markets are still relatively underdeveloped and fragmented. The European economy is as big as the American one, but Europe's equity markets are less than half the size, its debt markets less than a third. The gap between Member States is even bigger than that between Europe and the US. More integrated capital markets will lead to efficiency gains and support Europe's ability to fund growth.

The European Commission presented in paper *Action Plan on Building a Capital Markets Union* the importance of Capital Markets Union. In this case stronger capital markets will complement Europe's strong tradition of bank financing, and will:

- **Unlock more investment from the EU and the rest of the world:** Capital Markets Union will help to mobilise capital in Europe and channel it to all companies, infrastructure and long term sustainable projects that need it to expand and create jobs. It will provide households with better options to meet their retirement goals.
- **Better connect financing to investment projects across the EU:** Member States with small markets and high growth potential have a lot to gain from a better channelling of capital and investment into their projects. Member States with more developed capital markets will benefit

from greater cross-border investment and saving opportunities.

- **Make the financial system more stable:** integrated financial and capital markets can help Member States share the impact of shocks. By opening up a wider range of funding sources, it will help to share financial risks and mean that EU citizens and companies are less vulnerable to banking contractions. Furthermore, more developed equity markets, as opposed to increased indebtedness, allow for more investment over the long term.
- **Deepen financial integration and increase competition:** more cross-border risk-sharing, deeper and more liquid markets and diversified sources of funding will deepen financial integration, lower costs and increase European competitiveness.
- **Enhancing the capacity of banks to lend.** As lenders to a significant proportion of the economy and intermediaries in capital markets, banks will play a central role in the Capital Markets Union. Banks have strong local relationships and knowledge: bank lending will continue to be the main source of funding for many businesses alongside capital markets.

In this sense, the Commission will:

- Revitalise simple, transparent and standardised European securitisations to free up capacity on banks' balance sheets and provide access to investment opportunities for long term investors;
- Explore the possibility for all Member States to benefit from local credit unions to operate outside the scope of the EU's capital requirements rules for banks;
- Assess whether and how to build a pan-European covered bond framework, building on national regimes that work well, and explore the feasibility of similar funding tools for SME loans.

Put simply, Capital Markets Union will strengthen the link between savings and growth. It will provide more options and better returns for savers and investors. It will offer businesses more choices of funding at different stages of their development.

(European Commission, 2015, p.3)

2. The evolution of the Romania's capital market between 2014 and 2016

The Romanian capital market, which is one of the smallest market in European Union compared to the country's size, was characterized in period 2014 - 2016 by a low volatility, excepting the period between January and February 2016, due to the turbulence of the financial markets from China, and in June 2016 when was expected the result of Great Britain' referendum. (Financial Stability Authority, 2016).

The total amount of transactions carried on by the Bucharest Stock Exchange (BVB) and Alternative Trading System (ATS), which is a part of BVB recorded a decreasing from year to year between 2014 and 2016, from 14.424.168 mil ron in 2014 to 12.156.263 mil ron in 2015 and to 11.250.787 mil ron in 2016. (see Table no. 1 and Figure no. 1)

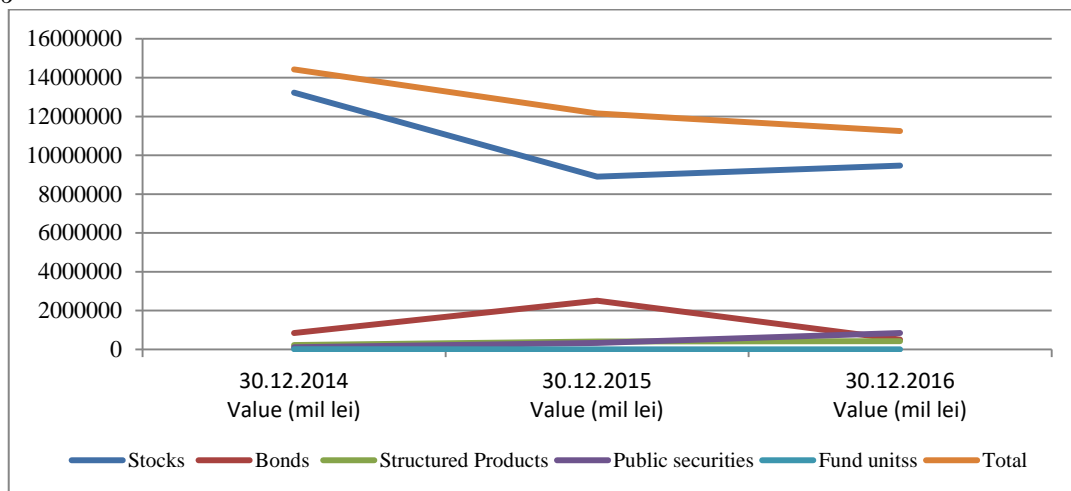
At the same time the number of transactions diminished from a year to another in analyzed period. (see Table no. 1 and Figure no. 2)

Table no. 1 The structure of the Bucharest Stock Exchange and of the Alternative Trading System transactions between 2014 and 2016, upon the value of each instrument component

Instrument	30.12.2014			30.12.2015			30.12.2016		
	Number of transactions	Value (mil lei)	%	Number of transactions	Value (mil lei)	%	Number of transactions	Value (mil lei)	%
Stocks	860.333	13.229.475	91,7%	716.902	8.897.383	73,19%	706.508	9.465.811	84,13%
Bonds	245	842.102	5,8%	535	2.509.441	20,64%	783	506.068	4,50%
Structured Products	197.177	227.807	1,6%	299.750	406.304	3,32%	247.613	427.910	3,80%
Public securities	148	113.608	0,8%	1.535	338.373	2,78%	23.107	846.873	7,53%
Fund units	3.572	11.176	0,1%	2.320	7.762	0,06%	2.364	4.125	0,04%
Total	1.061.475	14.424.168	100,0%	1.021.042	12.156.263	100,00%	980.375	11.250.787	100%

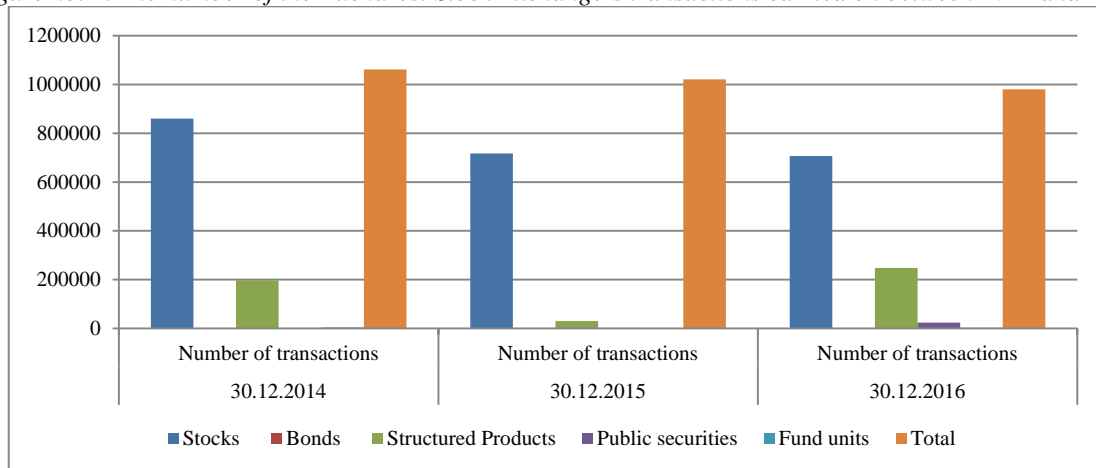
Source: Financial Stability Authority (2015, 2016)

Figure no. 1. The evolution of the volume of the Bucharest Stock Exchange's transactions between 2014 and 2016



Source: Financial Stability Authority (2015, 2016)

Figure no. 2. The number of the Bucharest Stock Exchange's transactions carried on between 2014 and 2016



Source: Financial Stability Authority (2015, 2016)

In structure, the evolution of the volume of different types of instruments carried on the BVB in period 2014 – 2016 are presented in Table no.1 and in Figure no.3.

The transactions with stocks, which had held in all years the important percentage in total transactions with more than 73%, recorded a variation between 2014 and 2016, decreasing from the value of 13.229.475 mil ron (91,7% in total transactions) registered in 2014 to 8.897.383 mil ron in 2015 (73,19% in total transactions), then in 2016 grew to 9.465.811 mil ron (84,13% of total transactions).

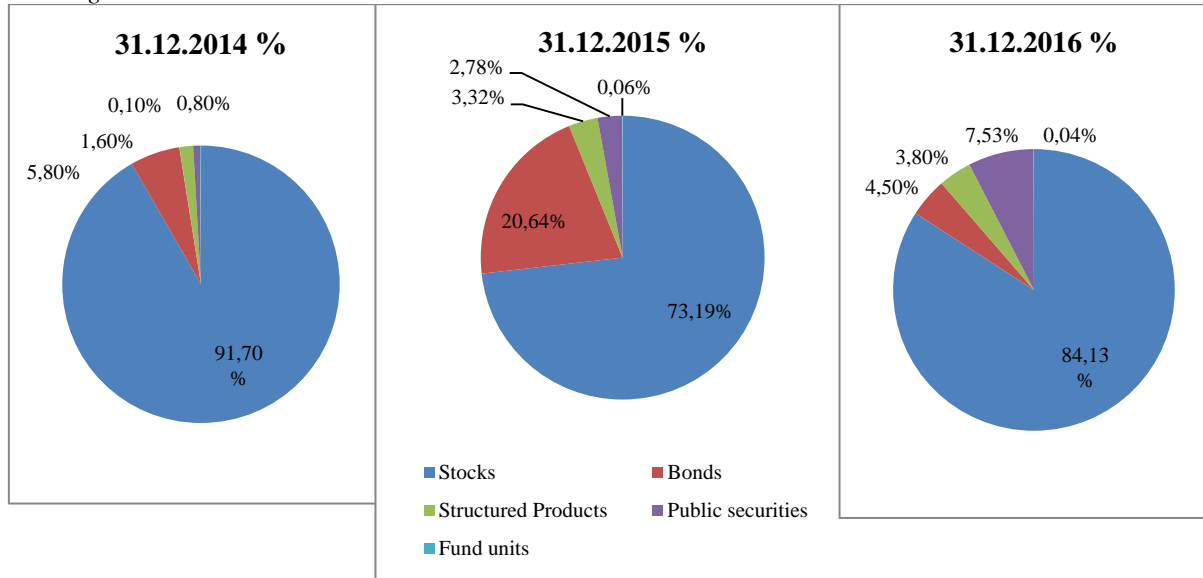
The transactions with bonds recorded a fluctuation trend, increasing from 842.102 mil lei (5,8% of total transactions) in 2014 to 2.509.441 mil ron in 2015 (20,64% of total transactions) and finally decreasing with more than 80% at 506.068 mil lei (4,50% of total transactions) in 2016.

The structured products scored an upward path from a year to another upturning from 222.807 mil lei (1,6% of total transactions) in 2014 to 406.304 mil ron in 2015 (3,32% of total transactions), almost doubling the value and the share in total deals and in 2016 increasing just with 5% at 427.910 mil lei (3,80% of total transactions).

The transactions with public securities registered a pick up trend, doubling their value, from a year to another, from 113.608 mil ron (0,8% of total transactions) in 2014 to 338.373 mil ron (2,78% of total transactions) in 2015 and finally to 846.873 mil ron (7,53% of total transactions) in 2016.

The fund units recorded a downward path from a year to another and had a percentage of under 0,1% of total transactions in all years (their value decreasing from 11.176 mil ron in 2014 (0,1% of total transactions), to 7.762 mil ron in 2015 (0,06% of total transactions) and to 4.125 mil ron in 2016 (0,04% of total transactions)).

Figure no. 3. The evolution of the weight of each instrument in total transactions of Bucharest Stock Exchange carried on between 2014- 2016



Source: Financial Stability Authority (2015, 2016)

In order to implement the harmonization of legal regulations regarding the capital markets union the important reforms on the capital market taken by Romanian's policy makers were as follows:

- in 2014 was initiated the STEAM (Set of actions Towards Establishing and Acknowledgment of the emerging Market status) project which is based on a programme with a set of objectives that aim to eliminate the shortcomings that still keep Romania in the frontier markets area. Financial Stability Authority's main lines of action to reach STEAM objectives are structured on 5 great pillars, with achievements listed below:
 - PILLAR I: Revision of primary and secondary legislation
 - PILLAR II: Consolidation and modernization of capital market infrastructure
 - PILLAR III: Development of bonds market
 - PILLAR IV: Increasing the number of issuers and capital market liquidity
 - PILLAR V: Development of retail market and financial education
- a series of structural reforms meant to improve its functioning, such as clarification of the status of the RASDAQ (Romanian Association of Securities Dealers Automated Quotation) market, implementing the European directives on the collective investment undertakings and the managers of alternative investment funds, thus stimulating market development, dismantling barriers identified through the STEAM project and increasing the competitiveness of the capital market. The activity of the RASDAQ market and of the unlisted securities market ceased rightfully on October 27th 2015.
- Law no.74/2015 on the managers of alternative investment funds was enacted, transposing into the national legislation the provisions of the AIFM Directive (Directive on Alternative Investment Fund Managers). To implement this law and in order to clarify some of the provisions of the Delegated Regulation of the EU no. 231/2013 on implementing AIFMD, FSA issued the Regulation no.10/205 on managing alternative investment funds.
- 2015 was also the year for adopting the law that amend the Emergency Order no.32/2012 aiming to transpose the (EU) Directive no.91/2014 as regards depositary functions, remuneration policies and sanctions applicable to undertakings for collective investment in transferable securities (UCITS V).

Financial Stability Authority supported the initiation, drafting and enactment of the Government Order with the purpose to eliminate the following barriers that currently prevent Romania from classifying to emerging capital markets status and which is a real obstacle to diversifying financing sources through the capital market:

- the lengthy and complicated process for foreign investors to open a trading account in Romania;
- difficult processes for investors to exercise their fundamental rights (e.g.: the right to receive dividends, the right to vote in the General Shareholders Meeting);
- certain thresholds applied to holding shares issued by the market operators which make it impossible to take strategic decisions, thus hindering the functioning of these entities and negatively impacting the local capital market;
- provisions on the public offers of securities and admitting securities for trading on regulated markets which can be modernized and rendered efficient according to European best practices. (Financial Stability Authority, 2015, p. 15)

3. The evolution of Romanians companies access to financing in period 2014-2016

The results of the Surveys on the access to finance of non-financial corporations in Romania and their capacity to withstand adverse financial conditions conducted by the National Bank of Romania between 2014 and 2016, twice a year, are the following:

- most companies in the sample (around 80 percent) responded that they had not applied for financing from financial institutions;
- nearly 20 percent of companies indicated that access to finance is a pressing problem. Also, the main difficulties faced in accessing financing from banks and non-bank financial institutions were the overly high level of interest rates and commissions, the requirements regarding the value or type of collateral, and bureaucracy.
- companies continued to rely mainly on internal funds, for financing their activity, for investment or other financing needs, with more than 64 percent of respondents turning to retained earnings/sale of assets or to loans from shareholders or capital increases as a financing source. The bank financing was one of the less-tapped sources, approximate 20 percent of companies preferring this means of financing. The use of European funds was insignificant, with more than 98 percent of firms responding they had not resorted to such funds. At the same time Equity and debt securities issuance used as a source of finance by companies recorded an insignificant percentage, below 0,5 percent of total firms.

4. Conclusions

The Capital Markets Union' main goal is to develop non-banking financing on the economy in a context in which bank lending flows are diminish their level. Also, the bank lending will continue to be the main source of funding for many businesses alongside capital markets in European Union.

The Capital Markets Union will try to make less costly for businesses to raise funds publicly, review regulatory barriers to small firms listing on equity and debt markets and support the listing activities of small firms through European advisory structures.

The other objectives of Capital Markets Union, presented in the European Commission' paper - *Action Plan on Building a Capital Markets Union* are:

- to support venture capital and equity financing in the EU, including catalysing private investment using EU resources through pan-European funds-of-funds, regulatory reform, and the promotion of best practice on tax incentives;
- to promote innovative forms of business financing such as crowd-funding, private placement, and loan-originating funds whilst safeguarding investor protection and financial stability; and
- to explore ways to build a pan-European approach to better connect SMEs with a range of funding sources.

Taking into account the fact that between 2014 and 2016 the Romanian companies:

- had relied mainly on internal funds, for financing their activity, for investment or other financing needs (approximate 65 percent of total companies);
- had used the financing from banks and non-bank financial institutions into a small number, in ratio just nearly 20 percent of companies;
- had funded from Romanian capital market (using equity financing and debt securities issuance) into an insignificant proportion of only 0,5 percent of total firms included in Surveys on the access to finance of non-financial corporations in Romania and their capacity to withstand adverse financial conditions conducted by the National Bank of Romania in period 2014 – 2016 and that the access to finance represented a major problem for Romanian enterprises, mainly due to the overly high level of interest rates and commissions, the requirements regarding the value or type of collateral, and bureaucracy, in my opinion, the integration of the Romanian capital market into the European capital markets union will have a possible positive effects, regarding the development of Romanians companies and the growing of Romanian economy because:
- will complement the banking financing with the financing from developed capital markets and also will increase the financing period for long terms;
- will provide more funding choices for Romania's enterprises at different stages of their businesses development and of different markets, not only on the national market, firms could seeking funding in another European Union member state and
- the companies costs of access to financing products will converge across the European Union, diminishing their level in Romania.

The increasing and diversification of the financing sources of Romanian's firms could lead to a development of their activity, could fund their expansion (hire more workers - have the potential to grow into future large employers) and finally could determine a general development of Romanian society (generating a turnover growth and also an employment growth) and an growth path of Romanian economy.

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The United States of America and Mexico-NAFTA or Trump?

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Abstract

This paper wants to present the current situation of the relationship between the United States and Mexico, given their membership of NAFTA, but also the current US president's view of it. In this regard, an analysis of the main macroeconomic indicators of the two economies is made, both at the level of 1994 and in the years 2015-2016, in order to find similarities and differences between them, but also to place them in the picture of the world economy.

The US-Mexico trade for the 18-year period (1999-2016) will also be discussed, as well as the opinion of the politician and businessman Donald Trump as the official US official. All this will be shown in the following rows.

Key words: NAFTA, the US-Mexico trade relationship, commercial agreement, FDI

J.E.L. Classification: F21, L14, O57

1. Introduction

The United States is in a new era ...the one in which a businessman is in charge. Thus, initially businessman and television Donald Trump has become the 46th president of the United States of America as a republican representative. This is a distinct case in the history of american politics, as Trump has shown its opposition to a series of trade and free trade agreements, with the North American Free Trade Agreement (NAFTA), the US-China relationship , TransPacific Partnership, US role in NATO, etc.

Why bother Trump NAFTA? First, according to data provided by the US administration and the local press, the president believes that NAFTA has never been a great advantage to the US, and even often it was against the interests of the Americans, in that they lost millions Jobs in industry that were occupied by Mexicans, which had a cheaper labor, and many products were imported from Mexico, affecting local producers.

2. The USA and Mexico at the regional and world level

The North American Free Trade Agreement (NAFTA) was signed in 1992 by three states: the United States of America, Canada and Mexico and entered into force on 1 January 1994. This Free Trade Area with 23 Years ago it has an area of over 21.5 million kilometers and almost half a million inhabitants. Concerning the socio-economic aspects, we mention two indicators: Gross Domestic Product (2015, PPP) - totaling \$ 21 trillion, GDP / inhabitant \$ 46,000 and Human Development Index (HDI) of 0.869 (very high).

Let's make a brief portrait of the two economies to establish their place in the world economy landscape, providing data both at the level of 1994, when NAFTA began to operate, as well as today:

Table no. 1 The main macroeconomic indicators of the US and Mexico

Indicators	US		Mexico	
	1994	2015*	1994	2015*
Population (mil.)	263,1	324,1	92,66	128,6
Total GDP (current US\$)	7,3 trillion	18 trillion	527,3 billion	1,15 tril.
GDP/capita (current US\$)	27.776	56.115	5.690	9.005
Exports of goods and services (billion dollars)	512,3	1.500	60	380
Exports of goods and services (% of GDP)	9,86%	12,55%	13,34%	35,36%
Imports of goods and services (billion dollars)	689	2.306	79	395
Imports of goods and services (% of GDP)	11,13%	15,45%	15,96%	37,47%
Total trade (% of GDP)	20,99%	28%	29,30%	36,41%

NB: * - Where data was available for 2016, these were used even if they were not reviewed.

Source: Data processed by the author based on information provided by the United States Census Bureau, the World Bank and www.worldometers.info

Following the exposure of the most important indicators, we can observe that the two economies occupy totally different locations worldwide, given the economic strength of each, but often follow a similar trend. Thus, in the table it is noted that between 1994 and 2015 the population of the United States increased by 60 million people and that of Mexico by almost 36 million, but we can not talk about comparable populations, at least from the point of view quantitative, because the current US-Mexico ratio is 324 to 128 million. Secondly, when we talk about gross domestic product in market prices, we are talking about totally different poles; at the level of 2016 the US had a total GDP of 18 trillion dollars, and Mexico a little over a trillion.

The situation is similar in the case of GDP per capita; US \$ 56,115, and Mexican at just over \$ 9,000; that is, we are talking about a GDP per capita difference of over \$ 47,000 !! The exports and imports of goods and services of the two countries have only a similar trend, as the corresponding amounts are again at opposite poles: both Mexican imports and exports tend to reach \$ 400 billion at the reported year, while in the case of US specialists said it is about 23 and 15 trillion dollars, respectively. Instead, we note that the total trade of the two nations, as a percentage of gross domestic product, is about one third.

3. What did NAFTA mean for the two?

The trade agreement between Mexico and the United States has meant over two decades of benefits to the two parties involved. Thus, if we report to the Mexican state, then we have to mention that it has become, following the conclusion of the agreement with the USA, besides the importance of the quantities of oil exported, and a big producer in the field of automobiles, electronics and appliances.

More specifically, what will determine this? It has led to an increase of more than \$ 230 billion in US imports of Mexican goods (from about \$ 65 billion in the 1990s to more than \$ 295 billion in 2016) and an increase Of US exports of goods to Mexico over 165 billion dollars (from about 68 billion dollars to more than 235 billion dollars for these two decades).

In contrast, for the year 2016, it seems that the US trade deficit in relation to Mexico is about 60 billion dollars, or more than 10% of the total US trade deficit. Also, the US (its own companies and subsidiaries) hired approximately 1.3 million Mexicans in the year 2015, which brought over \$ 250 billion in sales. On the other hand, mexican companies operating in the US employed nearly 80,000 people in the same period and brought just over 30 billion dollars. In conclusion, we can only say

that the relationship does not seem to be fair; at least through the eyes of BEA specialists (US Bureau of Economic Analysis).

We continue to discuss the international trade patterns of the United States of America with the Mexican state over the period 1999-2016, according to data selected by BEA:

Table no. 2: US International Trade with Mexico in 1999-2016 -million dollars-

Year	Exports	Imports	Balance
1999	101.030	120.328	-19.298
2000	127.077	148.258	-21.182
2001	118.030	143.575	-25.545
2002	115.324	148.588	-33.264
2003	115.973	152.531	-36.558
2004	130.296	172.501	-42.204
2005	142.977	188.192	-45.215
2006	157.800	216.992	-59.193
2007	161.145	230.456	-69.311
2008	177.842	236.410	-58.568
2009	152.154	193.659	-41.505
2010	188.337	246.769	-58.432
2011	225.058	282.027	-56.968
2012	244.584	298.599	-54.015
2013	256.511	303.988	-47.477
2014	271.049	322.956	-51.907
2015	267.337	325.276	-57.939
2016	262.125	323.850	-61.725

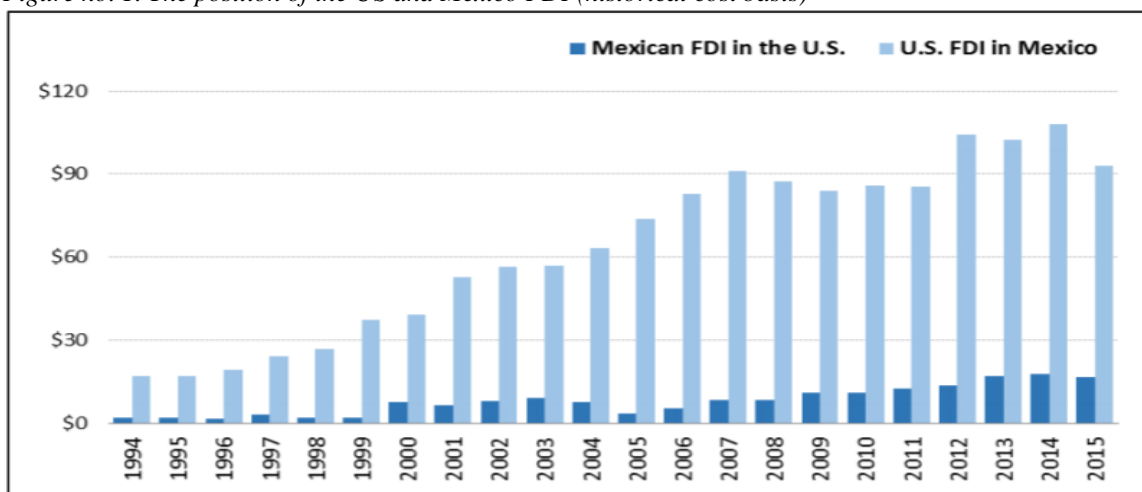
Data processed by the author based on information provided by the US Office of Economic Analysis

As can be seen in the table above, trade between the two economies has favored the Mexican state most often. In the analyzed period, 1999-2016, that is for 18 years, the US trade balance with Mexico has always been negative. Thus, the total of goods and services exported by americans increased from \$ 101 billion in 1999 to more than \$ 262 billion in 2016.

In terms of imports, it has gone from just over 120 billion and has reached to nearly 324 billion dollars for the same period. The calculations are simple and the information presented above is reached when we mention that the US trade deficit with Mexico in the year 2016 exceeded \$ 60 billion (or more precisely \$ 61.725 billion).

Another very important aspect of the US-Mexico relationship is that of foreign direct investment. The following graph presents the situation of foreign direct investment for two decades, starting with NAFTA's first year and up to 2014:

Figure no. 1. The position of the US and Mexico FDI (historical cost basis)



Source: Bureau of Economic Analysis (BEA), US Department of Commerce, consulted on 20.04.2017 at <https://www.bea.gov/>

The situation is quite clear: the United States is the most important source of FDI for Mexico, rising from 17 billion in 1994 to over 92 billion in 2015, while Mexico Reaching about 17 billion in 2014, slightly decreasing over the next year.

4. Conclusions

Taking into account all the information presented in this paper, it is appropriate to conclude on several aspects:

- trade between these two economies is important for the whole international trading system, both in terms of quantity and quality (existence of a legislative framework, transparency, etc.);
- Donald Trump's decision to interrupt / rethink the relationship between the US and Mexico is one that is, in my view, primarily based on a social and safety basis, not economic;
- If the deal ended up causing many mexicans to come home because they were working from the perspective of US companies open on their territory and their affiliates, a disturbance of the peace between the two states, likely to reduce Mexico's economic good, may inevitably lead to an attempt by the mexicans to fraudulently enter the US;

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Developed Countries: Current Situation and Where are They Going?

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Abstract

The international economic and financial-monetary crisis, as we know, began in developed economies. Just over eight years after the official announcement of Lehman Brothers bankruptcy (On September 15, 2008, Lehman announced its bankruptcy and AIG shares collapsed on international stock exchanges), the overall situation has seen a significant improvement, the macroeconomic damage created by the crisis has been largely focused, but not in a homogeneous manner along the economies and regions.

The present paper tries to fit the current situation and perspective of developed economies (such as the US, the eurozone, Canada, Japan, the UK and others) in a general picture to capture the most relevant indicators, in perspective and in the unfavorable state of the world economy.

Thus, according to the data presented by the International Monetary Fund and the United Nations experts, it seems that the forecasts for the current and the forthcoming year are not encouraging, and even have seen unfavorable revisions, both on savings categories and globally, of some indicators such as gross domestic product, economic growth, demand and supply of goods and services, exports and imports, exchange rate, etc. All these aspects will be presented below.

Key words: developed economies, sustainability, budget policies, economic growth.

J.E.L. classification: E23, E24, F16, F43.

1. Introduction

If in the first part of 2016 the probable values of the main indicators seemed easy to estimate, both for the current year and for 2017, a number of expected factors (the desire of states to recover after the international economic and financial-monetary crisis, balancing the exports of the chinese state), but also unforeseen factors (the british referendum ended with the desire of the people to leave the European Union, the election of the businessman Donald Trump as President of the United States, uncertainties of geopolitical nature) have made the predictions of specialists undergoing multiple reviews and attempts to explain and find solutions to issues such as the weakness of international trade, the persistence of low inflation, and so on.

According to the data estimated by the International Monetary Fund, the overall increase for the first half of 2016 is close to 3 percent, lower than the Fund's April forecast.

Table no.1: Industrial production and trade volume of developed economies in 2014-2017 (percentage changes)

	2014	2015	2016*	2017*
1. Industrial production				
United States of America	2,4	2,6	1,6	2,2
Canada	2,5	1,1	1,2	1,9
Japan	0,0	0,5	0,5	0,6
UK	3,1	2,2	1,8	1,1
The Euro area	1,1	2,0	1,7	1,5
➤Germany	1,6	1,5	1,7	1,4

➤France	0,6	1,3	1,3	1,3
➤Italy	-0,3	0,8	0,8	0,9
<i>Total developed economies</i>	1,9	2,1	1,6	1,8
2. Exports	3,8	3,6	1,8	3,5
3. Imports	3,8	4,2	2,4	3,9

* Forecasts

Source: Data processed by authors based on information provided by the International Monetary Fund

As can be seen in the above table, the percentage changes in industrial production in 2014 were favorable for the United Kingdom (3.1%), Canada (2.5%) and the United States of America (2.4%). At the opposite end, in the case of developed countries, they were located economies such as Italy (-0.3%), Japan (0.0%), France (0.6%) etc. At the level of 2015, the average growth of industrial production of developed countries was 2.1%, with 0.2% higher than last year.

The top was led by the US (2.6%), the UK (2.2%) and the Eurozone (2%). The forecasts for the years 2016 and 2017 are some unfavorable; in most cases it is a continuous decline in industrial production. The situation is not much different in the case of trade exchanges of developed economies; both exports and imports are projected to fall for the current year, with a slight recovery expected in 2017. The data presented by the International Monetary Fund in WEO, the version of October last year, shows that compared with the April forecast, the growth of the euro area gross domestic product registered a decrease from 2.1 percent in the first quarter to 1.2 Percent; in the UK rose 2.4% compared to 1.8% in the first quarter and in Japan the decline was 1.4% (from 2.1% to 0.7%).

With regard to inflation, we must keep in mind that its level during the year 2015 (0.3%) was the lowest since the beginning of the international economic and financial-monetary crisis. In the first half of 2016, it grew by 0.2% due to the reduction in oil prices.

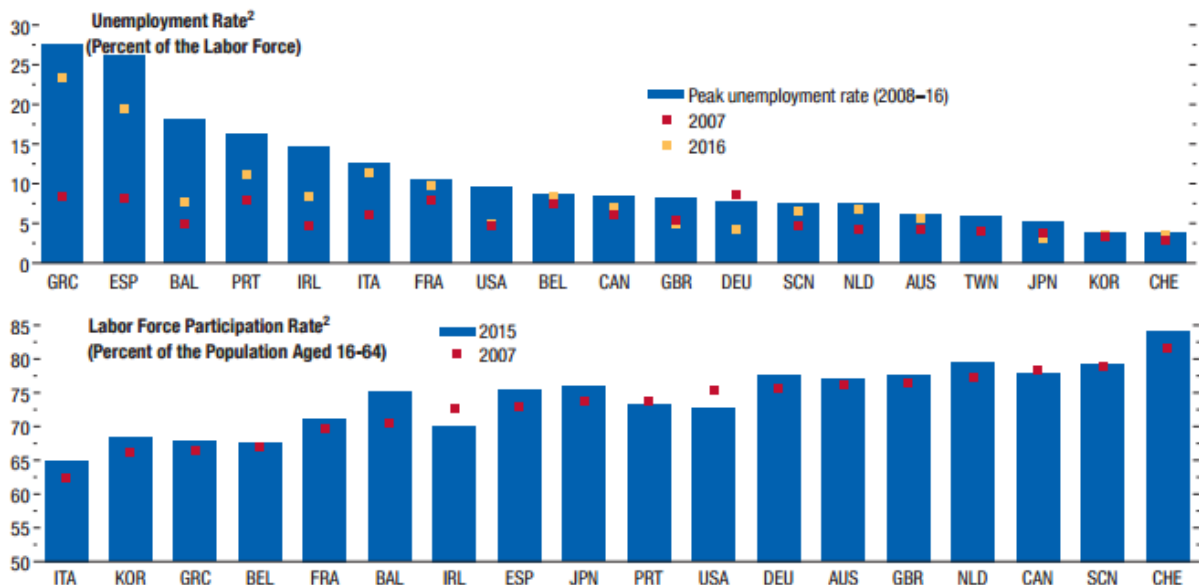
2. Current situation of the developed countries

Currently, the world's main macroeconomic indicators have come close to those before the global crisis, with the exception of a few cases (for example, the United States of America). Of course, the recovery has depended on a number of factors, such as the aging of the population specific to certain states, low global demand, reduced productivity, labor market participation, falling commodity prices etc.

Continuous fragmentation of production has taken place, in the present case due to the protectionist measures applied by the states. Even if trade has declined, ways must be sought to restore the role of commerce as the main actor in boosting productivity and economic growth. In this case, we can say that it is not only a qualitative perspective, but also a quantitative one. Thus, trade influences productivity in various aspects, such as the situation of exports, that of imports and why not imported inputs. In this way, the effect will be felt from low to high, from the economic agent to the state, that is from the microeconomic level at macroeconomic level and then mono-economic.

Next, we present in the figure no.1 the situation of the unemployment rate and the rate of labor force participation in the developed economies, both at the level of 2007 (prior to the outbreak of the crisis) and at the level of 2016. As can be seen in the chart below, the unemployment rate (expressed as a percentage of labor force) is the lowest in countries such as Korea, Taiwan, Japan, Austria, Switzerland. Countries that still have higher levels of unemployment than in 2007 are Greece, Spain, Estonia, Latvia, Lithuania, Portugal, Ireland, Italy, France. In the middle of the ranking we find the states reaching the level of 2016 equal or almost equal to the one registered in 2007; we include the United States of America, Canada, Belgium, the UK and Germany (its case is special because the unemployment rate is much lower than 9 years ago).

Figure no. 1. Unemployment and Labor Force Participation in Advanced Economies



² BAL = Estonia, Latvia, Lithuania; SCN = Denmark, Finland, Iceland, Norway, Sweden. Other labels in the figure use International Organization for Standardization (ISO) country codes.
Source: Data selected by authors from World Economic Outlook: Subdued Demand-Symptoms and Remedies, International Monetary Fund, oct. 2016, p. 12

For the current year, things do not seem to be very favorable; taking into account a number of factors such as the UK referendum on leaving the European Union, the still uncertain situation of emerging economies, the vulnerabilities of financial markets, low productivity, etc. The situation is not uniform even for all developed economies; So growth is expected to be more significant on the American continent (the United States and Canada), given the recent economic recovery seen in these countries, and less important in European economies, based on British referendum results.

3. Where they are going?

If we look at the individual perspective, we can remember the following:

- **Great Britain** - as mentioned above, the growth will be insignificant, quite slow due to the lack of certainty of the vote for leaving the European Union. Brexit's results affect all parties involved, from businesses / companies (who do not know whether to hire, invest or wait to be informed about the new trade conditions with the countries that remain in the European Union and the laws applied in the In the case of foreign investments or foreign employees) to the final consumer (who thinks twice before acquiring durable goods and is limited to what is strictly necessary). In fact, as shown in Table 1, a slowdown in economic growth is expected to be almost half the point of the previous period (1.8-1.9%), and for the year 2017 a growth of Slightly above one percent (1.1-1.2%).

- **Eurozone**- In neither the short-term nor the medium-term, the situation does not seem to be favorable to the Community's economies. The percentage change in economic growth over 2015 is expected to decrease for the next two years (2016- less by 0.3% compared to 2015 and 2017-less by 0.5% versus 2015). The major causes of this decline are the mistrust of investors, the fiscal-fiscal policy that does not seem to have followed the expansion path, the UK situation, government debts, high unemployment rates in some states, and low fuel prices.

- **Japan** - the growth for the Japanese state is extremely modest; Only half a point for 2016 and just over half for the next year. In this case, disturbing factors are observed: lack of decision to increase consumption taxes, budget measures announced by the government, fiscal stimulus measures adopted (announced with a view to increasing competitiveness and increasing the

national economy), declining population etc.

• **United States of America-** Forecasts are modest and on the american continent. Thus, for the US, the percentage change will be slightly above 1.5% (1.6-1.7%), and for the following year 2.2% -2.3%. Investments are still weak, productivity is not increased and the population ages. All of these are not at all favorable for a sustainable US growth; It simply hampers not only the recovery but also the recording of economic growth. In the case of Canada, the situation is similar (1.2 for 2016 and 1.9 for 2017).

4. Conclusions

To conclude, although the data do not look good, a recovery is still to be expected in the near future; optimism comes more from the specialists, because companies and economic agents are quite skeptical, given the recent financial results. We can not expect too much, economic growth can only be an anemic one if we look at analyzes of employment rate, unemployment, public debt etc.

In the European economies, France is the most unfavorable; the picture is a grim and tense one: the economic growth rate is one of the smallest among EU members, the youth unemployment rate is 24% (although they lack education and social services) and the public debt has reached almost 90 %.

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Coastal Tourism and Its Impact on the Development of the Region

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Abstract

In recent years the tourism and travel sectors have changed significantly. The world faces geopolitical tensions, the rise of terrorist threats and the fear of spreading them over vast globe territories.

Until now, the effect of these events on tourism and travel has been mixed. While some countries have experienced significant reductions in the number of international visitors, other destinations have remained unaffected.

In the last decades, travel and tourism, as well as the ecosystem, have proven to be significant factors of economic growth, contributing with over 10% to world GDP and accounting for 1 in 10 jobs on the planet. Industry continues to be a driving force, providing unique opportunities for developing and emerging countries to advance in the value chain.

Key words: tourism, competitiveness, development

J.E.L. classification: Z30, Z32

1. The performance of Romanian tourism

Within the ranking made on the basis of the Tourism and Travel Competitiveness Index, Romania occupied in the year 2016 the 68th place out of 136 countries, decreasing from the previous year rankreached in 2015, when it was ranked on 66th place (Schwab, 2017).

Table no. 1. Tourism Competitiveness Index for Romania

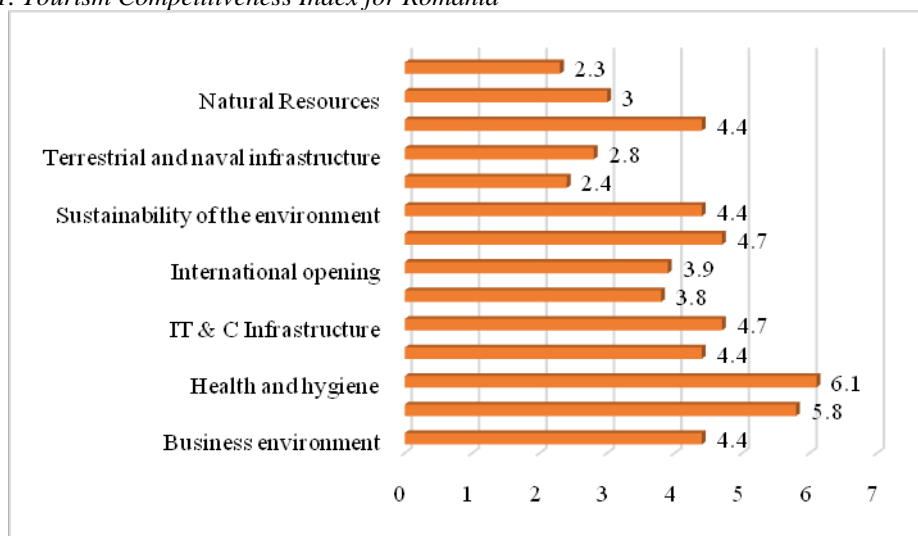
	Place	Score
	/136	scale 1-7
Permissive environment		
Business environment	76	4,4
Security and security	39	5,8
Health and hygiene	31	6,1
Human resources	81	4,4
IT & C Infrastructure	60	4,7
Policy and Conditions Allowed in Tourism and Travel		
Tourism prioritiesitizing	108	3,8
International opening	45	3,9
Price competitiveness	85	4,7
Sustainability of the environment	43	4,4

Infrastructure		
Air transport infrastructure	82	2,4
Terrestrial and naval infrastructure	92	2,8
Tourist infrastructure	62	4,4
Natural and cultural resources		
Natural Resources	68	3,0
Cultural resources	46	2,3

Source: authors' processing after Schwab, K (2014). The Travel and Tourism Competitiveness Report 2017, World Economic Forum, p. 285.

Romania obtained the best score on the health and hygiene pillar, 6.1 points out of 7 possible.

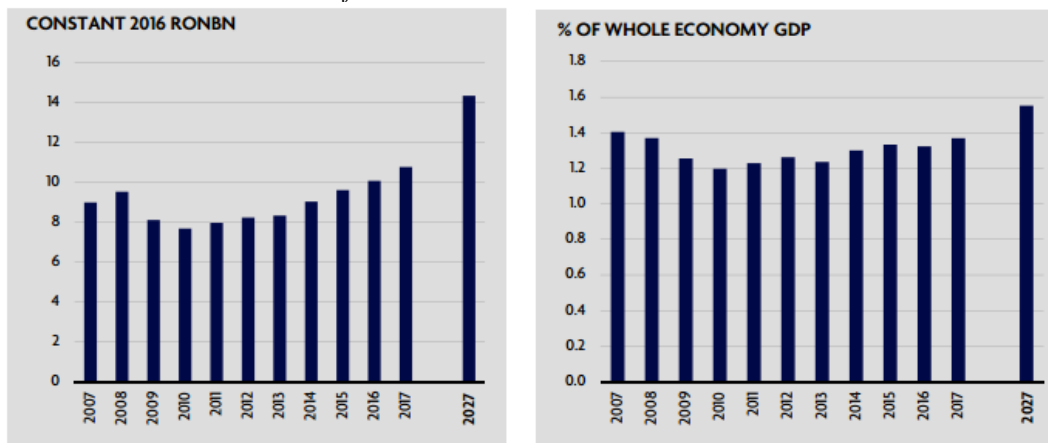
Figure no.1. Tourism Competitiveness Index for Romania



Source: authors' processing after Schwab, K (2014). The Travel and Tourism Competitiveness Report 2017, World Economic Forum, p. 285.

In 2016, the Romanian Tourism and Travel sector contributed with 39.3 billion Ron in total at the total value of GDP (5.2% of GDP), a figure expected to increase by 4.6% up to 41.1 billion RON (5.2% of GDP) in 2017. (Scowsill, 2017)

Figure no. 2. The direct contribution of the Tourism and Travel sector to Romania's GDP



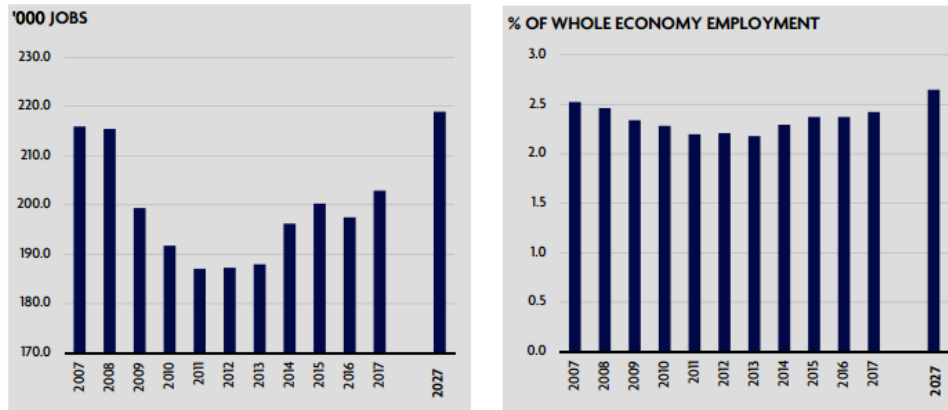
Source: author's processing after Travel & Tourism Economic Impact 2017 Romania, p. 3.

For the period 2017-2027, specialists forecast an increase of 2.7% per annum of the sector in total GDP to RON 53.7 billion (5.8% of GDP).

The Tourism and Travel Sector directly generated 513.500 jobs in 2016 (6.2% of total employment) and is projected to increase by 2.0% in 2017 reaching 524.000 jobs (6.3% of total employment).

Jobs generated directly by the industry concern jobs in hotels, travel agencies, airlines and restaurants and leisure activities.

Figure no. 3. The direct contribution of the Tourism and Travels to Employment sector



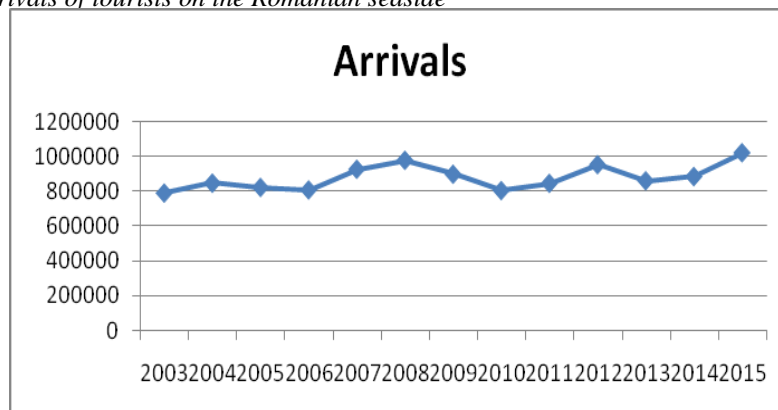
Source: author's processing after Travel & Tourism Economic Impact 2017 Romania, p. 4.

By 2027, it is estimated that Travel & Tourism will support 574.000 jobs (6.9% of total employment), which represents an increase of 0.9% per year during this period.

2. Coastal tourism and its impact on the development of the area

Based on the data provided by INS, we represented the evolution of the number of tourists who arrived on the Romanian seaside during 2003-2015, in the following chart:

Figure no. 4. Arrivals of tourists on the Romanian seaside

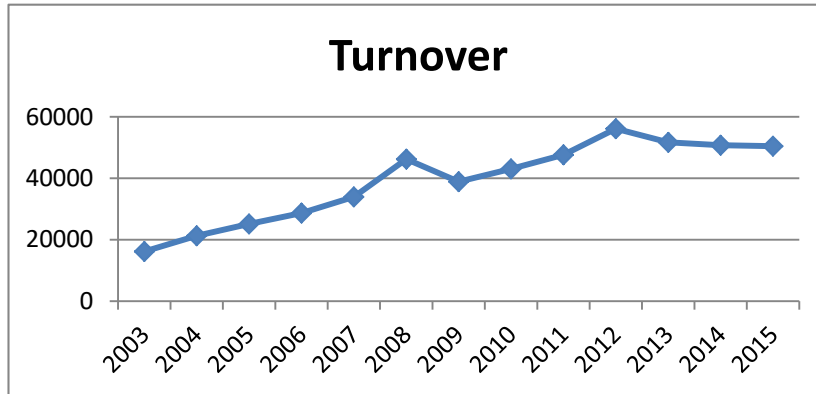


Source: www.insse.ro

The number of tourists arriving on the seashore during the analyzed period recorded slight fluctuations, a slight increase from 788763 persons in 2003 to 1021475 tourists in 2015, respectively an increase of 29.5%.

We want to see if this evolution of the number of tourists arrived influenced the evolution of turnover in Constanta County, this latter evolution being represented in the following chart.

Figure no. 5. Turnover in Constanta County



Source: www.insse.ro

Compared to the number of tourists, according to the data provided by INS, the turnover registered a more pronounced increase during the analyzed period.

Next, as we mentioned before, we want to analyze the existence of a linear relationship between turnover (cifra_afaceri) and the number of tourists (nr_turisti).

The linear correlation coefficient is 0.599, so the variables are positively correlated, the correlation being a strong one. Spearman's nonparametric correlation coefficient is also significant, revealing a positive correlation (0.571). (IBM Corp, 2013).

Table no. 2. Linear correlation between turnover and number of tourists

		Cifra_afaceri	Nr_turisti
Cifra_afaceri	Pearson Correlation	1	.599 [*]
	Sig. (2-tailed)		.031
	N	13	13
Nr_turisti	Pearson Correlation	.599 [*]	1
	Sig. (2-tailed)	.031	
	N	13	13

*. Correlation is significant at the 0.05 level (2-tailed).

			Cifra_afaceri	Nr_turisti
Kendall's tau_b	Cifra_afaceri	Correlation Coefficient	1.000	.385
		Sig. (2-tailed)	.	.067
		N	13	13
	Nr_turisti	Correlation Coefficient	.385	1.000
		Sig. (2-tailed)	.067	.
		N	13	13
Spearman's rho	Cifra_afaceri	Correlation Coefficient	1.000	.571 [*]
		Sig. (2-tailed)	.	.041
		N	13	13
	Nr_turisti	Correlation Coefficient	.571 [*]	1.000
		Sig. (2-tailed)	.041	.
		N	13	13

*. Correlation is significant at the 0.05 level (2-tailed).

Source: author's processing

The linear regression model obtained to explain the turnover as a function of the number of tourists is

$$\text{Turnover}_{id} = 0.107 * \text{No}_{tourists} - 54925.255$$

Table no. 3. Results obtained

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-54925.255	38118.163		-1.441	.177
	Nr_turisti	.107	.043	.599	2.478	.031

a. Dependent Variable: Cifra_afaceri

Source: author's processing

3. Conclusions

As we have seen above, tourism, through the number of tourists arriving on the Romanian seaside, has significantly influenced the turnover registered in Constanta County, which means that tourism contributes significantly to the development of the area. It remains to be seen whether these indicators have a direct influence on the investments in the county, on the incomes of the population or on the evolution of the employment rate in the region. All these elements will be subject to further analysis in another scientific article.

Territorial resources must be used efficiently and effectively, with a positive impact on the development of the county as a whole.

A link between these indicators number of tourists and turnover is a starting point in achieving a cohesive public policy in different areas regarding the optimal allocation of resources in order to avoid impacts that oppose to the territorial desired spatial evolution.

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Effects of the Global Population Growth

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Abstract

The demographic factor is not purely natural. It is a social body that has its own structure and is manifested through a series of processes that make up its movement: birth rate, death rate, longevity, migration etc. All these processes depend on the social and economic environment in which people live. The growth of the world's population will have multiple effects on the environment, the economy and society as a whole.

Key words: population, famine, illiteracy, aging, access to drinking water

J.E.L. Classification: J11

1. Introduction

Growth of the world's population is one of the major challenges for governments around the world. The fact that mankind has already surpassed 7.4 billion people today is a very worrying situation for both developed and developing countries. The consequences of overpopulating the planet are not delayed. Nature, economy, the society are subjects to unprecedented pressure. Mankind has to learn to manage its resources to cope with this worrying phenomenon.

2. Uncontrolled propagation of the population and its effects

In the long run, there is a pronounced trend to reduce the world mortality rate, worldwide, especially in poor countries. Since the mortality rate has not experienced significant changes, it can be said that this is the most powerful factor that influenced the population growth in the post-war period. The special role of this factor would not have been possible without a series of improvements in the field of production factors, without the spectacular development of antibiotic production, accompanied by increased labor productivity and substantial price reductions. Uncontrolled population propagation will lead to hunger, illiteracy, conflicts and national and international migration. Researchers say that, as the population grows at such a rate, the planet is rapidly moving to ecological overburden, famine, and a fragmented state.

Hunger is present in our world now more than ever. It is found that famine is directly proportional to the increase in the world population. Worldwide, 795 million people suffer from lack of food. The need for food will increase by 70% by 2045 due to population growth.

Illiteracy is a real problem even in the 21st century. According to UNESCO, there are over 770 million people around the world who can not write or read.

Sub-Saharan Africa, southern and western Asia have the biggest problems with illiteracy, with over 50% of people unable to read and write. Even in the United States, the illiteracy rate is about 14%, which means over 43 million citizens of the world's largest economic power.

Illiteracy has a stronger impact on women. According to the UN, nearly two-thirds of the planet's adult women don't know to read.

However, there are signs of an improvement in this situation. According to UNESCO, since 1990, countries with the highest illiteracy rates have taken important steps. Arab states, for example, have seen a 20% increase in adult literacy over the last 20 years.

Water resources are an aspect that reflects a link between environmental degradation and the *outbreak of conflicts*. Tensions about water between countries are often generated by reasons such as high population density, low income per capita, hostile relations and minority groups that determine the internationalization of the problem of water scarcity, the implementation of extensive water projects, and the limitation of fresh water treaties.

Freshwater is a fundamental resource essential to agriculture, the functioning of industries, energy supply, and health and hygiene.

Water resources are sadly distributed very unevenly. Some areas of the planet have abundant freshwater resources. According to the UN Commission on Sustainable Development, over 40% of countries are in areas where water is a problem.

According to a UN report, the world has only 60% of the *water* it needs in the next 15 years, unless countries do not dramatically change the use of its resources.

Many underground water reserves are already exhausted, while the rainfall regime is influenced by climate change. If the world's population grows to nearly 10 billion by 2050, additional water will be needed for agriculture, industry and personal consumption.

The report estimates that global demand for water will increase by 55% by 2050, while reserves are decreasing drastically.

With less water, there is a danger of disasters on several levels: crops could fail, ecosystems would stop working, industry could collapse, diseases and poverty could worsen, and conflicts for water access could occur more frequently.

The UN report, published before World Water Day (World Water Day is on March 22 and has been set by the UN General Assembly since 1993), invites policymakers and communities to rethink the policy of using water, urging conservation, as well as to wastewater recycling. Countries can also consider rising water prices as well as look for new ways to make water-intensive sectors focus on more efficient and less polluting use.

Approximately 748 million people around the world have limited access to drinking water, the report warning that not economic growth itself is the solution - it could really worsen the situation, unless emphasis is placed on reforms based on efficiency and less pollution.

An important component of population growth is its movement, its movement from one country to another, respectively *international migration*. An essential cause stems from the breakdown of population number and resources, with the effect of reducing income and the impossibility of satisfying needs. Also, it can be generated by internal conflicts that arise, especially in developing countries, where access to resources is limited. Thus, in 2015, Europe faced an unprecedented immigration when thousands of migrants from Asia and Africa chose to leave their home countries because of famine, war, dictatorship and poverty. The political, economic and social consequences and implications for European countries are hard to quantify. In this context, migration will play a major role in the dynamics of the population of developed European countries.

The process of population migration is not linear, but it is known to grow or fall. Migration also has other forms, such as the movement of the population from rural areas to urban areas, causing excessive urbanization. So the growth of the urban population will be enormous, and the city will have to take the necessary measures for the future city to meet the needs of its locals. On this background, we will also witness an increase in unemployment in urban areas, especially in the future, the increase in labor productivity in some economic sectors will lead to the disappearance of other jobs.

3. Population aging - a real problem of advanced states

Another real problem of the beginning of the millennium is the *aging of the population*. According to the UN, as the global population grows, the number of pensioners will reach one billion.

Countries like Japan and Italy are hit hard. It is estimated that the population of Japan will decrease by 30% by 2060, when 40% of the population will be over 65 years old, according to official data. The medium and long-term consequences can be very serious, especially on the labor market and on pensions and health insurance.

Table no. 1 Countries with the most aging population in the world

Rank	Country	% of population over 65 years old
1	Japan	26.3 %
2	Italy	22.4 %
3	Greece	21.4 %
4	Germany	21.2 %
5	Portugal	20.8 %
6	Finland	20.5 %
7	Bulgaria	20.0 %
8	Sweden	19.9 %
9	Latvia	19.4 %
10	Malta	19.2 %
11	France	19.1 %
12	Denmark	19.0 %
13	Croatia	18.9 %
14	Estonia	18.8 %
15	Lithuania	18.8 %
16	Spain	18.8 %
17	Austria	18.8 %
18	Belgium	18.2 %
19	Netherlands	18.2 %
20	Czech Republic	18.1 %
21	Slovenia	18.0 %
22	Switzerland	18.0 %
23	Hungary	17.8 %
24	United Kingdom	17.8 %
25	Romania	17.3 %

Source: World Facts, *Countries With The Largest Aging Population In The World*, [online] Available at: <http://www.worldatlas.com/articles/countries-with-the-largest-aging-population-in-the-world.html> [Accessed 28 April 2017]

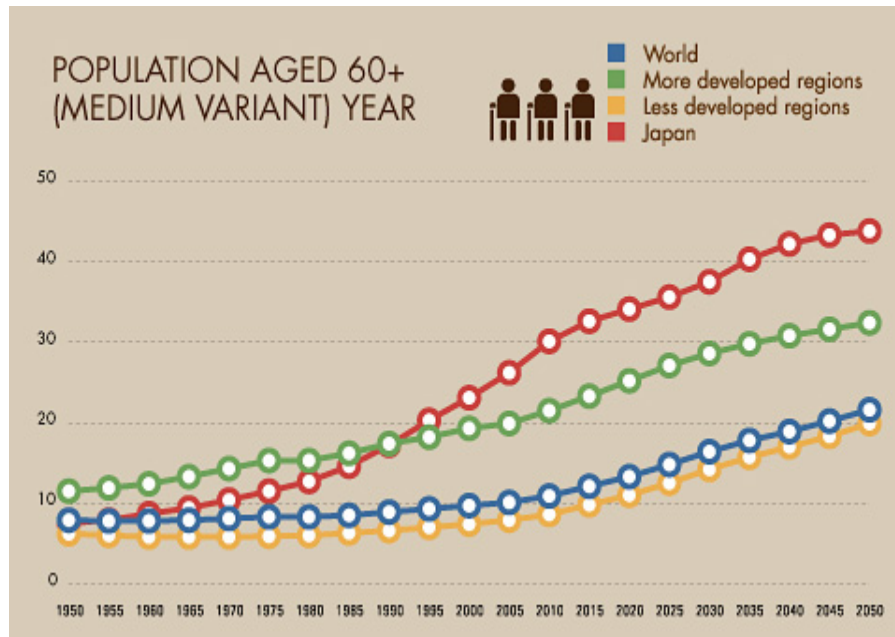
Countries like Japan and Italy are hit hard. It is estimated that the population of Japan will decrease by 30% by 2060, when 40% of the population will be over 65 years old, according to official data. The medium and long-term consequences can be very serious, especially on the labor market and on pensions and health insurance.

As a result of decreased fertility and longevity growth, the population of most countries suffers from rapid aging. The number of people that have less than 15 years will drop sharply, while the age group of people over 65 will increase a lot. In developed areas, the elder population will double from more than 245 million today to 406 in 2050.

The causes of this phenomenon are the decrease in birth rates in developed and emerging countries as well as the increase in life expectancy as a result of medical advances and improvement of the quality of life.

Ageing affects all societies – high-income as well as low and middle-income societies – but at a different pace. Japan is no exception: it is now the most aged society in the world.

Figure no. 1.



Source: <http://wisdom.unu.edu/en/ageing-societies/> [Accessed 28 April 2017]

Both in developing countries, but especially in developed ones, the decrease in the mortality rate will lead to an increase in the number of the elderly compared to the number of people who are able to work, and even to the absolute decrease of the labor force.

In other words, the number of assisted people (net-consuming) will exceed the number of people working (net-producing). The support rate, ie the ratio between the population aged 16-65 and the population over 65 will decrease dramatically in the coming decades.

Basically, over the next few years, the world will face two big problems[3]:

- decrease in the support rate (or increase in the number of elderly people);
- reducing the number of people employed globally.

These two demographic changes will have strong economic implications, such as a drop in saving capacity and, in general, a slowdown in economic growth.

According to specialists, the solution would be to further raise the retirement age. The increase in support rates during the 1990s has also led to a fall in retirement age in countries such as Japan, the US, Germany or China. If we follow the aging trend of the population, it is possible that by 2050, the retirement age will increase and reach a minimum age of 70 years.

Also, in many upper-middle-income countries, the share of the working-age population is presently reaching a peak. In the coming decades, these countries are expected to experience accelerated population ageing and declining economic support ratios, reaching levels similar to those of the high-income countries today. The decline in the support ratio is projected to be more pronounced in countries with more aged populations, such as China, Germany, Italy, the Republic of Korea, Spain, Slovenia and Thailand, where the economic support ratios are projected to decline by more than 0.5 per cent per year over 2015-2050.

4. Conclusions

Population growth is a phenomenon characteristic of the contemporary world. What will its effect on economic development be? Trying to answer this question many specialists use the notion of *demographic pressure*. Population growth could, in their opinion, reduce the pace of economic development. Today's reality shows us that there are exceptions, China's case being extremely loud.

It succeeded, relying on the large and cheap labor force, to evolve economically and to become one of the central pawn on the current global elite map. Even in countries such as Mexico and India, examples are relevant to this. Of course, it still cannot be about achieving a demo-economic balance.

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Section III

Economic and Social Studies

Public Policies on Unemployment

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Abstract

The policies designed to combat unemployment encourage salary migration from declining industries to expanding ones and to specializations that trigger labor market demands. Some measures should mainly aim at avoiding long-term unemployment, providing financial support to vulnerable groups and preventing the erosion of the population's trust in reforms. The measures of reducing labor supply policies initially focused on older workers. Romania has adopted a series of rules on early retirement, but it should be noted that early retirement schemes are difficult to apply on a large scale because they are particularly costly. They can be applied rather as an ancillary method in the event of mass redundancies or when the long-term unemployed are close to the retirement age.

Key words: reform, unemployment, population, policies, training.

J.E.L. Classification: G35 – Payout Policy

1. Introduction

In Romania, the administrative sources are represented by the Ministry of Labor and Social Protection; it provides data on the total number of unemployed, classified by age groups, duration of unemployment and number of persons included in qualification/ re-qualification programs.

The employed population includes all the persons (aged from 15 years upwards) that in the reference year have carried out an economic and social activity generating income.

The registered unemployed are the persons aged 18 and over who cannot be employed for lack of available jobs and who have registered at labor and unemployment offices. The active population represents the employed population plus the unemployed. The unemployment rate is the ratio between the number of the unemployed registered at labor and unemployment offices and the active population.

2. Employment and unemployment

There are several types of employment subsidies. One of them implies subsidizing a part of the new graduates' salary; thus, the company employing graduates receives a grant for a period of 9 months, covering 60% -70% of the minimum salary. A second type would consider wage subsidies for certain groups of employees, the source of the funds being the unemployment fund. Although theoretically this method seems attractive, the international experience has shown that there has been an insignificant increase in the number of jobs. The theory would be that the state, instead of giving unemployment benefits, would give the unemployed a voucher that would ensure that the expenses from the unemployed's salary would be covered after s/he finds a job. Experts state that the failure of this method was not due to the idea itself but to the deficiencies in the design and implementation of such a measure.

Some economists support the idea that the state should pay companies subsidies for salaries or provide tax cuts for those who hire unemployed people. Subsidies may be general or specific. In the first case, they are designed to reduce cyclical unemployment, while in the second case, they aim at reducing structural unemployment. The extent to which employment will increase will depend on a number of factors: the subsidy size, elasticity of supply and demand.

No clear conclusions can be drawn regarding the influence of such programs on the unemployment rate or on the natural rate, although employment within the envisaged working class will increase. One reason would be that the low-skilled subsidized workforce would replace a more skilled workforce. In addition, companies will not be encouraged to provide training to their workforce, as these employees might no longer be eligible to receive subsidies.

These programs could increase the likelihood that, in the near future or further away, those employees will be confronted again with structural unemployment, as technological changes occur.

Few economists consider direct subsidies to be the only or most important remedy for cyclical or structural unemployment, although many agree that this approach is preferable to the variant suggesting job creation in the public sector.

3. The reform on public policy formulation

Unfortunately, public policies in Romania are still influenced by the effects of the communist period, when they were rather a social control mechanism than a state welfare premise. The effects of this period are also felt today since social policies rather entail addiction to the state.

The reform on public policy formulation refers to the modification of the assumptions underlying public administration activities (I. Băbăiță, G. Silasi, A. Duță, op. cit., p. 95). Improving the administrative system also means adopting certain visions of what is good or bad within the administration.

The formulation of public policies is based on a set of procedures that correspond to an organizing way at public administration level. Organizing the activities related to public policy formulation through specific procedures aimed at increasing the organizational efficiency of the administration rather than the content or quality of the public policy itself (Prisacaru, p. 119).

The purpose of public policies is to deliver public goods effectively. The efficiency of public policies depends on two central processes. The first one is represented by the political relationship between public goods suppliers, public authorities (as organizational entities) and the constituents to whom the respective good is addressed. The second process has an economic nature, i.e. it refers to the actual process through which the good is supplied, produced and distributed.

4. Prospective unemployment policies

A policy cycle consists of the stages involved in the establishment of public policies. Establishing and clearly delineating these steps are particularly important in understanding the processes of formulating, implementing and assessing public policies. They allow a clear understanding of developed policies and of the role played by each actor in their elaboration.

In Romania, after 1989, public policies have responded only partially to their role of contributing to the subsistence of the population, rather than to the development of the society. Although a reformation of the system inherited from the old regime has been attempted repeatedly, it has not succeeded in changing the system or in adapting it to the society's needs and to new needs that have emerged. In addition, there has been no real increase in the resources allocated to social services; these resources were absolutely necessary and without them the precarious state of the social field can not be overcome.

Within our society, there has been registered an increase in the poverty phenomenon and in the social exclusion phenomenon, entailing major social influences, all because of the high social costs that the population has to bear.

The reformist measures adopted during the transition period failed to bring about major changes in terms of the important roles played by social policies. Due to these measures, the contributive model for public policy funding predominates in Romania.

As far as Romania is concerned, the poverty phenomenon has increased since the 1990s; there were two periods when Romania reached a high poverty level, i.e. 1991-1993 and 1997-1999. Thus, a significant population segment failed to overcome this state of poverty.

It is considered that the main driver of poverty reduction in Romania is represented by economic growth. However, we believe that it is necessary to formulate policies that target specific areas and groups, specific policies adapted to the specific causes that triggered the poverty of the communities and groups concerned. This is due to the fact that, although significant progress has been made in reducing absolute poverty, there are still large discrepancies between urban and rural living standards, and regional inequalities are particularly noticeable.

Poverty reduction policies need to differ according to the fading or chronic nature of poverty. Fading poverty suggests the inability of families to divide their consumption over time; chronic poverty is the result of low property endowment and their reduced yield.

5. Conclusions

Therefore, public policies are defined by the citizens whose situations, interests, behaviors are affected by these acts and provisions. The analysis of policies is based on developing methodologies in order to determine the results of a certain policy and to make comparisons between alternative policies in terms of their outcomes.

Due to the transition stage of our contemporary society, the speed and fluidity of change, their unpredictability and uncontrollability, and especially professional insecurity, with all its consequences, lead to a significant effort and energy consumption, often with negative repercussions on the individual level. Unemployment also has repercussions on the social market in market economies; it presents major risks, multiple and lasting effects over time, because unemployment is also a factor in expanding and deepening poverty for the unemployed and their families. It can affect businesses, economy branches, geographical areas, jobs or professions.

In our opinion, unemployment can also represent a factor that stimulates crime and black and grey markets; it may also lead to the provision of social assistance subsidies even when the respective persons do not need them, deceiving thus the state.

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Congenital Anomalies in the Pediatric Population of the Republic of Moldova: A Retrospective and Descriptive Study

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Abstract

This paper presents the results of a retrospective analysis of congenital anomalies (CA) in the Republic of Moldova (RM) over a period of 11 years (2004-2014). The spread of CA in Moldova during the analyzed period is characterized by a stable level. In the infant mortality structure, congenital anomalies ranked second. There is a significant increase in CA, caused by chromosomal and cardiovascular system anomalies, with an average annual rate of 0.1 and 0.5%, respectively. At the same time, the CA of the musculoskeletal system has a reduction trend with a average annual rate of -2.7%. Stabilization of CA spread is the result of the implementation of the national program for the prevention and reduction of mortality and morbidity in children with congenital anomalies and hereditary diseases for the years 2013-2017. Some identified trends demonstrate the existence of gaps in the primary health care work concerning family planning.

Key words: congenital anomalies, disease dynamics, infant mortality

J.E.L. Classification: I15

1. Introduction

Congenital malformations/anomalies are part of the *disease* category which for decades has attracted the attention of the scientific community and public health because:

- They relate to the most serious deviations in children's health and significantly influence child mortality, morbidity and disability (EUROCAT Website Database, 2010; EUROCAT Working Group, 1997; Демикова, 2003);
- They are common among human populations, representing a significant part of the genetic burden (Boyd et al., 2011; Dolk et al., 2011; Knowles et al., 2012; Гинтер, Зинченко, 2006);
- The frequency of congenital malformations in people, according to WHO experts, ranges according to the country from 2.7% up to 16.3%, with an average of 5% (Corsello, Giuffrè, 2012; Информационный бюллетень, 2012);
- They constitute the 5th cause of death in the first 4 weeks from birth (Archer et al., 2011; Hotarârea Guvernului R.M. No. 988/06.12.2013).
- Significant economic costs are needed to provide high-quality medical and social assistance to children with disabilities, including pedagogic correction of defects and long-term symptomatic treatment for patients with congenital anomalies (EUROCAT Working Group, 1997; EUROCAT, 2005, Hotarârea Guvernului R.M. No. 988/06.12.20135; Демикова, 2003). Patients with such pathology occupy approximately 30% of the beds in childcare facilities for children of all profiles (Calzolari et al., 2004; Hotarârea Guvernului R.M. No. 988/06.12.2013).

- the moral and psychological aspects of the impact of the birth of a child with congenital anomalies on the well-being of families and society as a whole are also very significant (Демикова, 2003).
- WHO attributes congenital anomalies to the pathology-indicator category, reflecting the high degree of environmental dependence (Информационный бюллетень, 2014).

At the same time, the actual frequency of congenital anomalies remains imprecise, due to diagnostic difficulties and various approaches to registration (Knowles et al., 2012; Информационный бюллетень, 2014). To implement effective and appropriate measures to reduce the prevalence of congenital anomalies, it is necessary to know (become aware of) several important parameters. First of all, it is necessary to have information on the frequency of congenital anomalies. Secondly, there is a need for information on the structure of developmental defects, because any anomaly is heterogeneous in terms of clinical manifestations. Thirdly, it is important to know which factors induce the development of malformations. In order to control these parameters it is necessary to perform complex epidemiological studies of congenital malformations, involving primary medicine and the public health surveillance service.

2. Case Study

In view of the above, it is of scientific interest that the retrospective and prospective analysis of the morbidity by congenital anomalies in the Republic of Moldova recorded over a sufficiently long period to be performed.

Aim of the study: To identify the particularities concerning the spread, structure and dynamics of congenital anomalies in RM correlated with the management of toxic wastes from industrial activities.

Materials and methods

The study includes the retrospective analysis of morbidity and mortality by congenital malformations of children aged 0-17, 11 months and 29 days from the Republic of Moldova, based on the statistical reports existing at the National Center for Health Management. The observation period covers the years 2004-2014.

The frequency of different types of congenital malformations was analyzed on segments, organs and systems according to CIM, WHO's Xth revision, their spread and dynamics being compared with the administrative-territorial units.

The analysis of the spread of toxic industrial waste (TIW) was carried out according to the data from the National Bureau of Statistics database, available on www.statistica.md, and on the basis of the statistical report F-1/e "Formation, Use and Neutralization of Toxic Waste", existing at the level of the Occupational Health Care Section of CSP Chişinău Municipality.

In the analysis of the chronological series, the absolute increase with fixed base and mobile base, the rhythm of variation, the growth rate, the index of visibility (demonstration index), the absolute value of 1% growth were calculated. In addition, for the sake of clarity, the interval consolidation (Jaba, 1998; Сепетлиев, 1968) was also used.

3. Results and Discussions

In the period 2004-2014, 429699 children were born in the Republic of Moldova, out of which 426926 (99.35%) were born alive and 2773 (0.65%) were born dead. During that time there were 70487 cases of congenital anomalies among children, which represents an average of 786.4 ± 29.45 cases per year. The frequency of congenital anomalies in the population was 22.35 ‰.

During the observation period, the infant mortality due to congenital malformations remains constantly increased, ranging from 2.6 to 3.9 cases per 1,000 live newborns, being more pronounced in the 0-4 year age segment, on the background of the downward trend, at a rate of -2.1% annually at the level of infant mortality and at a rate of -2.6% in the mortality rate of children aged 0-4 years.

Congenital anomalies rank second in the infant mortality structure, being $29.8 \pm 0.71\%$ in infant mortality and $27.6 \pm 0.68\%$ in mortality rates for children aged 0-4 years, with a fluctuation range within 24.8 and 36.7%.

In terms of morbidity indices, the downward trend of incidence with the annual average rate of -0.8% and the upward trend of prevalence, with the annual average rate of + 1.7% (Table 1) are attested.

Table no. 1. Dynamics of Congenital Anomalies in Pediatric Population of the Republic of Moldova during 2004-2014

Years	Items	Absolute growth		Visibility index, %	Variation rate, %	Absolute value of 1% growth	Interval consolidation method	Mobile average method
		With fixed basis	With mobile basis					
Incidence, cases in 10 thousand people								
2004	18,94	-	-	100	-			
2005	21,83	2,89	2,89	115,3	15,3	1,18	20,39	20,50
2006	20,45	1,51	-1,38	93,7	-6,3	2,63		21,00
2007	16,19	-2,75	-4,26	79,2	-20,8	0,59	18,32	18,00
2008	15,47	-3,47	-0,72	95,6	-4,4	2,63		16,00
2009	15,01	-3,93	-0,46	97,0	-3,0	3,70	15,24	15,00
2010	18,52	-0,42	3,51	123,4	23,4	0,63		17,00
2011	18,29	-0,65	-0,23	98,8	-1,2	11,99	18,41	18,20
2012	18,79	-0,15	0,5	102,7	2,7	5,45		18,50
2013	17,4	-1,54	-1,39	92,6	-7,4	1,82	18,10	18,00
2014	16,38	-2,56	-1,02	94,1	-5,9	2,12		17,00
Prevalence, cases in 10 thousand people								
2004	58,11	-	-	100	-			
2005	62,6	4,49	4,49	107,7	7,7	0,58	60,36	60,0
2006	62,1	3,99	-0,5	99,2	-0,8	4,99		62,0
2007	58,56	0,45	-3,54	94,3	-5,7	0,08	60,33	60,0
2008	58,42	0,31	-0,14	99,8	-0,2	1,55		58,0
2009	55,38	-2,73	-3,04	94,8	-5,2	0,53	56,90	58,5
2010	63,12	5,01	7,74	114,0	14,0	0,36		58,0
2011	64,68	6,57	1,56	102,5	2,5	2,66	63,90	64,0
2012	68,14	10,03	3,46	105,3	5,3	1,87		66,0
2013	68,33	10,22	0,19	100,3	0,3	36,65	68,24	68,0
2014	67,78	9,67	-0,55	99,2	-0,8	12,09		68,0

The rate of variation in the incidence of malformations relative to the main causes has statistically significant differences ($p < 0.01$). Thus, the tendency for growth is characteristic of congenital anomalies due to chromosomal deformations and abnormalities of the circulatory apparatus with the corresponding average annual rate of 0.1% and 0.5%, respectively. At the same time, malformations and deformities of the osteo-muscular system exhibit a diminishing tendency, with an average annual rate of -2.7%.

The increasing trend of congenital anomalies through chromosomal and circulatory system abnormalities and disturbances is assessed as an unfavorable prognosis for the future, requiring the implementation of urgent (prompt) measures to stabilize the process and conducting epidemiological studies for a deeper analysis of the situation and for finding efficient measures for prevention and control.

Throughout the observation period, the proportion of birth defects in the overall incidence in newborns is significantly higher among preterm infants compared to those born in the term - $15.6 \pm 1.53\%$ vs. $5.5 \pm 0.47\%$, respectively. This reveals a significant difference of about 3 times ($p < 0.05$), which is in full accord with the references of the specialized literature.

The structure of morbidity through congenital anomalies in the pediatric population of the Republic of Moldova is dominated by multiple malformations that account for almost one-quarter of all recorded malformations (Table 2). The second rank in the structure are the anomalies of the

osteo-articular system, although the registered proportions show a decreasing tendency (21.2 - 19.1%). In the third position are the malformations of the circulatory system, but the proportions recorded are increasing continuously.

Table no. 2. The structure of morbidity through congenital anomalies in the pediatric population of the Republic of Moldova; Average data for the period 2004-2014

	Types of congenital anomalies	Code CIM-10	RM		Rank
			%	±Δ%	
1	Congenital anomalies of the nervous system	Q00 - Q07	11,9	4,63	IV
3	Congenital anomalies of the circulatory system	Q20 - Q28	15,2	1,03	III
4	Congenital anomalies of the respiratory system	Q30 - Q34			
5	Congenital anomalies of the gastrointestinal tract	Q35 - Q45	7,4	3,25	V
7	Congenital urinary system	Q60 - Q64	6,9	3,42	VI
8	Congenital anomalies of the musculoskeletal system	Q65 - Q79	19,8	2,45	II
10	Other multiple congenital anomalies	Q86 - Q89	25,3	0,84	I

The comparative analysis of the spread of congenital anomalies along the territorial profile reveals reporting variations in the territorial-administrative units at *quintile* levels. Due to lack of space, we considered it appropriate to only present the data about the congenital malformations of the circulatory system, as they have the highest rate of variation. Thus, in the last year compared with the first year of the study, the status quo is attested in 10 districts (Donduseni, Riscani Floresti, Falesti, Telenesti, Soldanesti, Anenii-Noi, Cimislia, Ialoveni, Cahul), an upward trend in 14 districts (Rezina, Orhei, Straseni, Criuleni, Leova, UTAG, Edinet, Glodeni, Calarasi Dubasari, Cantemir, Briceni, Chisinau and Nisporeni) and a downward trend in 9 districts (Hincesti, Stefan-Voda, Ocnita, Drochia, Soroca, Siingerei, Balti Taraclia, Causeni) (Table 3.).

Table no.3. The dynamics of the congenital anomalies of the circulatory system from the territorial perspective, in relation to "quintiles" (districts)

Qiuntila		2004	2014
V	Up the hill	Falesti, Floresti, Telenesti, Hincesti, Basarabasca, Stefan-Voda	Falesti, Floresti, Telenesti, Rezina, Orhei, Straseni, Criuleni, Leova, UTAG, Basarabasca
VI		Balti, Singerei, Orhei, Straseni, Criuleni UTGA, Taraclia	Edinet, Glodeni, Calarasi, Dubasari, Hincesti, Cantemir, Stefan-Voda
III		Ocnita, Edinet, Donduseni, Drochia, Soroca, Rezina, Criuleni, Cimislia, Leova, Anenii-Noi	Briceni, Donduseni, Chisinau, Anenii-Noi, Cimislia
II		Glodeni, Ungheni, Chisinau, Dubasari, Calarasi, Causeni, Soldanesti	Ocnita, Drochia, Soroca, Soldanesti, Singerei, Balti, Ungheni, Nisporeni
I	Down the hill	Briceni, Râscani, Nisporeni, Ialoveni, Cantemir, Cahul	Ialoveni, Cahul, Taraclia, Riscani, Causeni

Starting from the fact that WHO considers congenital malformations as a pathology-indicator of ecological status, we considered it important to correlate the intensity of CA with toxic industrial waste (TIW). During the period analyzed in the Republic of Moldova, 1.0 ± 0.16 thousand tons of TIW was formed, which represents 0.42-0.50% of the volume of production and consumption

waste. At the same time, however, it should be noted that practically the number of industrial waste-producing enterprises, increased by 30%, from 630 units in 2001 to 978 units in 2014, which demonstrates the spread of this phenomenon as well as an uneven level in the country (Table 4).

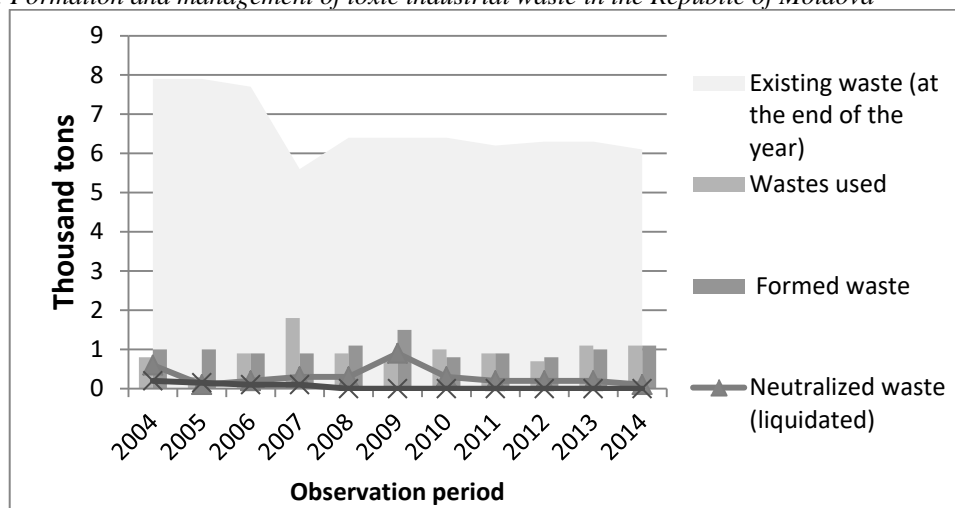
Table no. 4. Evolution of toxic industrial waste in RM by regions: Average data between 2004 and 2014

No.		Formed during the year		Existing at the end of the year	
		thousand tons	%	thousand tons	%
1	RM	2338,9±214,34	100,0	6539,1±63,60	100,0
2	Chisinau Mun.	443,8±125,79	18,9±4,85	443,8±125,79	33,4±1,16
3	North	793,9±39,90	35,2±,79	610,5±4,46	9,8±0,14
4	Balti Mun.	125,0±16,07	5,7±0,99	589,8±5,65	9,5±0,15
5	Centre	688,7±171,08	28,2±3,98	1481,4±34,34	23,3±0,40
6	South	372,6±122,24	32,2±1,12	2042,3±82,15	27,0±32,15
7	U.T.A. Gagauzia	39,9±7,65	2,0±0,36	88,5±4,65	1,4±0,07
	P ₃₋₅		<0,05		<0,05
	P ₃₋₆		<0,05		<0,05
	P ₅₋₆		<0,05		<0,05
	P ₃₋₇		<0,05		<0,05
	P ₂₋₅		<0,05		<0,05
	P ₃₋₄		<0,05		<0,05

In Balti municipality, there were more TIW compared to Chisinau - 589.8 ± 5.65 tons versus 443.8 ± 125.79 tons (Table 4). At the same time, the cumulation of TIW assessed by the volume of existing waste at the end of the year, shows that in Chisinau there is one third of the TIW accumulated in RM - 2120.0 thousand tons out of 6352.1 thousand tons, which is negative from the public health point of view, including the incidence of CA.

It should be mentioned that the amount of toxic industrial waste at the end of the year in relation to the volume of waste formed in the environment during the observation period is 9.5 ± 0.99 , i.e. practically 10 times higher (fig.1).

Figure 1. Formation and management of toxic industrial waste in the Republic of Moldova



In the North region, 5 districts (Briceni, Falesti, Floresti, Riscani, Singerei), according to official statistics, are free of TIW. The largest amount of TIW is accumulated in Donduseni (11.9 ± 1.71 tons) and Soroca (2.1 ± 0.44 tons) in the North region (*raioane*).

In the Central area, 3 districts are free from TIW (Dubasari, Rezina, Șoldanesti) and the leading holders are Ialoveni (576.1 ± 45.91 tons), Orhei (368.6 ± 4.01 tons), Calarasi ($180,4 \pm 18.90$ tons) regions (*raioane*). In Hincesti and Telenesti districts, the accumulated TIW volume is practically at the same level, i.e. 101-107 tons.

In the South Zone, the regions of Cantemir and Ștefan-Voda are free of TIW, and the leaders in the accumulation process are Causeni (1140.8 ± 26.57 tons), Taraclia (348.9 ± 26.57 tons), Leova (229.7 ± 5.59 tons) and Cahul (218.2 ± 0.22 tons) regions.

Therefore, there is a correspondence of 87.3% between the accumulated TIW volume in the top *quintile* (district) and the incidence of congenital anomalies.

4. Conclusions

Our conclusions are as follows:

1. Population prevalence of congenital anomalies in the Republic of Moldova remains constantly high - 22.35 %.

2. During the 11-year period under observation, the incidence of congenital anomalies was characterized by a tendency to decrease, mainly due to the number of osteo-muscular system anomalies.

3. DTI represents a major risk to the health of pediatric population and requires extensive epidemiological studies on CA in relation to environmental factors.

4. To make prevention and control measures more effective, inter-sectoral and interdisciplinary measures promoted at the policy level are needed.

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Developing Teamwork and Reading Skills in the ESP Classroom. Case Study

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Abstract

In the ideal ESP (English for Special Purposes) classroom, students should work together in order to perform their tasks. However, they should also compete and work independently. The purpose of this paper is to analyze the importance of teamwork/cooperative learning in encouraging cooperation, competition and independent work and in developing teamwork and reading skills in the ESP classroom. Cooperative learning involves students actively, as it organizes them into groups, giving them defined roles and a common group task. Cooperative teaching techniques involve the students in class and help them to increase their knowledge. The first section of this paper is an introduction to Cooperative learning, while the second one presents its basic elements and activities. The last section focuses on a case study that highlights the positive effects of cooperative learning methods on English reading skills.

Key words: teamwork skills, cooperative learning, reading skills, English for Special Purposes (ESP), English learning

J.E.L. Classification: K00

1. Introduction

Cooperative Learning is a successful teaching strategy that can be applied at all levels, meeting students' various needs, such as socialization, emotional support, group membership, feelings and opinions sharing. Cooperative Learning is an ESL/EFL teaching and learning method through which students with different levels of ability work together in small groups or pairs, in order to answer a significant question, to debate a subject matter or undertake a project, in order to perform a common task. This modern method increases the students' responsibility with regards to their work (this means that every team member is responsible for his/her learning) and to the whole group work (students also help their team mates learn) (Johnson et al., 2014); the teacher evaluates both types of work, i.e. the individual and the group one. Cooperative learning is extremely efficient as it encourages students to think critically, to express their opinions to solve the given task; it helps students develop their oral skills by interacting with each other; it enhances students' satisfaction with their learning experience (Meng, 2010: 701-702).

Having in view that one of the major problems of contemporary education is to motivate students, we strongly believe that the students' learning motivation increases significantly when they perceive that their activities have a goal, when they are given the occasion to decide in terms of their learning, when they feel responsible for participating actively in different activities and solving certain tasks. Furthermore, motivation may be increased if students consider their studies important, if they work with interesting material and if they are constantly encouraged. In this respect, the method used by the teacher plays a vital role, as it highly influences the students' motivation, helping them to better understand the subjects taught. In this regard, Cooperative Learning fulfils several important functions, such as the promotion of students' self-esteem, creation and maintenance of positive relationships, learning and academic achievement, increase in

the students' retention and satisfaction with their learning, development of students' communication and social skills (Adams, 2013). Moreover, learning becomes student-centered (students can actively participate in their learning) and is shared by group members (students can question, challenge, share and discuss each other's ideas, and internalize their learning); it no longer falls within the teacher's responsibility, as the responsibility of setting goals, evaluating learning and facilitating learning belongs to all (Johnson et al., 2014). In order to involve the students actively within the learning process and to increase their motivation, teachers should choose exciting and stimulating activities that raise the students' curiosity. Moreover, they should involve them in projects that require teamwork or pair work over a longer period of time (with the achievement of the same goals).

2. Cooperative Learning: basic elements and activities

It is only under certain conditions that cooperative efforts may be expected to be more productive than competitive and individualistic efforts. Among others, according to Johnson and Johnson (2001), this method implies positive interdependence (one's success depends on the success of every group member) and interaction between students (the students from the same group share resources, help and encourage each other). Moreover, individual and group responsibility (both every group member and the entire group as a whole are responsible for the achievement of their common goals) as well as interpersonal and teamwork skills play an important role. In addition to the knowledge related to different academic subjects, students acquire other skills, such as leadership skills, decision-making abilities, conflict-management skills, communication skills. Last but not least, group processing (group members discuss their achievement level, working relationships, actions, decisions, patterns of behavior) also represents an element that plays a major role in cooperative learning (Johnson and Johnson, 2001: 13-15).

Cooperative learning comes with a wide variety of activities allowing students and teachers to work together, such as class activities for developing speaking skills that trigger the development of effective communication, in order to perform different speech acts, e.g. asking and answering questions, expressing opinions, asking for and providing information, greeting people, telling stories, etc. (Macpherson, 2007). Other cooperative learning activities are jigsaw (every group member receives some unique material to learn and then teach to his/her group members; for more information see Miaz, 2015), think-pair-share (individuals think silently about a question, then they exchange thoughts and share their answers with other pairs/ teams/ the whole group), flashcards (useful in presenting, practicing, assessing, reinforcing and consolidating different grammar or vocabulary items).

Numbered heads together is another cooperative learning strategy where every student is responsible for learning the material, as each group member should know the answer to the problems raised by the teacher (Astuti, 2014). In its turn, the cooperative learning technique known as the three-steps interview improves students' speaking ability, as they have to collect, share and even analyze different pieces of information, data, ideas, etc. related to a certain subject or theme (Saifuddin, 2013). Another useful activity is represented by the round robin, where group members (sitting in a circle) are asked by their group leader a question (or a problem is raised) and they brainstorm as many solutions/ answers as possible (Carruba, 2013; Maldonado et al., 2011: 39).

Therefore, by its various small group activities and techniques, cooperative learning requires students to depend on one another for success, provide for individual accountability (assessment is applied to each group member and to the entire group as a whole), employs interaction between students and contributes to the development of their interpersonal and group skills (Gillies, 2003). When working in small teams, students learn to focus on their task, work together, check each other for understanding, help one another on certain learning tasks. Moreover, their learning objectives and tasks may encourage cooperation, competition or independent/individual work (Johnson et al., 2014: 4). In this regard, it is noteworthy that cooperation should represent the main goal, while competition can modify the learning rhythm; independent work or learning is useful only when the acquired knowledge is applied in teamwork activities (Johnson et al., 2014: 5-6).

Having in view the above-mentioned issues, it should be noted that students should not work in pairs or groups all the time. As students become more confident as far as their learning is concerned, they should be asked to perform more and more student-centered tasks. Moreover, teachers should always keep a balance between leading the students and allowing them to control their own learning.

3. Case study: Research hypothesis and methodology

Research hypothesis and methodology. This experiment was conducted on two groups of students, in their first semester of the academic year 2016/2017 and it was based on the following hypothesis: if teachers use the Cooperative Learning method in the ESP classroom, then students will feel at ease and their reading comprehension skills will be improved. In order to test the above-mentioned hypothesis on the influence of cooperative learning and traditional learning on the students' reading comprehension abilities, we used, as research methods, the experiment and the observation. This research was conducted on a sample of 45 students majoring in Business Economy (Faculty of Economic Sciences, the first year of study) divided as follows: the experimental group consisted of 20 students while the control group included 25 students. The experiment was performed in the first semester of academic year 2016/2017, during two ESP seminars. Both groups studied the same material (Units *Recruitment* and *Employment*: job advertising, the recruitment process, contract of employment and job description, earnings, rewards and benefits). The lesson plans of both groups had the same instructional objectives and were based on the same reading passages and exercises. Nevertheless, the lesson plans for the experimental group provided opportunities for small-group interaction and sharing resources among team members (the students were divided into five teams of four members each). On the other hand, the students from the control group worked individually and shared their answers with the class. Worksheets were provided to both groups; however, as far as the control group is concerned, learning activities were performed through traditional methods, while the experimental group performed cooperative learning activities.

Reading is generally defined as a decoding process of written symbols, starting from smaller units and reaching larger ones. Traditional reading classes are characterized by the teacher's central role, the students being asked to read (skim or scan) a given text. Then, the teacher explains the key words and phrases, and then asks his/her students to answer several questions or perform reading comprehension tasks. In Cooperative Learning, the teacher splits the text into several parts and every group member is given a different part. Then, the students must find the other persons in the class who received the same part, form a reading group, discuss/analyze the respective part, go back to their initial group, share opinions/information and form a complete idea about the entire text. Afterwards, the teacher asks reading comprehension questions and each group member is accountable for the answers. Finally, the teacher comments upon the cooperative reading class (Hollingsworth et al., 2007).

In this study, before the experiment, the teacher administered an initial test in order to evaluate the students' English reading comprehension abilities and to identify the differences between the two groups. At the end of the experiment, the students were given a final test, in order to measure the students' English reading comprehension abilities after using cooperative strategies. The grades used at the initial test and final test were the following: under 5; between 5 and 6.99; between 7 and 8.99; between 9 and 10.

4. Data interpretation and results

The grades awarded to the students from the experimental group on the initial test are shown in Table no. 1 below:

Table no. 1 Initial test results of the experimental group

Grades	under 5	5-6.99	7-8.99	9-10
		6	7	4
Percentage %	30%	35%	20%	15%

Source: author's own processing

After analyzing the students' grades, the following conclusions can be drawn as far as the experimental group is concerned: 70% of the students passed the test (7 students got grades in the range of 5 and 6.99; 4 students scored between 7 and 8.99 and only 3 got grades between 9 and 10), while 30% failed it (i.e. 6 students got grades under 5). The grades obtained by the students from the control group on their initial test are shown in Table no. 2:

Table no. 2 Initial test results of the control group

Grades	under 5	5-6.99	7-8.99	9-10
		9	9	4
Percentage %	36%	36%	16%	12%

Source: author's own processing

By analyzing the above grades, it can be stated that 64% of the students from the control group passed the test while 36% failed it.

Table no. 3 Scoring classification of the students' reading skills (initial test)

Classification	Experimental group	Control group	Criteria
Excellent	3 students	3 students	Understands well the structure of the whole text and perceives its main ideas.
Very good	2 students	3students	Understands the text as a whole but hesitates about figurative items.
Good	2 students	3 students	Understands easy sentences but hesitates when encounters complex ones.
Pass	7 students	9 students	Understands most of the words; sometimes needs additional explanation
Weak	3 students	4 students	Shows difficulty in understanding the text and often needs additional explanation.
Very poor	3 students	3 students	Difficulty in understanding the text

Source: author's own processing

The initial test results and the Table no. 3 above reveal that there is no significant difference between the experimental and the control groups. Both groups had almost equal English basic knowledge before the experiment. In both groups, there were students who understood well the structure of the whole text and perceived its main ideas. Nevertheless, some of them showed difficulty in understanding the text and often needed additional explanation. These learners did not display good comprehension and inference skills. Moreover, these results showed that some students have obvious deficit in knowledge and this was an opportunity to introduce new and relevant ESP vocabulary items, useful in the students' future interactions (Leonte and Istrate-Macarov, 2016: 226). The grades awarded to the students from the experimental group on the final test are shown in Table no.4 below:

Table no. 4 Final test results of the experimental group

Grades	under 5	5-6.99	7-8.99	9-10
		2	4	9
Percentage %	10%	20%	45%	25%

Source: author's own processing

The results presented in Table 4 above reveals that 90% of the students from the experimental group passed the test and only 10% failed it. The students' grades (the control group) on the final test are shown in Table 5:

Table no. 5 Final test results of the control group

Grades	Under 5	5-6.99	7-8.99	9-10
		7	8	6
Percentage %	28%	32%	24%	16%

Source: author's own processing

The results shown in Table 5 reveal that 72% of the students from the control group passed the test while 28% did not.

Table no. 6 Scoring classification of the students' reading skills (final test)

Classification	Experimental group	Control group	Criteria
Excellent	5 students	3 students	Understands well the structure of the whole text and perceives its main ideas.
Very good	5 students	2 students	Understands the text as a whole but hesitates about figurative items.
Good	4 students	2 students	Understands easy sentences but hesitates when encounters complex ones.
Pass	3 students	6 students	Understands most of the words; sometimes needs additional explanation.
Weak	1 student	3 students	Shows difficulty in understanding the text and often needs additional explanation.
Very poor	2 students	9 students	Difficulty in understanding the text

Source: author's own processing

The results showed that our research hypothesis (i.e. the use of Cooperative Learning activities in the classroom improves the learners' reading comprehension skills) is valid. The students from the experimental group showed more confidence, and they learnt the materials within a group easily, improving their reading comprehension skills. Moreover, they involved themselves actively during the teaching and learning processes. They became more aware of the mistakes they made especially because they always gave feedback to their classmates' performance. The various cooperative learning activities made the class atmosphere enjoyable and improved the students' understanding of the materials and the teacher's classroom management.

The results indicated that the students from the experimental group, who carried out Cooperative Learning activities, got better grades (which reflects a higher achievement level in terms of their reading skills) than the students from the control group, who performed reading activities through traditional learning/ teaching methods. The lower grades obtained by the students from the control group were due to the fact that, through traditional learning, students did not

interact with each other (they interacted only with the teacher). Communication among students and comprehension were limited. They took turns in reading each paragraph and they had to answer direct reading comprehension questions that required the reproduction of information from the text, which kept their understanding at a minimum level.

5. Conclusions

At the end of the experiment, the students from the experimental group changed their attitude towards group work. In the beginning, they did not like working in groups and felt uncomfortable reading different texts. After the experience of sharing and learning with others, they found real and concrete reasons to work with their partners. Many values were learned during the process, such as solidarity, responsibility, team spirit, etc. The first time they used Cooperative Learning Strategies was not easy, as they wanted to work only with their friends and, in some cases, did not follow the rules. In the first session, some groups delegated one student to do the activity, but when the teacher asked another student for the answers, they understood why it was important that everyone in the group managed the information. Thus, they changed their concept of group work. It was no longer a case of a group of friends where only one person had the responsibility of working and giving all the answers. Competition among the groups was an important factor to motivate students to work as a group, because it is important for them to be the best and to be recognized. A good attitude was an element that students included in their strengths, because they noticed that good relations among them were important if they wanted good results in their activities. They valued and respected their partners and, in some cases, discovered new friendships through the work. The roles played by students during cooperative learning activities changed constantly. For instance, at the beginning of the experiment, the teacher assigned some roles in order to explain students how to work. After practicing the respective elements, students assigned each other the same roles for each session, but they also created new ones. For example, one student recorded the steps made, another was the leader or the spokesperson, and they fulfilled those functions according to the task. Students could rotate the functions in different groups. This helped to reinforce self-esteem in some students. Materials, topics and special equipment resources were motivating factors in the experience. These elements gave students tools and encouragement in their work. Students were aware of their own responsibility in the process. They identified the fact that the project's successful result was achieved through their good attitude and the contributions of all class members.

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Cyber Attacks and Combat Behavior

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Abstract

Cyber terrorism is an intangible danger, a real over the corner threat in the life of individuals, organizations, and governments and is getting harder to deal with its damages. The motivations for the cyber-attacks are different, depending on the terrorist group, from cybercrime to hacktivism, attacks over the authorities' servers. Organizations constantly need to find new ways of strengthening protection against cyber-attacks, assess their cyber readiness, expand the resilience capacity and adopts international security regulations.

Key words: cyber terrorism, cyber-attack, cyber resilience, cyber readiness

J.E.L. Classification: K40, M20, M48, O34.

1. Introduction

Cyber terrorism consists in using new technologies to cause major injuries by organized groups and is an enormous threat to individuals, companies, and governments all over the world. Information stored online, computers and entire networks are constantly threatened or attacked and the phenomenon appeared when terrorism occurred encountered cyberspace. Nowadays, the incidence of attacks is on the rise, in the last year important attacks hit the entire globe, showing how vulnerable we are in front of cyber risks.

Cyber-attacks can take several forms, like online identity theft, hacking, malicious code, intellectual property loss, deliberate damage on computer systems

2. Attacks motivations

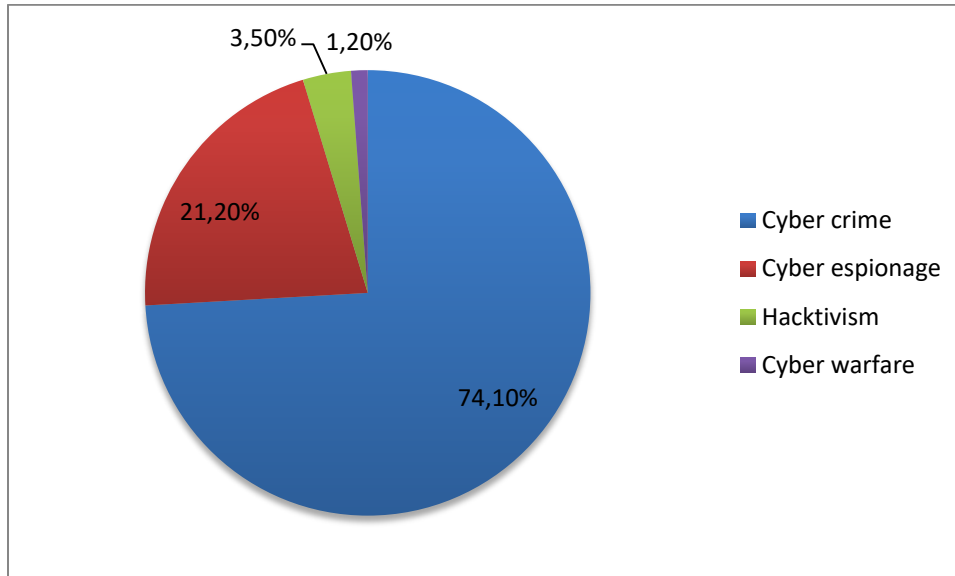
There are four main reasons behind the cyber-attacks according to statistics on hackmageddon.com, for April 2017:

Table no. 1 Motivations behind cyber attacks

Motivations	Percentage
Cybercrime	74,1%
Cyber espionage	21,2%
Hacktivism	3,5%
Cyber warfare	1,2%

Source: Author's projection after Hackmageddon statistics

Figure no. 1 Motivations behind attacks



Source: www.hackmageddon.com

Weimann associated cyberterrorism with a cloud, as we know the cloud is there in the sky and it may come but we do not know when it will come.

The online environment is very wide and offers the main tools for perfected attacks, as terrorist groups are trending all over social media, through group chats and forums, websites, YouTube, there are even online manuals about terrorism, there is access to ultimate speed tools in causing major harm.

3. Damages on organizations

Analyzing the influence of cyber-attacks on the organizations, we consider aspects of costs depending on the impact of the event and its nature. Some examples of damages that are difficult to quantify as they bring hidden costs are:

- the theft of intellectual property,
- data destruction,
- Economic cyber espionage.

The damage of the events counts additional costs, like:

- increases in the insurance premiums,
- a higher cost for credit due to lower credit-rating after an attack,
- operational dysfunctions due to the need of repairing equipment,
- arrange new infrastructure, business interruption
- losing credibility and value on clients relationships
- the loss in revenues from renewing contracts
- financial damage from branding devaluation

4. Cyber resilience

Organizations must reshape their cyber security regulations, going from prevention to a more active defense by preventing, detecting and responding strategy, evaluations, shaping a rigorous internal audit system.

Cyber resilience can be assessed by:

- measurements computed metrics,
- experiments,

- analytical judgment,
- Resilience capacity.

Strict security regulations can prevent cyber-attacks and forgery attacks. The General Data Protection Regulation program was adopted in 2016 and will be operating from May 2018 as a security data protection for European Union individuals. The program obliges companies to implement cyber security measures.

Big data security analytics is one of the cyber security solutions, by combining analysis of real and historical time so it identifies incidents, anomalies and providing solutions on vulnerabilities.

IT security or cyber security provide other security solutions for companies, by scanning the systems on a regular basis, monitoring them and in the case of identifying cyber-attacks and counter them by disconnecting the devices from the network and alerting the information owners about the danger.

Also, the G20 issued an *International Cybersecurity Strategy: Deterring Foreign Threats and Building Global Cyber Norms*, aiming international stability in cyberspace. The act refers to the behavior in cyberspace according to the international law, promoting free will regulations of trustworthy state behavior during peacetime, developing and implementing confidence-building measures (CBMs) aiming stability in cyberspace, minimizing risks of wrong perception and escalation.

The program contains a series of tools available to counter cyber threats, like:

- diplomatic tools – communication with enemies is forbidden, assistance from allies is encouraged;
- use of law enforcement tools for crime investigation and prosecution of spiteful cyber players including international cooperation and mutual assistance, promoted by the Budapest Convention (2001);
- economic tools by applying financial sanctions;
- military capacity;
- Intelligence abilities.

A real challenge in counteracting cyber-attacks consists in delimitation between the cyber espionage and electronic surveillance. By using means of electronic surveillance is extremely easy to interfere with privacy invasions, intellectual property theft and violate either the International Covenant on Civil and Political Rights ICCPR and/or European Convention on Human Rights ECHR.

There are also legal framework against cyber-attacks or exploitation like the Economic Espionage Act (EEA) and Computer Fraud and Abuse Act (CFAA) in the United States, and Cybercrime Convention signed in Budapest

Analyzing all conventions we find it challenging to separate security espionage of surveillance and the main solution can be promoting domestic laws adapted from the international laws.

ISACA, formerly named as Information Systems Audit and Control Association is a nonprofit independent organization providing guidance and tools to information systems users. They realized a survey on the State of Cyber Security and gathered the findings in a report. The main ideas are the following:

- Companies find it difficult to hire professionals in cyber security positions
- The budgets on cyber security are growing but on a slowly manner
- The threats are expanding, the environment is unfriendly
- Major concern of cyber-attacks over the (IoT) the internet of things, replacing the mobile threats
- Ransomware – a malware that prevents the user in accessing their data by locking their devices until a ransom is paid (usually the attacker asks payment in cryptocurrency).

5. Conclusions

Cyberspace will always encounter risks, it is impossible to create an immune cyber system. But we can always improve the cybersecurity, making it stronger on attacks, keeping a continuous active cyber deterrence state. Companies need to work on response procedures for ransomware attacks. Also, organizations need to invest in their cyber security infrastructure, in training for the employees, even if they have problems in hiring qualified cyber security specialists.

We need to develop cyber readiness and cyber resilience as cyber-attacks are on the rise and get more and more sophisticated and prevention is the utmost security strategy. We also need to adopt both as individuals and especially in enterprises education programs for online behavior.

Scareware or ransomware is a developing business and we need to be perfectly conscious of this fact when searching for means of combat or response.

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Unit Value of Net Asset to Mandatory Privately Managed Pension Funds in Romania during May 2008 - December 2015

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Abstract

Since 1990, the public pension system in Romania has started to deal with special problems, in particular demographic. To these were added and all funds due to lower pension payments. In this context it was introduced in 2007 private pensions. In this article we propose an analysis of how it has evolved Pillar II mandatory private pensions in Romania in May 2008 - December 2015 in terms of net asset value per unit. We considered the annual returns of the net asset value per unit on which they were recorded in Pillar II pension funds during this period.

Key words: mandatory private pensions, Pillar II, value of the fund unit, capacity annual

J.E.L. Classification: J21, J26

1. Introduction

The initial membership period of market participants in the mandatory private pension funds lasted four months, being carried out between 17 September 2007 - January 17 2008. Of the 18 originally approved private pension funds, four of them had less than 2,000 customers in portfolio and decided to withdraw from the private pension market until the beginning of the collection of contributions (www.csspp.ro). It's about private pension funds MARFIN, ZEPTER, ALFA and trust services. The small numbers of customers, these funds were not too attractive for the big players in the market, their acquisition costs may be at a point higher than the portfolio that I could bring. Thus, after their withdrawal, their portfolios were divided equally among the remaining 14 funds.

During the seven years of operation, funds market of mandatory private pensions have been a number of over's, canceled, after which they disappeared from the register following funds: Pension VIVA (fund absorbed by ALICO), Interamerican (now then EUREKO and subsequently absorbed the fund VITAL) BANCPOST and KD (acquired by former fund EUREKO), OTP, FIRST PENSION and OMNIFORTE (absorbed fund BCR). (www.cnpp.ro)

Thus, of the 14 funds that have started operating at the end of accession initial Currently, there are only seven funds: ALICO (originally called AIG and managed by the company Metropolitan Life) WINGS (managed by the company Generali), AZT FUTURE YOUR (managed by Allianz Tiriac), BCR (managed by the company BCR), BRD (BRD-run company), NN (originally called ING and managed by the company NN) and VITAL (managed by the company Aegon).

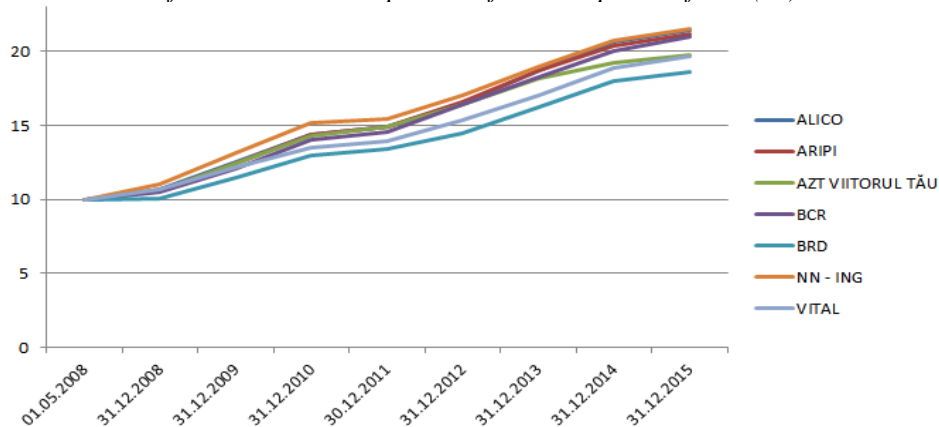
2. The annual change in net asset value of the unit of Pillar II pension funds

Defined as the net asset value of the pension fund at a certain date and the total number of units of the Fund at the same time, the value of net asset (NAV) can express pretty good return on a pension fund and its performance shows how as administrator, in the economic data through its investment policy reflected in the structure of the investment portfolio, managed to capitalize on the contributions of participants (Constantinescu et al, 2005, p.23-39).

Based on data from (Colomeischi, 2014, p.123-167) I represented in Figure 1 the annual change in the period May 2008 - March 2012 Net asset value per unit for the seven private pension funds that still works today. The initial net asset value within each pension fund has been set by law at 10 lei.

Firstly the graph notes the improvements which had a net asset value of each of the nearly eight years of operation of the system and for all pension funds. Second it was found that permanent fund that had the highest net asset value was ING (later NN).

Figure 1 Annual evolution of the net asset value per unit of Pillar II pension funds (lei)



Source: INSSE – Anuare statistice pe anii 1990-2015

We will look further at how the net asset value for the mandatory private pension funds from their debut in 2008 and by the end of 2015.

2008 recorded the final rule ING fund in this chapter; it recorded the highest net asset value, amounting to 10,9813 lei, followed by VITAL funds with 10.704 lei and ALICO to 10,6814 lei. On the opposite side stood AZT YOUR FUTURE funds with a net asset of 10,5529 lei, BCR 10,4931 lei, and last stood BRD fund, whose net asset value was only 10,063 lei.

In late **2009** the first position was all ING, the net asset value of 13,111085 lei (he was also the only fund that had passed the threshold of 13 lei), but was followed by ALICO with 12,478649 lei and airfoil 12,475404 lei. The last three places were VITAL net asset value of 12,128323, 12,051833 BCR and BRD with 11,462125 lei lei.

On 31 December **2010** the top three funds were in the same order as the end of 2009: ING was the first net asset value of 15,135362 lei (the first fund exceeding the threshold of 15 lei), followed by ALICO 14,413267 lei and lei 14,332213 WINGS. The last three positions were found BCR funds with net asset value of 13,993198, VITAL with 13,487383 lei and BRD with 12,963021 lei.

In late **2011**, following ING fund, which had net asset value of 15,430079 lei, was AZT YOUR FUTURE fund with 14,90037, ALICO with 14,907391 lei. The last three funds were the same as a year ago, but in different order: BCR fund had net asset value 14,527372 lei, followed by the VITAL 13,911643 and BRD with 13,443873 lei.

On 31 December **2012**, ING was still first, with net asset value amounting to 17,014648 lei, the first fund exceeded the threshold of 17 lei, while the second is fund WINGS, with the unit value 16,551539 lei net assets of the fund and the third was ALICO, with 16,49579 lei. The last three positions were the same funds: BCR net asset value of 16,384825, VITAL with 14,565294 lei and BRD with 13,830831 lei.

At the end of **2013** the first position was all ING, the net asset value of 18,935456 lei, followed by all of WINGS 18,732237 and ALICO with 18,661834 lei. The last three places were AZT YOUR FUTURE net asset value of 18,137685, VITAL with 17,054061 lei and BRD with 16,226338 lei.

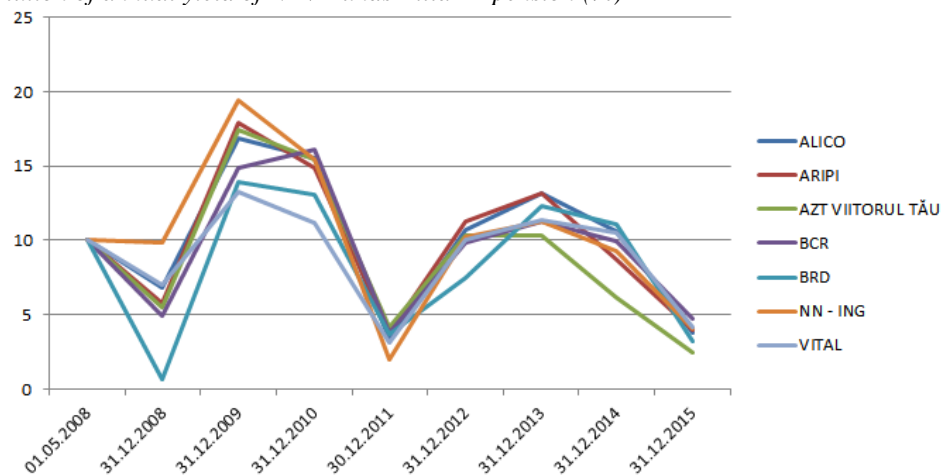
On December 31, **2014** were the top three funds in the same order as at the end of 2013: the first was NN - ING net asset value of 20,689602 lei, followed by ALICO with 20,644477 and WINGS with 20,372935 lei. The last three positions were found AZT YOUR FUTURE funds with net asset value of 19,249942, VITAL with 18,843225 lei and BRD with 18,020319 lei.

According to data published by the FSA, on 31 December 2015 the situation was about the same as that of a year ago: NN - ING was still first, with net asset value amounted to 21,53651 MDL No. two are ALICO fund, the net asset value of 21,428454 lei, while the third was WINGS fund with 21,17464 lei. The last three positions were the same funds AZT YOUR FUTURE with a net asset of 19,719559, VITAL 19,630261 with lei and BRD with 18,598951 lei.

3. Evolution of annual yield net asset value per unit

In Figure 2 is the evolution of annual yield net asset value per unit for each of the seven pension funds from Pillar II activity remaining.

Figure 2 Evolution of annual yield of NAV Funds Pillar II pension (%)



Source: INSSE – Anuare statistice pe anii 1990-2015

Looking at the chart above, we observe that 2009 was the year the most favorable in terms of yield asset value per unit net for all funds mandatory private market, with one exception, the fund BCR, which had the good progress in 2010.

In **2008**, the debut year of full operation Pillar II, yields the highest unit value of the net assets were recorded at ING funds, 9,81%, 7,04% and VITAL with ALICO to 6,81 %, while the lowest yields have had AZT YOUR FUTURE funds with 5,53%, BCR 4,93% and BRD with 0,63%, the latter fund is also about the lowest annual yield recorded any substantive period. If we compare net asset value per unit yields and inflation, only the last two funds mentioned above had lower yields in 2008 the inflation rate calculated for the period from May to December, which was around 5,15%. (INSSE – Anuare statistice pe anii 1990-2014)

And in **2009**, when almost all funds (excluding BCR) recorded the highest yield annual net asset value, the fund ING had the largest percentage increase of 19,39%, this being otherwise and the higher yield annual net asset value per unit recorded a private pension fund from 2008 to present. The following places have been WINGS funds with 17,91%, YOUR FUTURE AZT 17,48% and ALICO with 16,83%. On the opposite side stood BCR funds with a return of 14,85%, 13,9% and VITAL BRD with 13,31%. Extremely favorable evolution of net asset value per unit in 2009 is confirmed by the fact that its yields were much higher than the annual inflation rate of 5,59% (INSSE – Anuare statistice pe anii 1990-2014), where all seven funds.

Pension Fund BCR leads the hierarchy of the best returns of the net asset value per unit for **2010** to 16,11%, which is the best annual yield of the Fund since its establishment. This was largely influenced by the two over's he realized that fund in 2010. The following places ALICO funds were 15,5% and 15,44% ING. The last three were WINGS funds with an annual yield of 14,88%, VITAL with 13,09% and BRD with 11,21%. In 2010 all private pension funds achieved returns of

the net asset value per unit significantly exceeded the annual inflation rate announced by NIS level of 6,09% (INSSE – Anuare statistice pe anii 1990-2014).

2011, with two exceptions, AZT YOUR FUTURE funds and BRD, brought all pension funds from Pillar II, the weakest annual returns of the net asset value per unit during the period under review. In 2011 the best yield was only 4,19%, the fund achieved YOUR FUTURE AZT, then followed BCR 3,82% and 3,8% WITH WINGS. The lowest yields for net asset values of the funds were ALICO by 3,38%, VITAL 3,15% and ING 1,95%. 2011 saw a modest evolution of the net asset value per unit, as confirmed by the fact that the annual inflation rate of 5,79% (INSSE – Anuare statistice pe anii 1990-2014) was superior to all annual returns of Pillar II funds.

The highest yields annual net asset value per unit in **2012** they had WINGS funds with 11,26%, with 10,71% followed by ALICO and AZT YOUR FUTURE 10,3%, while increases in the weak VITAL funds have registered 10,06%, BCR 9,87% and BCR with 7,47%. In 2012 the annual returns of the net asset value per unit for all funds exceeded the annual inflation rate of 3,33% (INSSE – Anuare statistice pe anii 1990-2014).

The first three funds that yield annual net asset value per unit in **2013** were WINGS with 13,18%, BRD 13,13% and ALICO with 12,3%. The lowest yields were recorded at BCR funds by 11,3%, ING 11,29% and YOUR FUTURE AZT with 10,32%. 2013 annual returns and unit value of the net assets of all funds far exceeded the annual inflation rate of 3,98% (INSSE – Anuare statistice pe anii 1990-2014).

2014 brought the best returns for funds BRD with 11,06%, followed by ALICO with 10,62% and 10,49% VITAL. The last three funds have had returns NN – 9,26%, WINGS – 8,76% and AZT YOUR FUTURE – 6,13%. As in other years we analyzed, and 2014 annual returns of all funds Pillar II were higher than the annual inflation rate, equal to around 1,07% (INSSE – Anuare statistice pe anii 1990-2014).

Last year analyzed **2015** recorded annual returns rather low for all funds under Pillar II, the first being BCR with 4,73%, NN 4,18% and VITAL 4,09%, while the smallest increases were ALICO – 3,8%, BRD – 3,21% and AZT YOUR FUTURE – 2,44%. The year 2015 brought the worst annual return net asset value per unit of the fund AZT YOUR FUTURE. Despite these annual yields quite low, however we can say that in 2015 the mandatory private pension funds had a positive development if we consider that last year registered a negative annual inflation rate of – 0,59% (INSSE – Anuare statistice pe anii 1990-2014). If we follow the total yields of the net asset value per unit for the mandatory pension funds, the entire period from May 2008 until December 2015 order of the seven funds was as follows: 1. NN – 115,37%; 2. ALICO – 114,28%; 3. WINGS – 111,75%; 4. BCR – 109,93%; 5. YOUR FUTURE AZT – 97,2% 6. VITAL – 96,3%; 7. BRD - 85,99%. The calculation of these returns have taken into account the net asset value at the start of Pillar II was 10 RON for all pension funds.

4. Conclusions

During the seven and a half considered, one can notice the improvements which had a net asset value each year of operation of the system and all pension funds. Second it was found that permanent fund that had the highest net asset value was ING, later NN. Second it was found that permanent fund that had the highest net asset value was ING, later NN.

Analyzing developments that have had annual returns of the net asset value per unit is noted that 2009 was the most favorable year for all mandatory private funds in the market, with one exception, the Fund BCR. This latter fund had the best evolution in 2010, primarily due to the two absorption that has achieved this year, FIRST PENSION funds being absorbed and OTP.

That mandatory private pension funds had an overall positive trend is supported by the comparison of yields annual net asset value per unit and the annual inflation rate. With the exception of 2011, when the inflation rate exceeded the annual returns of all funds, and 2008, when the two funds had yields lower annual inflation in all other years all funds Pillar II had annualized returns above inflation.

Delayed more than ten years of private pension savings is a financial instrument with tradition in mature markets, but with no history in Romania. According to estimates at the time of interested companies, private pension business will become the next few decades, a market that quickly reached one billion euro in the first three years and is expected to reach ten billion in the first ten years.

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The Criteria Underlying The Romanians Emigration Intent

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Abstract

For the twenty-first century, the emigrants' earnings compared with those of the local population decreased due to the current economic climate and changes in the labour market of the country of destination. According to official statistics provided by Eurostat, in developed countries, compared to the previous years, as a result of the increase in the share of low skilled immigrants, the migrants' wages are very low or nonexistent in some cases - if they do not work. Although some of the emigrants have a high level of training or higher education acquired in their country of origin, they sometimes accept certain jobs regarded perhaps even as lowering in their own country. In this article we aimed the evolution of the Romanians migration from the past years, based on a quantitative research conducted in the city of Focsani (Vrancea County).

Key words: labour market, emigration, country of destination.

J.E.L. Classification: J61; J62.

1. Introduction

The international trend of emigrants in the countries of destination, is to handle the jobs relatively poorly paid (in areas where unskilled trades are required: domestic services, industry, agriculture). It is important that we talk about two forms of migration: one that is unskilled (without studies undertaken by the emigrant in the country of origin) and a qualified one (with undergraduate and graduate studies undertaken by the emigrant in the country of origin). (Cristian. E. R; Moise. E; Dârzan. M., 2011)

Being positioned at the basis of the social scale, the emigrants from destination countries were among the first affected by the effects of the economic crisis. Under these circumstances, some Romanian emigrants have decided to return to their country, and others, who intended to take the foreign path decided to remain in the country. For all these emigrants and situations, we may discuss their own economic and social costs incurred by them. All these determinants (economic, social, political, religious) contribute to the increase in labour mobility, namely: (Zamfir.C; Stanescu.I; Ilie.S.,2010,p.23)

- a. the segmentation of the labour market in the two sectors (primary and secondary);
- b. the need for much higher wages;
- c. demographic changes that are taking place at the level of regions, countries and continents;
- d. labour market liberalisation and labour force;
- e. development of multinational companies and attracting foreign investors, that encourage the creation of jobs;
- f. the development of trade between states and of the regional infrastructure.

In the 19 questions of the questionnaire (Q1-Q19), the Romanian urban residents have been asked to respond about major economic and social causes that could determine them to emigrate to another country.

This test involved the use of independent samples of subjects, residents in the city of Focsani, the dedicated research period being October-December of 2016. The sample analyzed was represented by a total of 520 male and female subjects with residency in Focsani (Vrancea County).

The analysis followed 2 situations in which the Romanian emigrants that intend to emigrate to another country are found. The two situations analysed in the framework of the research are the following:

1.1. the intention to emigrate to another country, depending on the gender of the respondent (male and female)

1.2. the intention to emigrate to another country, depending on the respondent's education (post secondary studies, undergraduate, postgraduate)

2. The intention to immigrate to another country, depending on the gender of the respondent

In order to analyze the emigration intent, a quantitative research has been conducted based on a SPSS Questionnaire, whereas the Independent Samples Test (Test t) has been applied, to analyze the influence of the independent variable – the intention to emigrate to another country over the dependent variable the respondent's gender (male and female).

The data were introduced and processed by using of an aid program for quantitative research-SPSS, in order to realise a descriptive analysis and to verify the veracity of the hypothesis and objectives proposed within the research.

Table no. 1 Statistics Group (Descriptive Statistics)

Gender of the respondent		N	Group average	Standard deviation	Average standard error
Intention to emigrate to another country	Male	267	2.85 (Mgr1)	1.698	.104
	Female	252	3.23 (Mgr2)	1.820	.115

Source: SPSS own processing

In the table above is presented the group1 average Mgr 1 = 2.85 (male) and Mgr 2 (female) = Standard Deviation 3.23 with 1.698 and 1.820 respectively.

For this situation a number of 267 male subjects and 252 female respondents have been identified; in what followed the Levene test was applied in order to identify exactly which group is more willing to emigrate (the female or male respondents).

Table no. 2. Levene Test applied for Test - t Independent

Levene Test		t - test for Equality of Means				95% Diff. Interval	
F Value	Sig.(p)	t-test value	Df	Sig. (2-tailed) - p	Average difference	Standard Difference	Lower
3.284	0.071	2.511	517	0.012 (p)	0.388	0.154	0.691
		2.506	508.786	0.013(p)	0.388	0.155	0.692

Source: SPSS own processing

The value of the Levene test (F) is of 3.284 and the significance threshold (p) registered is 0.071 (greater than the normal admitted one of 0.05). Due to this situation, the hypothesis of nullity is being rejected because the variants are not equal, therefore significant differences appear between the intention to emigrate and between the male and female subjects.

In column 3, we have t 2.511, for a dif. of 517 and a significance threshold (p) of 0.012. On the first line we have the t-test results for the situation in which the variance (Average difference) of the two groups is equal.

In our case, a p (Sig) of 0.071 has been registered, which means that an equality of the variants is being accepted whereas the result: t= 2.511, df=517, p=0.012 is being registered. The equality of the variants was tested in the model with help from the Levene test, if the probability

associated to the Levene test is over $p=0.05$. In conclusion the test results have shown that the intention to emigrate to another country is more striking on the male gender respondents, as opposed to the female respondents.

3. Verification of the emigration intent depending on the respondent's education

If in the first part of our study we came to the conclusion, after applying of the t- Independent test and of the Levene test, that the intention to emigrate of the male gender respondents is more striking than the one of the female ones, in the following we will analyze the intention to emigrate depending on the respondents education.

In the following, the relationship between the respondents education was analyzed, that were compared so in the following groups:

- high school studies –undergraduate studies – postgraduate studies;
- high school studies –undergraduate studies – post secondary studies;
- post secondary studies – high school studies – postgraduate studies;
- post secondary studies – high school studies – undergraduate studies

Table no. 3. Multiple comparisons Post - Hoc

(I) Respondent's education	(J) Respondent's education	Av. Diff. (I-J)	(Strd. Error)	Sig. (p) (0,05)	95% Trust interval	
					Lower Bound	Upper Bound
Post secondary studies	high school studies	0.959	0.519	0.251	-0.38	2.30
	undergraduate studies	0.637	0.515	0.603	-0.69	1.96
	postgraduate studies	1.381	0.690	0.188	-0.40	3.16
high school studies	post secondary studies	-0.959	0.519	0.251	-2.30	0.38
	undergraduate studies	-0.323	0.381	0.832	-1.31	0.66
	postgraduate studies	0.422	0.597	0.895	-1.12	1.96
undergraduate studies	post secondary studies	-0.637	0.515	0.603	-1.96	0.69
	high school studies	0.323	0.381	0.832	-0.66	1.31
	postgraduate studies	0.744	0.594	0.593	-0.79	2.27
postgraduate studies	post secondary studies	-1.381	0.690	0.188	-3.16	0.40
	high school studies	-0.422	0.597	0.895	-1.96	1.12
	undergraduate studies	-0.744	0.594	0.593	-2.27	0.79

Source: SPSS own processing

Table no. 4. Test Tukey HSD

Respondent's education	N	Subset for alpha = 0.05
		1
Post graduate studies	51	7.08
High school studies	192	7.50
Undergraduate studies	203	7.82
Post secondary studies	74	8.46
Sig.		0.065

Source: SPSS own processing

For the column Sig (p) of the above table the values are greater than the significant threshold value 0.05. From comparing of the first analyzed situation (postsecondary studies), respectively $p = 0.251$, $p = 0.603$ and $p = 0.188$ we can see that the values are over 0.05.

Due to the different significant threshold it may be observed that there are notable differences between each respondent's education and the criteria depending upon which the Romanians choose their country of destination.

The Tukey test (HSD) is mostly used as a multiple comparison procedure, being known in the specialized literature as the test of honest significant difference.

We may observe from the above table that the group's dimensions are not equal, whereas a significant threshold (Sig) of $0.065 > 0.05(p)$.

We may also observe from the above table that the values for each one of the respondent's education level are greater than the admitted alpha (p) value of 0.05. In the table, the values obtained, for each education level were of: 7.08 for post graduate; 7.50 for high school studies; 7.82 for undergraduate studies; 8.46 for post secondary studies.

From the resulted data it may be observed that there is a major tendency among the respondents with post secondary education (8.46) to choose the country of destination depending on some criteria: the accesibility of the spoken language; the latin spirit of the people; obtaining some reliable financial gains; accessibility in finding a job; the existence of relatives and friends in the country of destination; ethnic motifs; cultural affinities; depending on the climate and geographic location; political and religious criteria.

It may be observed that a relatively mild ascending trend is found also for the postgraduated ones. The respondents with postgraduate studies have chosen their migration criteria according to the degree of economic development; the economic stability of the respective country and, obviously, real professional opportunities.

The decreasing trend occurs among those with postgraduate studies (where it is assumed that they have a different status on the labour market in Romania and get a much higher income). Those with secondary-school studies are situated under the level of those with higher education levels, the latter having other criteria according to which they would choose the country of destination (the accesibility of the spoken language, the existence of some relatives in the country of destination, earning safety).

For those who have secondary-(high)school studies the labour market is likely to create jobs relatively easily, with an existing greater capacity of their integration in the labour market, in various fields of activity (agriculture, construction, garments, etc.), compared to those with higher education who have other expectations regarding the salary and the professional labour market.

The more a country is open to emigrants, the more the standard of living is higher in that country, which is why many of the undesirable jobs remain unaken by the citizens, and so they are taken over by emigrants with various studies (secondary-school-colleges). (Cristian. E. R; Baragan. L. G., 2015)

Romania is increasingly being confronted with the so-called phenomenon of "brain migration"; the Eurostat statistics from the past years have shown that over a quarter of the emigrated work force that has left has higher education; for the qualified workforce there is some optimism regarding the accesibility to a relatively easy employment seeking.

The most representative categories within the migrant workforce are constituted by: workers, nurses, doctors, economists, professors, engineers, architects, IT professionals; which are searchable on the labour market in Romania but also with a salary grid much reduced in comparison to the average of the European Union countries. The economic crisis hit not only Romania, but also the most developed countries in the European Union: Germany, France, Italy and even Spain, Portugal, Greece and Ireland - states which were, before the major changes occurring at global level, for the numerous Romanian emigrants, supplier countries for jobs in various fields and activities. (Cristian. E. R; Dârzan. M., 2011)

4. Conclusions

In this model the degree of influence of the two factors (independent variables) has been pursued, to be added also how they can influence a decisive intent and the pre-selected data criteria which underlie emigration according to the studies carried out in Romania. For the respondents with post-secondary studies, the criteria according to which they choose the destination country are more pronounced as opposed to those with postgraduate studies.

Visible are the criteria for choosing the country of destination depending on the determinant economic main causes also in individuals with secondary and undergraduate education.

According to the respondents the most important reasons underlying the decision to immigrate are: (Cristian. E. R; Baragan. L.G., 2015)

- a considerably improvement in the financial situation of the family left behind;
- ensuring a better future for the children;
- the opportunity of a better social life;
- professional opportunities.

Generally, the mostly prone to emigrate to another country are the young persons aged between 25-43-years-old, unmarried and that have high school, post-secondary and higher education; for them, the labour market from Romania does not offer alternatives in finding a job in a short period of time.

The factors affecting this migrationist phenomenon are numerous and have increased complexity; what is observed easily is the magnitude of this phenomenon in an era of speed, in which the social, economic and cultural transformations quickly brand over the way in which the individuals respond. Changes in the business environment, together with the changes that occur on all levels affecting the life of the individual, were studied over time both under the desire to understand that single phenomena, as well as the desire to observe what are their effects on certain other phenomena. (Cristian. E.R; Moise. E; Bărăgan. L, G, 2013)

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Estimation of Unemployment Duration in Botoșani County Using Survival Analysis

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Abstract

In this paper we aim at estimating the unemployment duration in Botosani County in order to study the impact of individual characteristics (gender, age, place of residence, unemployment benefit, etc.) on the length of unemployment spells. We use Cox regression model to measure the effects of gender, age, residential environment, etc. on the hazard rate of leaving unemployment and Kaplan-Meier estimator to compare survival probabilities among different categories of unemployed persons. The study is carried out on a sample of 200 unemployment spells registered with the Employment Agency of Botoșani County from January 2012 to December 2015. The results reveal that place of residence, unemployment benefit and unemployed category have a significant impact on unemployment spells.

Key words: unemployment spells, Kaplan - Meier estimator, Cox model, censored data, hazard rate

J.E.L. Classification: P33, P34

1. Introduction

The North-East Region is the least developed region of Romania. Within this region, the poorest areas are: the southeast of Neamț County, the south of Iasi County, the eastern of Bacău County, and the counties of Botoșani and Vaslui. The low level of development of Botoșani County is determined by the following factors: reduced economic alternatives for the rural population (almost 75% of the population at risk of poverty or social exclusion lives in rural areas), low level of competitiveness of the economic environment and low level of job attractiveness, especially in rural areas (in rural area there is a high level of youth unemployment, practically one of every three young people aged 19-25 is unemployed) (Botoșani County Council, 2014, pp. 12-13). During the period 2012-2016, the monthly evolution of the number of unemployed registered at the Employment Agency of Botoșani County presents an increasing trend and a maximum value observed in January 2014.

The analysis of labour market indicators such as employment rate and the number of unemployed, over a certain period of time, is not completely relevant for supporting labour market policies in a region. In order to implement adequate policies on the labour market, it is essentially to study the entrance / exit of individuals on / off the labour market, the individuals' ability to quickly find alternative jobs, and the degree to which different groups of individuals are more affected than others by changes in the labour market (Bajram, 2013, p. 36).

The issue of unemployment duration implies the use of particular statistical methods, such as survival analysis. Over the last decades, duration models have been applied in social sciences for analysing the length of unemployment spells and the duration of labour strikes (Boršić and Kavkler, 2009, p. 124).

In this paper we aim at estimating the unemployment duration in Botoşani County using survival analysis techniques. We use Cox regression model to measure the effects of individual characteristics (gender, age, residential environment, unemployment benefit, etc.) on the risk of leaving unemployment and Kaplan-Meier estimator to compare survival probabilities among different categories of unemployed persons.

2. Method and data

The analysis of duration data requires different statistical analysis compared to quantitative data due to their particularities (Dănăică and Babucea, 2010, pp. 439-440). Data on the length of unemployment spell are not normally distributed and they often contain incomplete information (censored data). For example, an individual for which the end of the unemployment spell had not occurred by the end of the study represents a right censoring.

The methods proposed in the literature for the statistical analysis of duration data are nonparametric methods (Kaplan – Meier estimator, Nelson – Aalen estimator, etc), parametric methods (Weibull, exponential, log-normal, and log-logistic models) and regression models (Cox model).

In this study, we apply the Cox regression model and the Kaplan-Meier survival function estimator.

2.1. Cox regression model

The Cox model is a regression model proposed by Cox in 1972 to model the relationship between the hazard rate and the explanatory factors (Nonyana, 2015, p. 39). Using the Cox regression allows to identify the individual characteristics that have a significant impact on the hazard function (Kavkler, 2009, p.87). The hazard function, $h(t)$, describes the risk of occurrence of an event (leaving unemployment through finding a job) and has the following expression:

$$h(t, X) = h_0(t) * e^{\beta X} \quad (2)$$

where $h_0(t)$ represents the baseline hazard, and βX represents the linear combination of the explanatory variables vectors.

The Cox model assumes the proportional hazards hypothesis (the hazard ratio of two individuals is independent of time, thus the effect of the explanatory variables does not vary over time).

2.2. Kaplan – Meier estimator

The Kaplan-Meier method is a nonparametric method used for estimating the survival function $S(t)$, the cumulative probability of not leaving unemployment since time t (Dănăică and Babucea, 2007, p.35). The Kaplan - Meier estimator allows the estimation of the survival function in the presence of right censoring (Ciucă, 2010, p. 355). This method is also called the *Product Limit Estimator* (PLE). The Kaplan - Meier survival function has the following expression:

$$\hat{S}(t) = \prod_{t_i \leq t} \left(1 - \frac{d_i}{n_i}\right), \quad (1)$$

where t_i represents the survival time; d_i represents the number of unemployed persons that leaved unemployment at time t_i and n_i represents the number of persons at risk of leaving unemployment at time t_i .

2.3. Data

The study is carried out on a sample of 200 unemployment spells registered at the Employment Agency of Botoşani County from January 2012 to December 2015. There were randomly selected 50 cases for each year during the period 2012 – 2015.

The available information for each individual is: the beginning date of unemployment spell, gender, age, education, place of residence (urban or rural), unemployment benefit (yes / no), unemployed category (new graduates, fired or persons without any income), the reason for leaving unemployment and the end date of the unemployment spell.

The variables used in the analysis of unemployment duration are presented in Table 1.

Table no. 1 The list of the variables used in the analysis of unemployment duration

Variables	Expression	Observations
<i>Duration and event variables</i>		
Length of unemployment spell (duration of unemployment):	The number of unemployment days (the difference between the date of entry and the date of leaving unemployment).	The minimum value is 0 days and the maximum value is 1020 days (34 months). The mean value is 184.21 days (6.14 months), while the median duration is 113.5 days (3.78 months).
The status of the person (or the census index)	We grouped all the different reasons for leaving unemployment into 2 main outgoing destinations: 1 - employment (first employment or re-employment); 0 - economically inactive	There are 16 different reasons for leaving unemployment for the 200 persons registered with the local agency, according to Employment Agency and Law 76/2002. The status variable allows for a distinction between the individuals who registered the event (employment) and the individuals who did not register the event.
<i>Explanatory variables</i>		
Gender	Male (0); Female (1)	Out of f the total of 200 unemployed persons registered between January 2012 and December 2015, 68 (34%) are women and 132 (66%) are men.
Age	We grouped the ages into 5 categories (according to the methodology of the Romanian National Institute of Statistics): Age_1 → 15-24 years Age_2 → 25-34 years Age_3 → 35-44 years Age_4 → 45-54 years Age_5 → 55-64 years	The average age of the persons registered in the database is 38.4 years, while the median is 38.5 years. The youngest unemployed person is 17 years old and the oldest is 63 years old
Education level	The level of education is grouped in 3 categories: Educ_1 → Primary and secondary or vocational education Educ_2 → High school and post-secondary education Educ_3 → Tertiary education	Out of the sample, 39% of total persons have primary and secondary or vocational education, 48% of total persons have high school and post-secondary education, and 13% of total persons have tertiary education
Place of residence	Urban (0); Rural (1)	73 people (36.5%) live in rural area and 127 (63.5%) live in urban area.
Unemployment benefit	No (0); Yes (1)	Out of the sample, 148 persons (74%) receive unemployment benefits, while 52 persons (26%) do not receive unemployment benefit.
Unemployed category	Recent graduates (1);Fired (0)	Out of the sample, 48 persons (24%) are recent graduates and 152 persons (76%) are registered as fired or persons without income.

*Source:*Authors' presentation of the variables used in the paper

3. Results and discussions

In this section, we firstly present the results of the Cox model used to estimate the effect of the explanatory variables (gender, place of residence, unemployment benefit, etc.) on the risk of leaving unemployment. Secondly, we discuss the results of the Kaplan - Meier nonparametric method used to estimate the survival probabilities and to compare survival curves by categories of factor variables.

3.1 Results of the Cox model

We estimated the Cox regression model including simultaneously all the explanatory variables. The reference categories are: *male* for Gender, *urban* for Place of residence, *No benefits* for Unemployment benefits, *Fired or without income* for unemployment category, *55-64 years* for Age and *Tertiary education* for Education level. The results are presented in Table no. 2.

Table no. 2 The estimations of the coefficients of the Cox regression model

Variables	Parameter estimation (b)	Standard Error	Wald Test	df	Sig.	Hazard ratio (e ^b)
Gender	0.068	0.240	0.080	1	0.778	1.070
Place of residence	0.408	0.225	3.285	1	0.070	1.503
Unemployment benefit	-3.785	0.354	114.237	1	0.000	0.023
Unemployed category	-0.766	0.411	3.477	1	0.062	0.465
Education level			0.646	2	0.724	
Educ_1	0.310	0.406	0.580	1	0.446	1.363
Educ_2	0.312	0.402	0.600	1	0.439	1.366
Age			1.669	4	0.796	
Age_1	0.360	0.432	0.695	1	0.404	1.434
Age_2	0.336	0.372	0.817	1	0.366	1.400
Age_3	0.310	0.340	0.832	1	0.362	1.363
Age_4	0.030	0.341	0.008	1	0.930	1.030

Source: Authors' calculation with SPSS software

The hazard rate of leaving unemployment through a job is 7% higher for a woman than for a man, but this difference is not statistically significant (Sig. = 0.778).

We can notice that the hazard rate of leaving unemployment for unemployed persons living in rural area is 50.3% higher than for the unemployed persons living in the urban area. The variable place of residence has a significant impact on the hazard rate and on the unemployment duration for a significance level of 10%.

Moreover, the hazard rate of leaving unemployment for unemployment beneficiaries is lower by 97.7% than for people that have no benefits. This result is consistent with the results obtained at national level, where the lack of unemployment benefits increase the exit to a job hazard rate almost four times (Dănăcică and Cîrnu, 2014, p. 1178). The descriptive statistics applied on our data show that persons that receive unemployment benefit have the average unemployment duration higher by 18 months than persons that do not receive unemployment benefits.

For new graduates, the hazard rate of leaving unemployment is smaller by 53.5% than for the fired persons. We can assume that there are significant differences among the two categories of unemployed persons for a 10% significance level. The descriptive statistics on our sample show that among the 48 new graduates, 20.8% left unemployment for a job, while among the 152 persons fired or without any income, 59.2% have got a job.

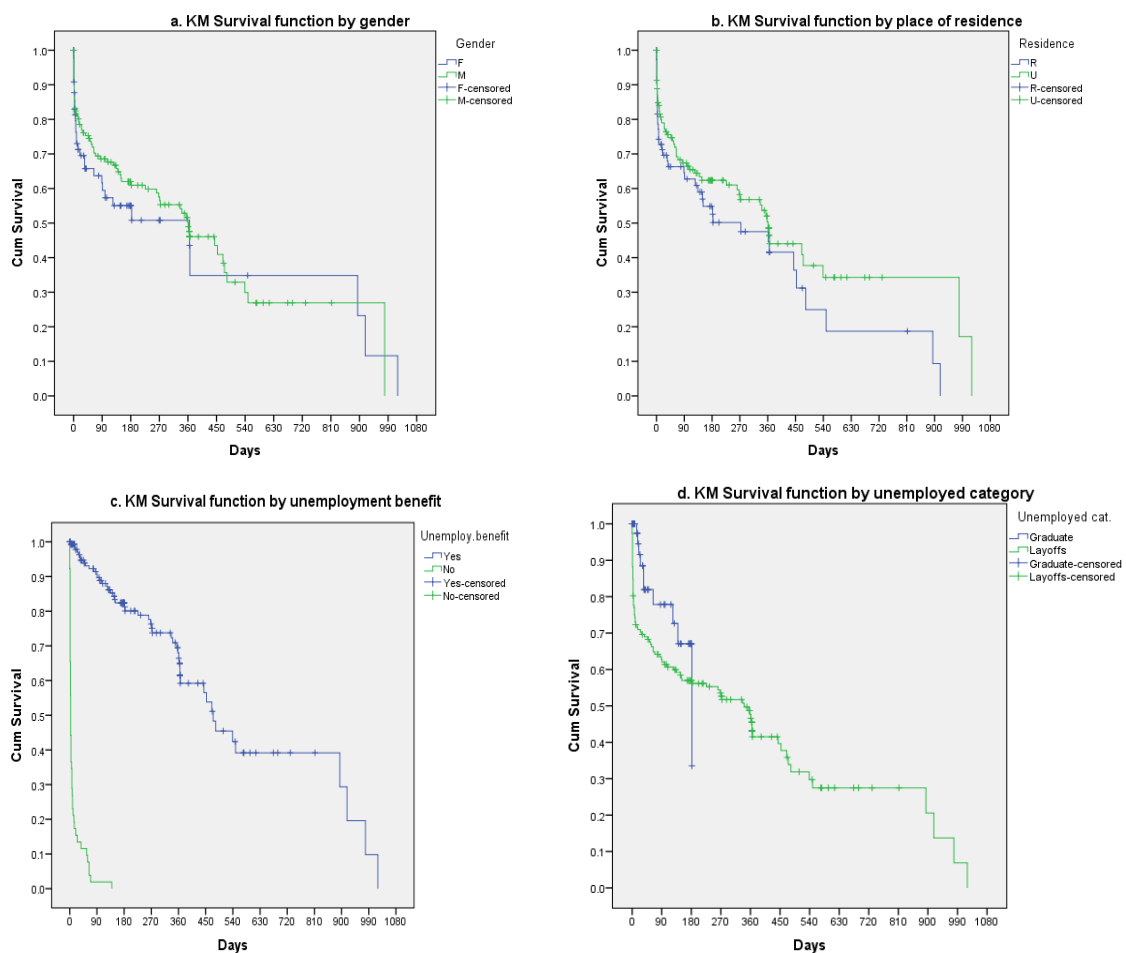
For persons with primary, secondary and post-secondary education, the hazard rate of leaving unemployment is higher than persons with tertiary education by approximately 36%. However, education level does not have a significant impact on hazard rate.

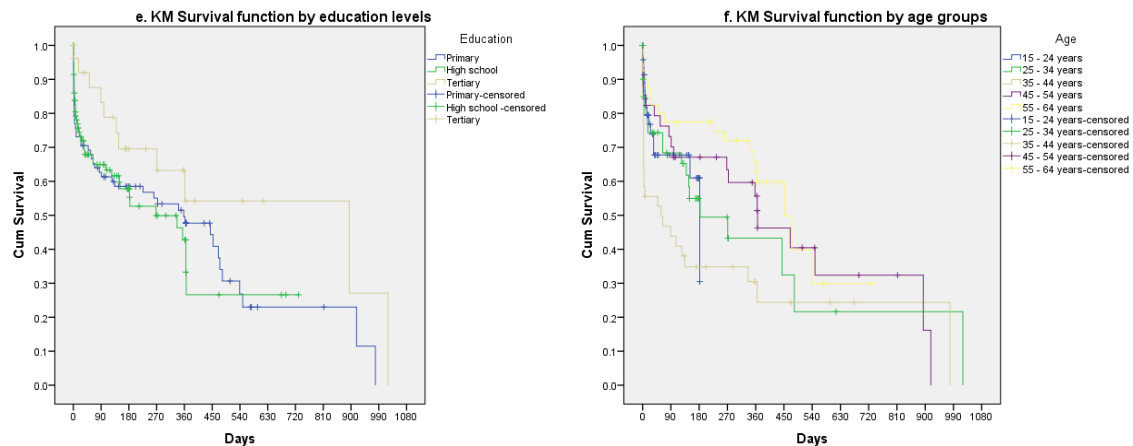
The hazard rate of leaving unemployment does not differ significantly for the considered aged groups of unemployed persons and the reference group, 55-64 years. The average length of unemployment spells for persons aged 15 - 24 years is 125 days, while for unemployed persons aged 45 - 54 years and 55 - 64 years, the average unemployment duration is equal to 445 days and 426 days, respectively. If we had considered another age group as reference category, we may have had identified significant differences.

3.2. Kaplan – Meier survival probabilities by groups of unemployed persons

Figure no.1 presents the survival probabilities (the probabilities of being unemployed) by gender, place of residence, unemployment benefit, unemployed category, age, and education levels. If the survival curves overlap, we can say that survival probabilities do not differ among the groups of the considered variable, and if the survival curves do not overlap, then, the survival probabilities are different by groups.

Figure no. 1 Kaplan – Meier Survival functions by groups of unemployed persons





Source: Authors' calculation with SPSS software

We can notice that the probabilities of being unemployed are different by age, place of residence, unemployment benefit, and unemployed category groups. The differences among the considered groups have been tested with the Log-Rank test (Mantel and Haenszel, 1959) and the results show that survival probabilities are significantly different by age, unemployment benefit and unemployed category groups.

4. Conclusions

In this paper we focused on the analysis of the duration of unemployment in the Botoșani County. The data used consisted in a sample of 200 unemployment spells observed during the period 2012-2015 at the Employment Agency of Botoșani County. In order to quantify the effects of the individual characteristics (gender, education, age, etc.) on the hazard rate of leaving unemployment, we have used the Cox regression model. We have estimated the survival probabilities using the Kaplan – Meier estimator and we have compared the survival curves among the groups of unemployed persons.

The results obtained for the Cox model show that, among the considered factors, the explanatory variables with the highest impact on hazard rate of leaving unemployment are: the place of residence, unemployment benefit, and unemployed category. The most disadvantaged groups of unemployed persons are people living in urban areas, receiving unemployment benefits and having lost their jobs due to layoffs.

The probabilities of being unemployed are significantly different between the unemployment beneficiaries and the unemployed persons that do not receive benefits; between the recent graduates and the fired persons, and also between unemployed belonging to different age groups. Aged persons have more difficulties in leaving unemployment because it is more complicated for them to adapt to the new challenges of the labour market.

The results of this paper can help improve the implementation of adequate policies on the labour market of Botoșani County by identifying potential vulnerable groups of persons that look for employment. A potentially important area for future research is modeling the hazard rate of leaving unemployment by different groups of unemployed persons.

5. Acknowledgement

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Management Accounting as a Knowledge Based Organization Value Driver for the 21st Century Business

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Abstract

The 21st century information and information technology revolution has made its mark on classical business functions like business support services. Management accounting, a still young business activity has transformed from reactive cost determination focus to proactive value creating and considerate resource business driver. Management accounting is on the way to asserting itself as a proactive business value driver for the modern 21st century business organizations. The present paper is presenting the arguments that support the transformation of management accounting from the "bean counter" score keeping role to value driver supported by knowledge, the prime commodity of the 21st century business environment. Management accounting is the business partner that delivers reliable and accurate data and information for the business decision process that is more and more influenced globalization, internationalization and accelerating and dynamic markets. Can modern companies afford to disregard the dormant value drivers from within their own business organization?

Key words: management accounting, value, knowledge, support services

J.E.L. Classification: M4, M21, M20

1. Introduction

Accounting is one of the main business support activities that is present in any company. The two major accounting fields that can be found distinct in the business accounting activity are financial accounting and management accounting.

The main activity of financial accounting is the recording, reporting and analysis of financial business transactions. The preparation of financial statements requested and imposed by authorities are the main output of the financial accounting activity. The main stakeholders of the financial statements are shareholders, suppliers, financing organizations, fiscal and tax authorities and other 3rd parties are just some of the interested stakeholders.

Financial accounting is regulated and governed by local and international accounting standards and principles. The local regulations are issued by governments and local tax and fiscal authorities whereas international organizations like IASB (International Accounting Standards Board) have issued, the todays one of the most used accounting framework, the IFRS (International Financial Reporting Standards).

While financial accounting is mainly for non-operational stakeholders that are not involved in the day-to-day activity of the company, management accounting is used for the daily business operations in the management decision process. Management accounting is the operational "business language" that is used mainly by the involved managers and business responsible. Similar to financial accounting, management accounting is regulated by various organizations worldwide, like the UK based CIMA (Chartered Institute of Management Accountants), Australia based ICMA (Institute of Certified Management Accountants) or the US based IMA CMA (Institute of Management Accounting Certified Management Accountant).

The Institute of Certified Management Accountants defines the management accountant as follows: A management accountant applies his or her professional knowledge and skill in the preparation and presentation of financial and other decision oriented information in such a way as to assist management in the formulation of policies and in the planning and control of the operation of the undertaking.

Management Accountants therefore are seen as the "value-creators" amongst the accountants. They are much more interested in forward looking and taking decisions that will affect the future of the organization, than in the historical recording and compliance (scorekeeping) aspects of the profession. Management accounting knowledge and experience can therefore be obtained from varied fields and functions within an organization, such as information management, treasury, efficiency auditing, marketing, valuation, pricing, logistics, etc. (Institute of Certified Management Accountants, 2017)

2. Genesis of management accounting

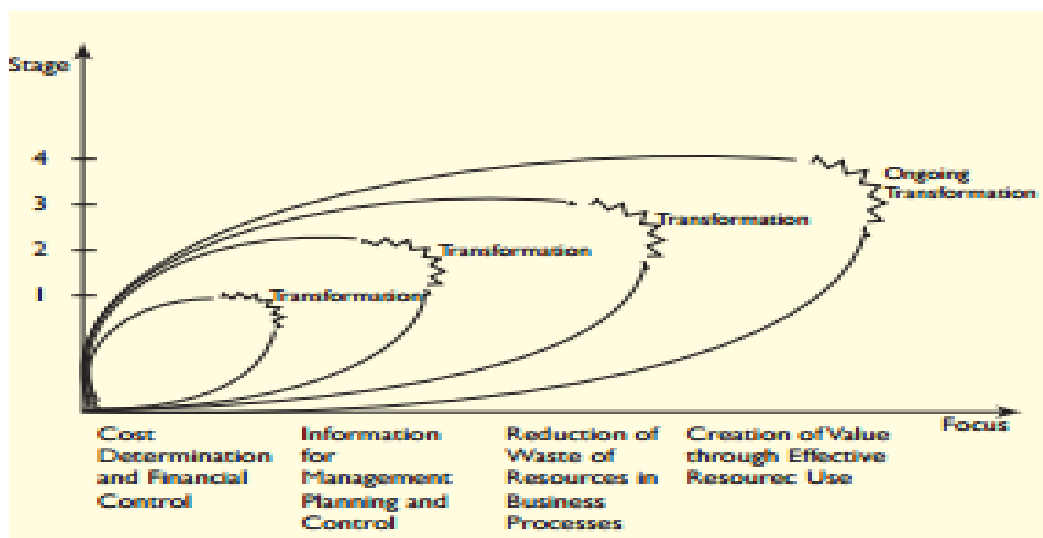
IFAC (The International Federation of Accountants), founded 1977 in Munich, Germany, is one of the major worldwide professional organizations that has a major contribution to the development of the accounting profession and standards.

IFAC is the global organization for the accountancy profession dedicated to serving the public interest by strengthening the profession and contributing to the development of strong international economies. IFAC is comprised of over 175 members and associates in more than 130 countries and jurisdictions, representing almost 3 million accountants in public practice, education, government service, industry, and commerce. (International Federation of Accountants, 2017)

1989 the International Federation of Accountants (IFAC) issued a statement summarizing its understanding of the scope and purposes of management accounting and the concepts which underpin it. The statement was revised and released in 1998 as Management Accounting Concepts - Number 1 in the series of International Management Accounting Practice Statements. (Abdel-Kader & Luther, 2006)

IFAC recognizes in their updated statement from 1998, 4 stages of evolution of the management accounting concepts and focus. The 4 development stages, illustrated further in Figure 1, are not exclusive developments stages, they are inclusive stages, one stage includes and does not exclude the previous stage of development.

Figure no. 1 Evolution of Management Accounting



Source: IFAC 1998

The defined development stages of management accounting reflected the economic environment of the time that was synchronized with the shift in management accounting focus.

Stage 1 - cost determination and financial control (pre-1950) has been described as mainly focused on the determination of product cost. The production processes have been simplistic and labor intensive. This allowed an easy direct cost allocation to the production. Its focus was mainly oriented towards the determination of product cost.

Stage 2 - information for management planning and control (by 1965) In the 1950s and 1960s the focus of management accounting has shifted towards the delivery of business information for the business planning and control processes. Management accounting was more reactive than proactive with main interest in operational topics and no involvement in strategic and management issues.

Stage 3 – reduction of waste of resources in business process (by 1985) came as a result to the 1970 world recession and the oil price shock from the 1980. The focus of management accounting shifted towards the reduction of waste of business resources.

Stage 4 – creation of value through effective resources use (by 1995) is a normal and logical continuation of stage 3, the focus of management accounting has shifted to value creation by effective usage of existing business resources.

A critical difference between Stage 2 and Stages 3 and 4 is the change in focus away from information provision and towards resource management, in the form of waste reduction (Stage 3) and value creation (Stage 4). However, the focus on information provision in Stage 2 is not lost, but is re-figured in Stages 3 and 4. Information becomes a resource, along with other organizational resources; there is a clearer focus on reducing waste (in both real and financial terms) and on leveraging resources for value creation. Accordingly, management accounting is seen in Stages 3 and 4 as "an integral part of the management process, as real time information becomes available to management directly and as the distinction between staff and line management becomes blurred." (IFAC, 1998, para 19) The use of resources (including information) to create value is seen to be an integral part of the management process in contemporary organizations (Abdel-Kader & Luther, 2006, p. 5)

3. Management accounting as a knowledge based organization

Even though there is no universally accepted definition of a knowledge based organization it is commonly understood as being the organization whose products and services are knowledge intensive. A knowledge based organization is an organization where workers use processes and infrastructure to produce, change, manage, use and share knowledge based products and services to achieve the organizational goal. (Daraban, 2016, p. 4)

The characteristics of a knowledge based organization, go beyond product to include process, purpose and perspective. Process refers to an organization's knowledge based activities and processes. Purpose refers to its mission and strategy. Perspective refers to the worldview and culture that influences and constrains an organization's decisions and actions. knowledge based organization exhibit knowledge-intensive processes, purpose, and perspective, regardless of their product (Zack, 2003, p. 1)

IFAC has issued 07.2009 an International Good Practice Guide (IGPG) on Evaluating and Improving Costing in Organizations where a clear distinction between financial and management accounting is made and recognized.

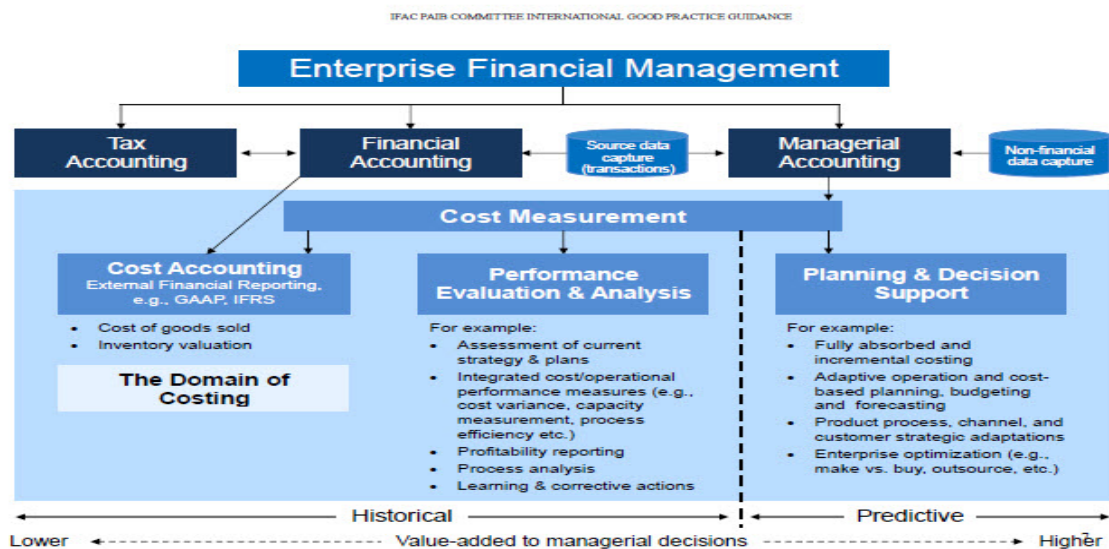
Also in the IGPG the recommendation is made to distinguish between cost accounting for external reporting, where historical performance is reported within certain prescriptive guidelines, and costing for decisions to drive improved organizational performance. (IFAC PAIB Committee, 2009)

The positioning and participation of management accounting within the context of cost measurement, as one of the main pillars of management accounting activity, is illustrated in Figure 2. Per IFAC IGPG management accounting is a part of the enterprise financial management, involved in cost measurement, with contributions to the performance evaluation and analysis and a driver role in the business planning and decision support by adding value by providing useful and relevant business information and knowledge. In this view management accounting is defined as being inclined towards higher value added information for the business management decision process.

A knowledge based organization could be shortly defined as an entity, where knowledge workers are making use of business resources, like systems and processes, to generate, alter, use and transfer knowledge intensive products and services to achieve the organizational goals. The key defining characteristics of a knowledge based organization are at the core of the role definition and meaning of management accounting. Business and financial data are used as input, data are analyzed, put into specific business context and disseminated through the organization as business support data and information. Management accounting is a data-driven business information provider for the business decision process.

Management accounting is using the historical data analysis as a foundation for the predictive higher value business data generation and dissemination that is needed for the business planning and decision support. The management accounting system is leveraged and driven forward by the knowledge worker, the management accountant that is the enabling factor for the learning ability of the knowledge based organization. The learning ability adds to the management accounting activity the knowledge aggregation ability that results in wisdom, the highest and most valuable form of knowledge. The business and financial data transformation into valuable business knowledge is driven by the management accountant that is the knowledge worker as a 21st century "new" type of worker. The knowledge worker raises and deepens the challenges of the 21st century modern data and information driven business where knowledge is the prime commodity. The learning aspect of the knowledge based organization, the management accounting activity, is the key element in the generation of business support data driven conclusions and recommendations that enable a more clear and efficient, risk minimizing planning and decision support. Management accounting encompasses elements of a knowledge based organization, it operates and develops business systems and processes to use, generate, transform and disseminate business information with increased economic value added through its knowledge workers, the management accountant.

Figure no. 2 Enterprise Financial Management IFAC PAIB



Source: IFAC 2009

4. Management accounting as a business value driver

Business value creation is the ultimate goal of any business organization and can also be defined as being the sum of the value created by all business activities and processes from the specific organization. The today's business organizations must compete in the globalized, dynamic and information driven markets. The competitive advantage that assures the future of the business organization can be gained by coping with the 21st century market requirements, understanding and managing the available data and information that are business relevant.

Competitive advantage cannot be understood by looking at a firm as a whole. It stems from the many discrete activities a firm performs in designing, producing, marketing, delivering and supporting its product. (Porter, 1985, p. 33)

Porter, in his book "Competitive Advantage" has identified that support activities have a contribution to the business margin at the beginning of the information age, that has made its mark on the existing economic and business processes.

In the quest for more reliable, quicker and actual business information business organizations have invested and made maximum use of the new information technology features and possibilities in data processing, storage and distribution. Management accounting has become a driver for the usage and adoption of modern IT systems that allowed and eased the data acquisition, transformation and dissemination process.

The business data used as inputs and outputs by management accounting are matching the knowledge value chain. Raw data are acquired, aggregated into information that is transformed into business knowledge to gain more and more and reliable business wisdom that is used for the business management and decision process to assure the much-needed competitive advantage and to create sustainable business value for its shareholder. The more aggregated data is the more value it creates for its users.

The knowledge value chain represents the conceptual basis for the development of a more prescriptive model for the definition and the implementation of knowledge management projects oriented to improve the value-generating capability of a company. (Carlucci, et al., 2004, p. 13)

Knowledge value chain has been defined by Powell as being a process model of how data becomes intelligence, and eventually becomes part of a business result or benefit. The knowledge value chain (KVC) comprises two major sets of activities, knowledge acquisition and knowledge application. This reflects the division of labor in knowledge work that has evolved in large, complex organizations. Here, knowledge workers are primarily tasked with knowledge acquisition and development, and decision-makers apply the resulting knowledge to make better business decisions, plan and execute actions, and thereby achieve business results. (Powell, 2001, p. 3)

Powell has defined the knowledge value chain (KVC) as a shared process between knowledge worker and decision maker. The KVC starts with a joint shared understanding and ends with results. Powell's KVC is illustrated in Figure 3. The KVC includes 7 steps, each being considered an opportunity and a potential point of failure where quality control is required and needed.

5. Conclusions

In the context of an information and data driven economy and business environment, business support activities, like management accounting, have been transformed by the influence and requirements of the information revolution. The classical approach of business support activities as non-productive, resources consuming and unproductive needs to be reconsidered.

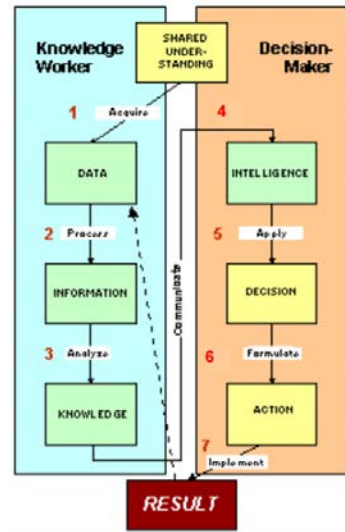
Management accounting, as a science, still in its early ages, has morphed from the more simplistic cost calculation and financial control focus to business value creating activity by the most efficient use of existing resources.

The modern 21st century business organizations must adopt and accept that management accounting is a data-driven business partner that is providing the needed information and data by the business planning and decision activities.

Strategic management accounting will become part of the new business model and business organizations that is supporting the strategic plans and management of the future businesses.

The present paper has shown that management accounting is a knowledge organization that is generating value for the business organizations that are looking for the sustainable competitive advantage, advantage that allows them to compete, adapt and survive in a dynamic and demanding 21st century business environment.

Figure no. 3 Knowledge Value Chain



Source: Powell 2001

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Economic Value Added – A General Review of the Concept

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Abstract

Business organizations of the 21st century, a century driven by globalization, internationalization and speed, must compete on changing and evolving markets. One of the main goals of every business is to create value for its shareholders, value that is generated by the proper usage of existing resources. The notion that can be utilized to successfully illustrate the increase in economic value is the economic value added concept.. The Economic Value Added concept known also as EVA is an add on to value, value based management and economic value.. EVA is a method and a tool for quantification and measurement of the value created by a business organization.

Key words: EVA, value economic value added,

J.E.L. Classification: M20, M21, M00

1. Introduction

The concept of EVA is the result of the addition of 3 other concepts. The *dictionary definition* per Merriam - Webster of the compounding terms are:

- **economic** is defined as relating to an economy; relating to the process or system by which goods and services are produced, sold, and bought; relating to the science of economics. (Merriam Webster, 2016)
- **value** is defined as the amount of money that something is worth; the price or cost of something; something that can be bought for a low or fair price; usefulness or importance (Merriam Webster, 2016)
- **added** is defined as to put (something) with another thing or group of things; to mix or combine (an ingredient) with other ingredients; to include (something) with something else (Merriam Webster, 2017)

The *dictionary definition* of EVA could be rephrased as being the additional amount of money that somebody can obtain through production, sale or purchase of certain goods or services. The philological translation of the EVA terms is only limited accurate; the essence of economic processes is not considered.

The most used definition for EVA defines EVA as an economic profit of an business organization expressed as the surplus in created value over the expected return of the shareholders. EVA can determined as being the difference between the net profit of the business organization and the cost of the opportunity capital used by the business organization.

2. Origin of Economic Value Added

The origins of the Economic Value Added come from Hamilton (1877) and Marshall (1890), which showed that companies can create wealth if you manage to earn more than their own capital costs and liabilities. Economic Value Added is an indicator for measuring performance based on real economic profits of the company product, which allows measurement of its success or failure over a period of time is useful to investors who wish to determine how well the product has value to them and can be used for comparative analysis with rapid industrial similar. (Petrescu & Apostol, 2009, p. 1)

What is known today as the Economic Value Added concept was developed by the management consulting company Stern Value Management that owns the trademark of EVA™ as a way of evaluating the business organizations performance expressed as value generation for shareholders.

Officially founded in November 1982, Stern Value Management takes its roots in the 1950's, with the path-breaking work of Professor Merton H. Miller and Franco Modigliani on what determines value. Headquartered in New York, our firm was originally incorporated as Stern Stewart & Co. in 1982, but became Stern Value Management in 2013. (Stern Value Management, 2016)

Merton H. Miller (1923-2000), was an American economist, co-author of the Modigliani-Miller theorem earned the Nobel Prize 1990 while being professor at Carnegie Institute of Technology for his contribution to the theory of financial economics.

Franco Modigliani (1918 - 2003), an American naturalized Italian, co-author of the Modigliani-Miller theorem that has brought him his Nobel Prize 1985 for the contribution to the Modigliani-Miller theorem and for his analysis of the behavior of household savers an improvement on Keynes's consumption function.

Stern Value Management develops 1983 the EVA concept based on the works of Merton H. Miller and Franco Modigliani as a model for maximizing the value created that can also be used to provide incentives at all levels of the firm. (Stern Value Management, 2016).

Starting 1988 big organizations like Coca Cola (1988), Briggs & Stratton (1989), South African Breweries (now SABMiller) (1990), Singapore Technologies (1994), United States Postal Service (1996), AB InBev (1997), Tata Consultancy Services (2001), Godrej Group (2002), Chinese government (2010) and many others begin to adopt the EVA concept.

Stern Value Management defines EVA as follows: Economic Value Added® is a measure of economic profit. EVA® is calculated as the difference between the Net Operating Profit After Tax (NOPAT) and the opportunity cost of invested Capital. This opportunity cost is determined by multiplying the Weighted Average Cost of debt and equity Capital (WACC) and the amount of Capital employed. The formula for EVA: $EVA = NOPAT - WACC * Capital$. (Stern Value Management, 2016)

What separates EVA from other performance metrics such as EPS, EBITDA, and ROIC is that it measures all of the costs of running a business – operating and financing. EVA is the soundest performance metric, and the one most closely aligned with the creation of shareholder value. Many companies have adopted it as part of a comprehensive management and incentive compensation system that drives their decision processes. (Stern Value Management, 2016)

In a review of literature Sharma, A. K., & Kumar, S. done in 2010 the authors show that in developing economies less numbers of studies are available supporting the empirical validity of the concept as a corporate performance measurement tool. The concept of EVA has gained significant attention in the advanced economies, but implementation issues and its validity is under debate all over the world. (Sharma & Kumar, 2010, p. 1)

EVA is now recognized as an important tool of performance measurement and management all over the world, particularly in advance economies by adopting it as corporate strategy. Still there are mixed evidences about the superiority of EVA over traditional performance measurement tools. (Sharma & Kumar, 2010, p. 7)

3. Economic Value Added components

The definition given by Stern Value Management to EVA shows that EVA is the difference between the net operating profit after tax of the business organization and the cost of the opportunity capital invested in the business organization.

$$EVA = NOPAT - Cc = NOPAT - IC * WACC$$

If the equation is divided by IC the results is the following

$$\frac{EVA}{IC} = \frac{NOPAT}{IC} - \frac{IC * WACC}{IC}$$

$$EVA = IC * (ROIC - WACC)$$

Where

Cc = capital cost = WACC* IC

IC = invested capital

WACC = weighted average cost of capital

EVA = Economic Value Added

NOPAT = net operating profit after tax

ROIC = return on invested capital

EVA summarizes in one concept the operational business and the capital market perspective. The premise valid for both perspectives is that on any market the used resources must generate value for its owner. A business has as its fundamental purpose value generation for its shareholders. At the same time the capital market generates value for its investors through yields of the risk bearing financial assets.

The development of the concept of EVA has added flexibility in measurement of performance. The traditional methods can continue side by side with EVA. (Girotra & Yadav, 2001).

4. Traditional measurement of economic performance methods drawbacks vs EVA

There are many methods of performance measurement that can be applied to business organizations. The return maximization of traditional measurement methods does not automatically reflect the maximization of shareholder return. The return on investment (ROI) can be maximized by ignoring the cost of the invested capital. In case of ROI the misallocation of capital is not reflected, therefore a non-alignment with increase in shareholder return is possible. Return on equity (ROE) does not consider the increase in leverage by taking on additional debts. In this case ROE can be maximized by decreasing or even jeopardizing the shareholder return by increasing the leverage risk. Earnings per share (EPS) is very reactive to additional invested capital, regardless of its nature equity or debt as long as it is near the marginal cost of debt. EPS can increase without a change in real shareholder return.

5. Advantages and disadvantages of EVA

EVA clarifies the concept of maximizing the absolute returns over and above cost of capital in creating shareholders' wealth. Hence better investment decisions can be taken with above aim rather than maximizing percentage of ROI. Understanding of EVA enables monitoring of investment decisions closely not only at the level of corporate but at line staff as well. (Girotra & Yadav, 2001).

EVA is fostering long term thinking at all levels of the business organization by changing the mindset of managers and employees towards shareholder perspective.

It emphasizes that in order to justify investments in the long run they have to produce at least a return that covers the cost of capital. In other case, the shareholders would be better off investing elsewhere. This approach includes that the organization tries to operate without the luxury of excess capital and it is understood that the ultimate aim of the firm is to create shareholder value by enlarging the product of positive spread multiplied with capital employed. The approach creates a new focus on minimizing the capital tied to operations. (Girotra & Yadav, 2001)

The cost of capital is one of the most important aspects reflected by EVA. When using traditional indicators, most companies appear profitable even in reality they are not. EVA corrects this error, explicitly recognizing that when managers use the capital, must pay for it. By taking into account the cost of equity, EVA indicates the profit made or not in each reporting period. (Vasilescu & Popa, 2011, p. 3)

Franco Modigliani and Merton H. Miller in their work "The cost of capital, corporation finance and the theory of investment" highlight the fundamental concerns of corporations with regards to finance and financial funds.

What is the "cost of capital" to a firm in a world in which funds are used to acquire assets whose yields are uncertain; and in which capital can be obtained by many different media, ranging from pure debt instruments, representing money-fixed claims, to pure equity issues, giving holders only the right to a pro-rata share in the uncertain venture? This question has vexed at least three classes of economists: (1) the corporation finance specialist concerned with the techniques of financing firms so as to ensure their survival and growth; (2) the managerial economist concerned with capital budgeting; and (3) the economic theorist concerned with explaining investment behavior at both the micro and macro levels. (Modigliani & Miller, 1958)

In their literature review on EVA, that included 112 papers published between 1998 and 2008, Sharma and Kumar concluded that even ~40 years later from Franco Modigliani and Merton H. Miller "The cost of capital, corporation finance and the theory of investment" the focus with regards to EVA has not changed and is still mainly on the external, investor view of value creation for shareholder.

In their literature review they classified the analyzed papers according to themes, namely:

Table no. 1 EVA literature focus

Focus on	Number of papers	% out of total
Empirical evidences on EVA, Stock Return & firm performance	58	52%
EVA and market value added (MVA) Relationship	25	22%
Value based management	4	4%
EVA concept, limitations	12	11%
EVA and discounting techniques	3	3%
EVA and managerial performance	8	7%
Literature survey	2	2%
TOTAL	112	100%

Source: (Sharma & Kumar, 2010)

More than 70% of the studied papers focus on EVA and stock returns and market value. About 11% of the reviewed papers are dealing with the EVA concept and its limitations. This vast number of papers that deal with the external view of the performance evaluation shows that the EVA concept is accepted, used by organizations but has still a long way to go. About 80% of the studied papers focus on business performance from the external view of the capital market, as opposed to the view of internal performance measurement as being a tool for value creation and management at lower levels of the business organization. This external view of the capital, financial market of the literature reviewed is determined by the understanding that the capital to be invested comes with its costs, capital is not a free resource regardless of its nature as equity or borrowed funds/ debt.

Despite the advantages of EVA, the concept comes also with its pitfalls that need to be understood and taken into consideration. EVA is a short term performance measurement tool, start-ups and companies that are investing more in a certain period of time may show as EVA destructive and not as EVA constructive. By increasing the investments during a certain period EVA may show as not building shareholder value. This short-term view is not only EVA specific, it is a characteristic of all performance measurement tools where future results cannot be considered. EVA is not suitable for companies that are in an extensive development phase, the results in this are to be considered only on long term. Inflation can have a major influence over

EVA, especially in a high inflation economic environment. In cases of high inflation, the shareholder value added determined by EVA must be adjusted by the inflation rate to have a real value.

6. Conclusions

EVA is a relatively new and more comprehensive concept that measures the economic value that is created by business organizations for its shareholders. The big addition that EVA is bringing compared with the traditional economic measurements tools is the attention of cost of capital. The capital invested in any business organization comes with inherent costs associated. Regardless of form of invested capital equity or debt the one providing the funds is expecting an appropriate return. The ultimate goal of any business organization is to create value for its The EVA concept is adjusting the results of the business organization also with the cost of capital that comes along with some inherent investments risks generated by uncertainty.

EVA comes as a quantifiable expression of value generated by any business organization. Besides the "hard facts" of expressing the performance rendered by business organization EVA comes also with some fundamental requirements in business organizations like:

- Different view on management decisions not only at top management levels by considering the cost of capital
- EVA needs a change in approach towards value creation for shareholdersEVA can be the basis of a modern quantifiable motivation system

By integration with process based costing (PBC) EVA can be used to better align the business strategy with the efficiency monitoring of the business processes. Acquiring this knowledge about the variables underlying the creation of value, along with the implementation of a remuneration system based on EVA–PBC is able to generate a business environment that increases the motivations of human resources. In addition, it reconciles managerial initiatives with a willingness to collaborate and communicate to increase the EVA parameter. Obviously, this is a cultural process and, therefore, it tends to be slow, especially in SMEs.

From an operational perspective, the adoption of such an integrated model of performance measurement is an advanced management tool that entails control of production times, operational and capital costs; a progressive elimination of inefficient resource allocations, thanks to the visibility of the processes that are unable to create value; and the possibility to operate direct comparisons between the EVA produced by different business units, given that this performance measure neutralizes the differences in risk levels underling each strategic business unit. (Mocciaro Li Destri , et al., 2012, p. 13)

Although the EVA concept has its challenges to be understood, handled and implemented it has been shown that companies that use also EVA have had a real sustainable and solid development on the long run that increased the market value and business value. The major contribution to the development came from the change in mindset of the organization, change that cannot be directly determined yet.

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Advertising Radio Discourse – Lexical Analysis

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Abstract

Radio advertising, although it seems to be the "poor relative" on the advertising market, is a very interesting topic of study, because it uses language to a very large extent. In a relatively short time, a maximum of information is transmitted that causes emotions and raises the interest of as many people as possible for a product or brand, all wrapped up in a coherent text of 60 to 100 words. In radio advertising, the text is the one that has priority, being the star because the message is based on the text. For this reason, radio discourse may be a research object of interest to linguists, and this has led us to pay close attention to it.

Key words: advertising radio discourse, speech acts, listener recipient

J.E.L. Classification: Z00

1. Introduction

Component of the urban and road landscape, ubiquitous in audiovisual programs, advertising has become, beyond the economic function, a true social phenomenon that can provide identity models in a particular type of society. As a commercial activity, advertising is present in many forms of social life, but above all, it is present in our homes, in our minds. Through this presence in all types of media, advertising reveals its importance and strength in socio-economic life. As McLuhan (1964: 268) states, advertising is a technique and, as all techniques, it has the power to transform the world.

Our work, entitled *Advertising Radio Discourse. Lexical analysis* proposes an approach of advertising radio speech from the perspective of a discourse-linguistic analysis. Thus, in this communication, we have proposed an analysis applied to a collection of verbal, transcribed promotional messages included in the Corpus of Non-Dialectal Romanian Language Spoken Today (coordinator Luminița Hoarță Cărăușu, "Alexandru Ioan Cuza" Publishing House, Iași, 2013) [= CLRVAN]

2. The purpose of the paper

In this analysis, we wanted to outline and define the specific lexical particularities of this type of discourse, to highlight the specificity and originality of the discourse present in promotional messages.

Corpus used

In order to undertake the work we have proposed, we will use a corpus made up of authentic data, messages broadcast on three radio stations, namely: Radio Europa FM, Radio Romania Cultural, Radio Zu. These messages address various areas such as mobile telephony, electronic products, books, spectators, sports activities, and so on. The transcription of the radio advertising texts is based on the transcription conventions established by Laurenția Dascălu Jinga in Spoken Language Corpus. Samples (2002) and Luminița Hoarță Cărăușu in the Current Romanian

Language Corpus (2005), to which are added some considerations imposed by the specificity of the discourse subject to attention.

3. Advertising Discourse

The type of ad text we are interested in is entirely a written support. Often considered to be an argumentative text, the advertising message has as objective the listeners' persuasion. The purpose of advertising is to sell and all the means used are good to achieve it. In the case of advertising radio discourse, the challenge of the advertisers is to capture listeners' attention, often being a passive target, in order to retain the text that sells a product and, if possible, to provoke in the listener the desire to purchase it. In order to better understand how advertisers (advertising specialists) communicate about their product, we will analyze the lexical, morphosyntactic and pragmatic level of messages in advertising campaigns.

In the first part, entitled Lexical Particularities in the Advertising Radio Discourse, we will analyze the proposed corpus at the lexical level. Radio Discourse is characterized by a number of peculiarities that allow its individualization in relation to other types of discourse, and we have proposed to identify and define the lexical specificities of the written radio advertising.

To capture the listeners-recipients, this kind of discourse transgresses the language codes. Doubtless, it has an informative purpose, but not in a strict sense because the information is not an objective one. Although the main function of the ad discourse is persuasion, it has a mitigated form, that is, its role lies in the seduction of the listeners. And for this, the advertisers are turning to a language whose impact is immediate. At *lexical level*, we will try to identify specialized terms, compound terms, loans and neologisms. In principle, the lexical forms identified in these written supports serve the expressive function.

One of the features of this discourse is the use of **specialized terminology** from different professions.

"Philips full HD, googleplay, appstore, radio frequency, assembling, recharge, technologies, vta, discount, soprano, pianoplayer, conveyor belt, symphony, competition, balsam, internet etc." (CLRVAN 2013, pp. 511-516).

According to Maingueneau (1998: 35), the use of a lexical characteristic of a subject / theme or of an audience gives the listener the impression that he is part of the circle of connoisseurs, which creates artificial complicity between the enunciator and the recipient. Regarding the proposed body, this is obvious, first of all, by using economic terms such as: vta, discount, prices, offers, promotion, discounts, products, business, money, articles, stock, etc. (CLRVAN 2013, pp: 511-516)

Taking into account that advertising needs new concepts to communicate the individual experiences and that the potential buyer (the listener in our case) expects to be surprised by the novelty of the product in such a way as to "live" the experience evoked by the enunciator-locutor, our concern is to highlight and analyze ways to enrich the lexicon in the advertising field.

Just as the advertising industry is subject to constant change, so the lexicon of advertising discourse is renewed and constantly changing due to the continuous need for new linguistic elements. In vocabulary, new terms are born by combining existing linguistic characters with new meanings, or by creating new linguistic characters through creation.

The lexicon of radio discourse comprises basic linguistic units, namely:

- **Simple nouns** that designate brand names, products, or features of the latter. In the advertising discourse, common nouns are the most frequent because they represent the mark of a product, the name of an enterprise, institution, city, district, holidays, and so on.

(Mango, Champion, Steilmann, Galaxy S3, Sensiblu, Otter, Pada Murre, TaxiBeet, Bancpost, BGS, Billa, Ikea, Vodafone, Timișoara, Brașov, Râșnov, Predeal, București, Militari, Titan, Sfântul Valentin, ș.a.) (CLRVAN 2013, pp.:512-516)

Within the same message, a noun can be repeated several times. This powerful technique in ad discourse aims to promote a product or even a brand, and at the same time facilitates the memorization of the statement by the listener.

- Compounds/clipping:
"Bookfest Timisoara bookstore, TaxiBeet, Bancpost, smartphone, supermarket, Dermocosmetics, facebook." (CLRVAN 2013, pp. 512-516)
In radio discourse, we come across composite words, such as *bookfest* made up of *book* and *festival*, which give rise to another word, unexpectedly, even surprising, and that does not go unnoticed by the listener.
- Terms used by using the **acronyms**: BGS, BSB, A1, (CLRVAN 2013, pp.512-516)
- Common nouns formed by **prefixation**: recharge, extraoption, dermocosmetics, etc. (CLRVAN 2013, pp.: 512-515)
- Representing an internal means of enriching the vocabulary, **conversion** is another feature of the touristic discourse. The change of the grammatical category, defined as a "grammatical process of passing a word from one part of speech to another" (A. Todi: 1) is achieved by accepting a morph of determination (definite or indefinite article) or a determinant adjective. Advertising professionals resort to adjectivation, substantiation and adverbialization to highlight the qualities of their products.

In the advertising lexicon, the nouns come from:

- adjectives (loyalty, rivalry, etc.) (CLRVAN 2013, pp. 512-516). The substantiation of the adjective is accomplished by articulation or by other means of flexing the nouns, in the worst cases being dictated by practical reasons (Economy or rapidity of speech) (A. Todi: 5)
- verbs: (relaxation, reduction, transformation, entry, details, overturning, application, offer, etc.) (CLRVAN 2013, pp. 512-516)

Adjectives come from:

- Nouns (**symbolic** power, **symphonic** music, **musical** background, **substantial** reduction, etc.) (CLRVAN 2013, pp: 512-516)
- verbs in the participle (**quiet** life, **low** prices, **valid** offer, articles **found**, etc.) (CLRVAN 2013, pp :512-515)
- numerals (**double** reduction, at **eight** o'clock, **second** edition, **fourth** symphony, etc.) (CLRVAN 2013, pp:513-517)
- pronouns (**any** article, **any** gift set, **every** week, **all** offers, etc.) (CLRVAN 2013, pp:512-516)

Adverbs come from:

- adjectives (take full advantage, organize easily, pleasantly surprise, download free, get automatically, receive directly, etc.) (CLRVAN 2013, pp: 511-515)

One of the most remarkable phenomena in the lexical plane is no doubt the emergence of new words or new expressions. From a lexical perspective, the advertising radio discourse selects **borrowings** (especially anglicisms), composed of prefixes (belonging to the category of nouns / adjectives), **specialized terms** (taken from different domains depending on the specifics of the topic described) and **lexical innovations**.

- Loans through the phonetic adaptation of international words : (megabytes, stock, range, football, grams, etc.) (CLRVAN 2013, pp:512-516)
- *Loans* from other languages: anglicisms (*smartphone, branduri, service, discount, hip-hop, mobil, facebook, googleplay, appstore*, etc); from French : *vis à vis* .(CLRVAN 2013, pp:511-516)

Under loans, one can talk about two phenomena that can be observed in almost all areas of social activity. On the one hand, we can talk about an objective motivation of loans, linked to the existence of a terminological vacuum, a situation determined by the emergence of professions, events, techniques, institutions, new ways of life, etc. On the other hand, we can talk about subjective motivation. Under the pressure of these transformations, language must satisfy the modalities of expressing communication that depends on social, ideological, psychological, situational mutations, etc. We can say that there is always a desire to express it most often in a new way. It seems that the latter motivation of the **neologic phenomenon** is the one that operates in the advertising discourse. Neologisms capture the interest of advertisers and thus attract the attention (stake, sms, frequency, rate, debut, fare, assembly, business, offer, tva, etc.) (CLRVAN 2013, pp:

511-516). Both neologisms and loans reflect the new realities of advertising and the need to refer to them.

Being a means of attracting the attention of the target audience and surprise it, the advertising language is characterized by the **creative and innovative aspect** that never stops amazing and even shocking. Creativity is at its fingertips, and words are carefully chosen to produce something unique, surprising and memorable in order to get the most impact on the target audience. Innovation is manifested through the use of:

The presence of popular expressions (regionalisms) in direct addressing:

- «*Buzdu și Morar și-au băut **cafelili**, și-au pus **căștili** au deschis **ziarili**; la ora **șapți** fix pun **microfoanili**.**ii bini di tăt**. Buzdu și Morar sunt **bini di tăt** !» (CLRVAN 2013, Morning Zu - Radio Zu :515)*
- Using common, spoken language (familiar)
".. for those who are upset about ideas .." (CLRVAN 2013, Sensiblu- Radio Europa FM :515) "Saturday evening, prepare to laugh, to rely on your favorite transformations, **to get your energy done**." (CLRVAN 2013, "I know you from somewhere" -Radio Zu: 512)
«**Do not miss** the biggest competition of winter sports in Romania» (CLRVAN 2013, Festival FOTE-Radio Zu: 513)
- Radio Discourse Uses Polysemy:
«Europe FM on the same **frequency** as you / At Europa FM money comes with the same **frequency** as you listen to us» (CLRVAN 2013, Europe FM - Radio Europa FM: 512)
Polyphonic terms are also quite common in advertising.

4. Conclusions

In this paper, we have sketched out only a few features of the advertising discourse but they are sufficient to give us a picture of advertising as a type of short discourse through excellence, constituted as a mosaic, and which annexes not only other genres but also its own discourse. Advertising discourse is the one that influences because its goal is to act on the other and to engage him in an action. The observation of the linguistic means in the advertising messages demonstrates that the specialists in this field have specific means of communication. The advertising discourse, except for trying to bring new information every time, must send to dream and imagination.

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Computer Graphics Design and the Means of Education in Maritime Safety Domain

Motto: "Everybody's attitude to the computer is a test, an answer to the question: How do you react to the new?"

Grigore Moisil (Moisil, 1971, p. 35)

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Abstract

For dissemination of knowledge on maritime safety culture and safety management to different actors and stakeholders in the maritime sector, a didactic design is required and must be developed. Using modern multimedia didactic tools, teachers can apply interactive scenario-based models. The experience-based learning can connect theory and practice. The students of maritime universities can be chosen as target groups and the didactic design can be adapted for them. Didactic design can be tested in a classroom, including later interaction and can be used for learning the topics on safety culture and safety management.

Key words: maritime safety culture, safety management, modern pedagogy, modern educational means, educational software.

J.E.L. Classification: C80, C88

1. Introduction

In an educational action about maritime safety culture and safety management, in terms of efficiency, we distinguish four major areas: the objective to be achieved, the content of ideas, the adopted strategy and the evaluation. The focus on just one or two of the four areas can not ensure the success of the educational act. Modern pedagogy proposes to organize the learning process in such a way that content and strategy issues are achieved according to objectives.

What safety culture means? International Maritime Organization (IMO) considers that: "An organization with a 'safety culture' is one that gives appropriate priority to safety and realizes that safety has to be managed like other areas of the business. The key to achieving that safety culture is in:

- Recognizing that accidents are preventable through following correct procedure and established best practice,
- Constantly thinking about safety, and
- Seeking continuous improvement." (IMO, 2017, p.1).

Specifying an objective in the operational term implies an immediate and appropriate setting of the didactic strategy, especially the methods to be used and the means of education (Cristea, 2011, p.152).

A very important and component part of the teaching strategy on maritime safety culture and safety management, are the means of education defined as a material, natural or intentional part that supports the achievement of the objectives of the training activity. The ensemble of material resources used in the educational process by educators aims at perceiving, understanding of knowledge, forming notions, fixing and consolidating information.

The usefulness of the educational means about maritime safety culture and safety management was determined by:

- a philosophical materialistic sensualistic conception, according to which the senses give value to the truth of our knowledge and nothing exists in intellect without first being in the senses;
- the need to understand the didactic message in all its complexity, so that the call to several analysts facilitates this;
- optimizing the educational process by its instrumentalization, i.e. by using technical materials of a didactic or non-didactic nature associated with some methods;

Didactic tools interpose between teacher and student, enhancing the instructive-educative capacity of the educator and facilitating the student 's learning activity. They redimension the relationship between the verbal and active-practical aspects of didactic activity and put students in contact with objects, phenomena, events, or processes difficult to be accessed with direct perception. Familiarize students with the handling of objects, requests and support thought processes, stimulate research, and positively affect students' imagination and creativity. Didactic tools do not oppose word and writing, but integrate with them.

The use of educational means (Kelemen, 2004, p 109) is based on some principles:

- combining oral comments and audio - visual elements in order to be better retained;
- the use of educational means allows faster assimilation and more intense activity;
- if the means are carefully chosen, they can create a self-training situation;
- some educational means allow the interdisciplinary approach of the respective issue, which has obvious formative valences on the students.

The means of education for maritime safety culture and safety management prove to be useful only if they are properly integrated into the training activity (Cristea, 2011, p.152), (Storo, 2013, p. 102), and only when a pedagogical purpose is intended. They have pedagogical functions that must be known by the teaching staff for their complete capitalization:

- the communication function shows the property of educational means to transmit information about objects, phenomena or processes studied; These include audio-video means or case studies;
- illustrative-demonstrative function aims at improving oral communication by presenting experiments, demonstrations, patterns of behavior;
- the formative-educational function aims at practicing the thinking operations, activating the attention and forming some professional skills; It facilitates independent activity by stimulating curiosity and interests;
- the stimulus function involves developing the motivation for the studied subjects; Some educational means can trigger strong impressions, states and emotional experiences, moments of good mood; It has been noticed that the audio-video means are best suited to this;
- the function of rationalizing the effort in the teaching-learning activity;
- the school performance evaluation function refers to the possibility of diagnosing and assessing students' progress by creating problem-situations, which test their ability to operate with learned notions, identifying, comparing or interpreting them.

The "dynamic" professor has the following traits:

- it projects its didactic activity based on objectives addressed to the student (which is the main subject of learning);

- is concerned about understanding the needs and psychological profile of the 21st century student;
- adapts his teaching to motivate them and teach them to learn, seek information, and learn to process those by themselves.

The Computer contribution in this process is to enable students to acquire knowledge and skills about maritime safety culture and safety management which allows them to adapt to the requirements of a society that is constantly transforming.

Students need to be prepared for changes, to welcome them with enthusiasm, not with fear and resilience. If students are trusted to change, they will feel the need to be trained as best as possible to deal with new types of professions.

The teacher lives himself in a changing society, in the first line of change, fortunately, so he/she will have to adapt, accommodate and improve continuously.

According to (De Landsheere *et al.*, 1990, p. 81), education must prevent blind uses of new informatics technologies in communication. The teacher also prevents the alienation of man, fights against the desire for constant entertainment, for unjustifiably fear of new informatics technologies in communication, while preventing the diminution of creative spirit.

The teacher is transforming from the transmitter of information (Oprea *et al.*, 2010, p. 51) to the facilitator of learning process. In such conditions the students retain:

- 10% of what they read;
- 20% of what they hear;
- 30% of what they see;
- 50% of what they hear and see;
- 70% of what they are talking to someone;
- 80% of what they experience;
- 95% of what they are teaching to others;

By using the computer in the learning process it can be obtained:

- Motivation;
- Attention;
- Access to informational resources outside the school;
- Facilitate the understanding of abstract concepts;
- Stimulate curiosity through research;
- Self-paced practice: recovery or performance;
- Develop creativity;
- Facilitate teamwork;

The use of computer-assisted training and educational software in class for maritime safety culture and safety management in alternation with active-participatory and traditional methods, we think it is the optimal solution at this time to determinate students to learn more efficient about the topics. As adjuvants we can mention using educational software; exploitation of educational resources on the Internet; multimedia presentations; using the educational platforms or creating educational software of its own design.

2. Educational Software

“Educational software is any software product in any format (exe or not) that can be used on any computer and represents a subject, theme, experiment, lesson, course, etc. being an alternative or the only solution to the traditional educational modules (table, chalk)” (Vlada, 2010, p. 123).

Taking into consideration that, we can mention:

- *Training software* which allow individual practice needed to be acquired for working algorithms, computational techniques, or the formation of specific skills. The student works at his/her own pace and receives continuous feed-back from the program by appreciation of the given answer/
- *Software for presenting new knowledge* - A teacher-to-student dialogue is created between the program and the student:

- *Tutorial dialogue*, if the interaction with the student is controlled by the computer;
- *Investigation dialogue* if the interaction is directed by the student; The student can return to the sections already traversed, respond to program stimuli, track the proposed examples and necessary explanations, and receive immediate feedback.
- *Simulation software*- allows controlled representation of a phenomenon through a model with analog behaviour; It is possible to change the values of some parameters to see how the behavior of the system changes; Playback is intuitive, the student can follow phenomena more difficult to describe by classical means;
- *Knowledge-testing Software* - There is a wide range of testing software, which differs through the way of assessing knowledge (immediately or not) through the typology of items, the purpose of testing, etc. They are appearing in the form of interactive testing, objective that avoids disturbing factors from the traditional assessment (halo effect, Pygmalion etc.)
- *Educational games* - Software in the form of a game which involves the student in the problem solving process. A symbolic framework is created in which the student becomes an active character who pursues educational purposes without realizing it. The formal textbooks are abandoned and, more often than not, the work tasks are deeply practical.

In Table 1 below are enlisted the related technologies, theoretical models and strategies that can be used successfully when teaching on maritime safety issues.

Table no. 1 - Integrating informatics applications in transport education Integrational Media

Integrating informatics applications - Integrational Media		
Related Technologies	Theoretical Model	Strategies
Authoring tools Educational software development applications (on the web or installed on their own computer) (e.g., Dreamweaver, Toolbook Authorware, EDU Integrator) Learning management Systems (e.g., Saba, Docent, THINQ TrainingServer, LearningSpace, TopClass, Blackboard, Moodle, Desire2Learn, Kannu)	-Development of educational products -Multimedia -Collaboration -Information -Computer -Technology mediated communication -Authentic activities -Guided Learning -Interactivity -The presentation of knowledge -Control of the student -Individual learning	-Brainstorming -Collaborative activities -Project-based activities -Group interaction -Online Testing -Negotiation, building knowledge, reflection -Autotest -Synthesis -Creation -Analysis

Source: Oprea et al., 2010, p.51

The specific qualities of educational software are the following:

- stimulating interest for the new;
- developing logical, divergent thinking;
- stimulating imagination
- real-time stimulation of a variety of phenomena and processes that would be difficult and costly to reproduce in class
- optimizing the teaching activity through the diversification and interactivity of the examples
- intellectual training through self-education

Integrating informatics applications are based on the development of web design tools (e.g. WebCT, LearningSpace, Blackboard) that attempt to combine elements of exploratory request and learning dialogue environment in a core course or “knowledge portal”.

Opportunities are provided to incorporate various training strategies using software features available in a beneficial design.

3. Conclusions

It is obvious that the design-teacher will need to carefully analyze the variety of technological tools in search of those media that intersect with a maritime safety discipline they teach to be appropriate for the intended purpose and the category of students they are addressing. When using an authoring tool, like Moodle (Manole *et al.*, 2016, p.23), or others, hypermedia and primary resources refers to those primary digital objects that can be used to develop an educational software.

Designing an educational software for maritime safety involves several stages that differ in the nature of the work of the groups of specialists involved in this process.

- the first stage is pedagogical design (educational design), when a certain educational strategy is defined and concretized;
- in the second phase, the computer/ graphic / interface, this strategy is transposed into a training program (educational software), having all the functional characteristics required by the pedagogical project;

As modern technological improvements reduce risk, the more important becomes the weakest link in the system - the human factor. For this to be improved, it must be considered an area on which industry should focus more so that best practices in risk management and a culture of safety become an important factor in the global fleet. So, the new multimedia simulation technologies will have a great impact on the education of students, and the teacher will have at hand tools that can express the pedagogical message clearer.

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Teaching ESP through the Internet. Case Study

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Abstract

This paper is studying the impact of the Internet on the ESP classroom, providing an introduction to the basic theoretical aspects of this area, its development, benefits and drawbacks. The paper is also concerned with the most common applications of Internet-based activities, such as communication, information retrieval, and information publishing. Internet access has brought about new virtual learning environments and consequently, new learning experiences for the students: they can attend lessons or sessions when they want, they can log on from different locations, and they are offered new opportunities for communication.

Key words: English for Special Purposes (ESP), English teaching/learning, media, Internet, communication skills

J.E.L. Classification: K00

1. Introduction

According to Schmidt and Cohen (2013: 3), "The Internet has transformed into an omnipresent multifaceted outlet for human communication. It is in a constant state of mutation, growing larger and more complex with each passing second. [...] Through the power of technology, age-old obstacles to human interaction, like geography, language and limited information, are removed, and a new wave of human creativity and potential is rising". Mass adoption of the Internet is driving social, cultural, economic and political transformations in the society, the effects being fully global. At the same time, it makes it possible for almost everybody to own, develop, and disseminate real-time content without having to rely on intermediates.

In his work entitled *The Network Society. Social Aspects of New Media*, the scholar Jan A.G.M. van Dijk (2006: 6-13) presents and also analyzes the main features of the new media. Thus, according to him, the first important feature refers to "the integration of telecommunications, data communications and mass communications in a single medium. It is the process of convergence. For this reason, new media are often called multimedia". The second main feature is represented by "the rise of interactive media". Last, but not least, the above-mentioned author describes the third characteristic in the following way: "Digital code is a technical media characteristic only defining the form of new media operations. However, it has great substantial consequences for communication. Digital code means that in using computer technology, every item of information and communication can be transformed and transmitted in the form of strings of ones and zeros called bytes, with every single 1 or 0 being a bit. This artificial code replaces the natural codes of the analogue creation and transmission of items of information and communication (e.g. by beams of light and vibrations of sound)".

People communicate in cyberspace for different reasons. Some want to talk with people with similar interests, some want to keep in touch with friends or the family, some want to hang out with people without being judged immediately on their looks, some are interested in finding a friend, and some simply want to surf around because they have nothing better to do. (Stewart et al., 2005: 363)

All communication involves constructing identities or selves. In addition, people continually negotiate identities, choosing one identity over another. This is a process that happens collaboratively, outcomes are not predetermined, and identity construction is made up of reactions and responses. Selves are constructed online and offline in similar ways, but cyberspace has some features that lead to calling it an 'identity workshop'. One advantage of using cyberspace as an identity workshop is that people can put themselves into the shoes of others. The disadvantages are that people can deceive each other and interact unethically. (Stewart et al., 2005: 367)

2. The Internet as a Communication Tool

Both teachers and students can find almost anything they want on the Internet. However, according to Harmer (2007: 191), its size and range make it potentially awkward for users, who often find it difficult to locate the exact information they are looking for. This is partly because searching is a skill in itself which students need to acquire. The Internet research is a stage towards some other goals. There are many websites for students to practice language, for instance, communicating with some other people (Baron, 2008). Project work is also popular in teaching English as a foreign language, especially with students who have access to a wide range of new resources.

The Internet is more than just a pool of information. It is also a communication tool that gives the teacher and the students the capability to interact with other people around the world. It is a tool for information publishing, where one can make their own materials available to others. These power and versatility make the Internet a truly revolutionary tool for students and teachers (see Ito et al., 2009; Clifford, 2012; Schafer, 2011).

According to Newby et al., (2002: 190), electronic mail (e-mail) is the most widely used service on the Internet. Its main role is to support human interaction and to simplify (and speed) the exchange of data and ideas. For example, teachers and students can write to each other or communicate faster and easier via the Internet (using tools such as e-mail, chat or instant messaging) with other students, teachers, and experts in a particular field around the world. Communication by e-mail is analogous to writing a letter to one person. Another communication tool is the *newsgroup*, i.e. a discussion group that allows students and teachers with common interests to communicate with each other. The sites are dedicated to a single subject and allow them to read comments and questions, and to post comments, questions and answers.

Instant messaging allows two users on the Internet to synchronously communicate by typing messages back and forth to one another in real time. It resembles a telephone conversation, except that in most cases the conversation is written rather than spoken. Like instant messaging, chat is a form of simultaneous communication whereby users communicate mainly by typing messages to one another. In a chat room, teachers and students can talk with one person or several people at the same time. Various software programs are available, some of them using avatars, pictures that represent the individuals chatting. Newby et al. (2002: 190) emphasize the idea that although chat can be a time-consuming and confusing way to communicate, most kids love it. It does allow people from all over the world to communicate with each other in real time.

3. Teaching/ Learning with the Internet (Educational Technology)

According to Pacurari and Vizental (2000: 120-121), the general teaching/learning process and the teacher-student relationship and interactions are based on several needs shared by all language learners, i.e. information and motivation, active involvement in the learning/teaching process, practice for habit formation, exercise for skill development, communication and negotiation of meaning, development of an individual style.

All these needs can be met as long as teachers and students have access to the latest information which is available on the Web in the form of databases, electronic documents (such as e-books, hyperlinked articles, online bibliographies), artifacts, interactive whiteboards, surveys, where feedback is sent via email and computer software. Countless information resources, including text, graphics, sound, video, and virtual reality, are stored (see Roblyer, 2006; Scannell, 2008). Teachers

and students can monitor current events through online newspapers and magazines. Students can read what the local newspapers have to say about some current events and compare that with what is being written by the national news organizations around the world.

Besides *online newspapers and magazines*, *Web Quests* can be extremely helpful, they allow teachers to get their students do research; they can design the various stages of the project and select the sites that students can use to gather data in order to support their work (see Alessi and Trollip, 2001). Moreover, they are inquiry-oriented activities in which some or all of the information used by learners is drawn from resources from the Web. This approach has become one of the most popular ways of using the Web in education. Web Quests are often designed as group activities with different students assuming different roles in the activity. This approach not only encourages cooperative learning, but it motivates the learners by giving them realistic scenarios as a context for their activity; it is available for almost any grade level or curriculum area (Newby et al., 2002: 198-200).

The same authors (Newby et al. 2002: 201) also show that teachers and students can publish material on the Internet and share ideas. Many schools now have their own home pages and an increasing number are using the Web as a vehicle for students to make their work public. As a result, a student's hypermedia project that once may have been seen only by the teacher and the classmates may now be available for viewing by anyone in the world. The idea that the world can see their work is highly motivating to students, and posting students' projects to the Web for all to see does give parents and members of the community an opportunity to find out what is happening in the school. When creating web pages, students experience benefits and encounter difficulties; they have to gather, evaluate, organize, and present information on a topic. This requires students to develop logical thinking and planning skills, and the process is active and often motivating to learners.

4. Case study: Research Hypotheses and Methodology

The present study was conducted for the purpose of assessing the impact that the use of new media in the ESP classroom has on developing the students' communicative competences, according to the recommendations of *Common European Framework of Reference*, which has been adopted by the Romanian curriculum for foreign languages.

In terms of the research hypotheses, this study emphasizes the idea that by using new media in the ESP classroom the students 1) will develop their communicative competences in the target language, 2) will be more motivated to continue learning English outside the classroom and 3) will increasingly apply their acquired knowledge in real life situations.

The study was conducted within a period of one month, in the first semester of the academic year 2016-2017, on the students majoring in Applied Sciences – Oil Processing. The total number of participants in this study was 60 students, i.e. 30 students in the experimental group and another 30 students in the control group.

The following research instruments have been used: the initial test, the experiment, the observation of students' activity and attendance during the study, the final test and statistical data analysis. Both the experimental and the control groups studied the same material (The Environment: environmental issues, renewable energy, offshore wind energy, facts about drinking water, chemical and biological wastewater treatment, environment idioms). Although the lesson plans for both groups had the same teaching and learning objectives, those of the experimental group included activities that required the use of the Internet and mass media (project work, web quest, e-mail, newsgroup, etc.), while the students from the control group were provided with the traditional routine situation in the classroom. As far as the idiomatic expressions were concerned, we took into account several of their main features, such as familiarity, literality, compositionality and predictability, aiming at activating the students' ability to predict their figurative meaning (Istratie-Macarov and Leonte, 2016: 224).

Thus, the approach used with the control group was similar to task-based learning, which made the performance of given tasks central to the learning process. The students focused on the completion of different tasks and after that, the teacher discussed the language that was used, making corrections where necessary. However, they were given the necessary language before they

set out to perform the tasks, like in Nunan's pedagogical approach which starts with a pre-task to build the students' schema (Nunan, 2004: 271). Then he gives the students controlled language practice for the vocabulary they might need for their task. According to Nunan (2004: 37), "learners should be encouraged to move from reproductive to creative language use". The basic techniques used in class with the control group included the use of commands, repetition and memorization, question-answer exchanges based on the texts, drilling (which involves practicing the new vocabulary items and grammatical structures through exercises, such as repetition drills, substitution or transformation exercises (Harmer, 2007; Nunan, 2004).

The approach used with the focus group was a communicative one, the fundamental goal being the shaping of the learners' communicative competences and the development of their communicative skills rather than their mastery of structures. The activities were no longer centered on content (i.e. the vocabulary and grammar structures and items to be taught and learned), but on language functions (e.g. expressing likes and dislikes, agreement/disagreement, accepting or refusing an invitation, offering to do something, seeking for information, etc.). The students were required to perform practical tasks, to carry out practical activities, using the language, in lifelike contexts. The emphasis was on interaction, on the exchange of ideas and negotiation of meaning. The students were encouraged to communicate freely, creatively. The classroom atmosphere was relaxed and supportive, aiming to reduce the students' anxiety. The techniques used with the focus group were: brainstorming (to activate the students' knowledge), discovery activities (using online dictionaries or a search engine, such as Google, to look up for words and collocations), vocabulary games, grammar games (i.e. word-ordering activities), oral exchanges in pairs, information-gap activities, writing short texts on different topics, listening to short sequences for specific information.

4. Results and Analysis

The initial test was aimed to establish how similar the experimental and control groups were in English language proficiency before carrying out the study. The test included reading comprehension skills, vocabulary and grammar skills, and writing skills.

Table no. 1 Initial test results of the experimental group

Grades	under 5	5-5.99	6-6.99	7-7.99	8-8.99	9-10
No. of students	3	6	5	6	6	4
General group average	6.60					

Source: author's own processing

Table no. 1 above shows the initial test results of the students from the experimental group. Only four students got grades situated in the range 9-10. Six students scored between 8 and 8.99 points and other six got grades between 7 and 7.99. Five students scored between 6 and 6.99 points, six students got between 5 and 5.99 points and three students failed the test, getting grades under 5. The average score of the experimental group was 6.60.

Table no. 2 Initial test results of the control group

Grades	under 5	5-5.99	6-6.99	7-7.99	8-8.99	9-10
No. of students	4	4	6	5	5	6
General group average	6.70					

Source: author's own processing

Table no. 2 above reveals the results obtained on the initial test by the students from the control group. Thus, six students scored between 9 and 10 points, five students got grades between 8 and 8.99, other five students scored between 7 and 7.99, while six students got grades in the range 6-6.99. Four students got grades between 5 and 5.99 and other four students failed the test, as they got grades under 5. The average score of the experimental group was 6.70.

The results of the initial test show a slight difference of the average score between the experiment and the control groups, i.e 0.10 points. The initial test was aimed at determining the level of English proficiency of the two groups of students before applying different approaches to teaching English/ESP, respectively using new media with the experimental group and applying

traditional methods with the control group. Furthermore, our initial test results also revealed that, in the case of most students, there was an obvious deficit in knowledge and this represented for us an opportunity to introduce new and relevant grammar and vocabulary items, useful in the students' future interactions (see Leonte and Istrate-Macarov, 2016: 226).

At the end of the experiment, in order to evaluate the effectiveness of teaching/learning English/ESP through the two methods (i.e. the new media applied to the experimental group and traditional methods used with the control group), both groups took a final test. For both groups, the final test exercises were selected from the materials studied in the classroom. The final test results revealed the differences between the two groups in terms of their ESP acquisition and communication skills, highlighting the effectiveness of ESP teaching/learning through new media materials. Thus, the average score of the experimental group was significantly higher than the one of the control group (i.e. 9.16 and 7.98 respectively), with a difference of 1.18 points.

As shown in Table no. 3, out of 30 students (from the experimental group), there were 9 students who scored 10; 3 students scored 9.5 points; 10 students scored 9; 6 students marked 8.5 points; 1 student marked 8 points; and 1 student got a score of 7.5. Compared to the initial test results, the general average of the experimental group increased by 2.56 points, which also highlights the effectiveness of this modern teaching method.

Table no. 3 Final test results of the experimental group

Grades	10	9.5	9	8.5	8	7.5	7	6.5	6	5.5	5
No. of students	9	3	10	6	1	1	0	0	0	0	0
General group average	9.16										

Source: author's own processing

As shown in Table no. 4, the situation of the control group improved less than expected: there were 2 students who scored 10; 6 students who scored 9 points; 7 students scored 8 points; 4 students marked 7.5 points; 6 students scored 7 points; 3 students got 6.5 points and 2 students scored 6 points. Compared to the initial test results, the general average of the experimental group increased by 1.28 points (which is lower than the increase registered by the experimental group).

Table no. 4 Final test results of the control group

Grades	10	9.5	9	8.5	8	7.5	7	6.5	6	5.5	5
No. of students	2	0	6	0	7	4	6	3	2	0	0
General group average	7.98										

Source: author's own processing

The students in the **experimental group** involved themselves actively in performing the language tasks and in carrying out their assigned activities. They also showed a high level of interest in language acquisition and developing communicative skills.

The students in the control group also showed a very good level of participation in the class activities and were quite interested in learning English/ESP, although they registered a lower score in their language acquisition. The difference in the average scores obtained by the two groups is quite significant, i.e. 1.28 points.

5. Conclusions

The analysis of the results revealed that our research hypotheses are valid. Thus, the students in the experimental group really enjoyed the new materials used in class, which led to a high participation level in the assigned activities. Furthermore, they reacted positively towards the use of new media teaching/learning materials in the ESP classroom, getting actively involved in the tasks. The activities selected aroused their interest in developing communicative skills and increased their motivation to communicate.

The activities based on new media were student-centered, the teacher only facilitating the interaction among the young learners, who were no longer passive recipients of information. They had more opportunities to interact and produce their own language. The new tasks also met students' interests and needs. Although the students have different learning styles and preferences,

all of them enjoy activities which involve game-like communication and other interactive tasks, and thus, keep students engaged in the learning process.

The activities based on new media increased the students' learning motivation. The use of the Internet and mass media, for instance, gave them access to individual extensive learning and also provided them with a certain control over their own learning process. The word pronunciation, the instant access to words' definitions, multimedia and animations supported their understanding of the texts and the improvement of their listening and reading skills, also increasing their motivation for extensive self instruction, and for continuing their learning outside the classroom. The results clearly assessed the effectiveness of teaching English/ESP using new media with the focus group. The activities based on new media encouraged the students to think and speak in English, promoting active participation and interaction on their part, and, consequently, the development of their receptive and productive skills.

Thus, the plentiful exposure to language in use and all the opportunities offered by new media especially in the English classroom are vitally important for students' development of knowledge and skills. Despite some of the challenges that using new media pose for teachers, there are a lot of advantages that clearly outnumber the difficulties encountered in class. An appropriate planning in advance may reduce the disadvantages, turning new media into a very effective way of teaching and learning English as a foreign language.

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Efficiency of Hospital Expenses Projects Funded Through Partnership with an NGO Case Study

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Abstract

In the context of limited resources of a public hospital, constrained by rigid regulations and low capacity to invest in the purpose of satisfying the raising needs of the patients, the health facility embraced the solutions to partner with an NGO.

In partnership with Association of Psychiatric Hospital Dr. Gheorghe Preda Sibiu (ASPPS) a large number of projects have been developed. The projects aimed to create new means and methods for complementary and occupational therapy and to ensure a friendly and supportive environment for the patients.

With rather modest financial resources but maximum efficiency and voluntary work, many modern facilities were created, some even in premiere.

Key words: efficiency, partnership with NGO, complementary therapies

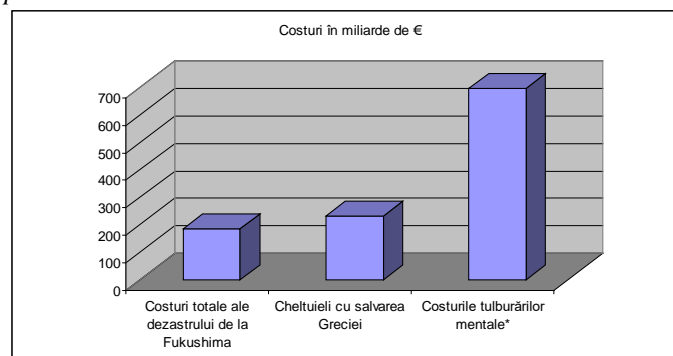
J.E.L. Classification: D61, I15, L31

1. Introduction

The issue of mental health is extremely present in modern society. Mental and behavioral disorders are broad categories of pathologies, almost one third of all illnesses. Mental health is important for both people and society. Its impact on economic performance due to productivity losses and rising social costs to support people with disabilities has become a burden, even for the education system and the justice system.

The economic impact of mental disorders in the European Union is very high. Direct and indirect costs were estimated at 692,5 billion euros annually, excluding dementia and comorbidities. These comparisons are illustrated in Figure 1.

Figure no. 1 Cost perspective



* The costs of mental disorders with the exception of dementia, in the countries of the EU, annually
Source: ROAMER - A Roadmap for Mental Health and Well-being Research in Europe, 16

World Health Organization (WHO) statistics show that in Romania the number of beds per 100,000 inhabitants, acute and psychiatric places is above the European average, while the number of hospitals, including those for acute ill patients, per 100,000 inhabitants, is below the average of EU countries. The number of doctors and nurses per 100,000 inhabitants, as well as the percentage of doctors working in the hospital, is lower for Romania.

Table no. 1 Resources Romania compared to the average of the European Union

Country	Hosp./ 100.000 inhab.	Acute / 100.000 inhab	Beds /100.000 inhab	Beds/ 100.000 inhab	Beds psychiatry / 100.000 inhab	Doctors /100.000 inhab	% doctors Working in hospit	Nurses/ 100.000 inhab
Romania	2,35	1,16	596,40	402,61	73,97	236,26	49,75	552,42
Average EU	2,95	1,89	524,43	396,50	73,20	346,27	56,86	856,44

Source: <http://data.euro.who.int/hfad/>, data available for 2013

Currently, in Romania there are 37 psychiatric hospitals. The classification according to the number of existing beds in the specialized hospitals, based on the data published by the statistics of the Ministry of Health for the year 2014, places the psychiatric hospital in Sibiu on the 6th place:

Table no. 2 Top 10 psychiatric hospitals by number of beds

No.	Health unit	Beds in hospitals without attendants	Total psychiatry	din care:		
				PSYCHIATRY	psychiatry acute	psychiatry chronic
1	Psychiatric Clinic Hospital Obregia	1.229	1.149	1.001	-	148
2	Clinical Psychiatric Hospital Socola	870	870	0	482	388
3	Hospital for Psychiatry and Safety Measures Sapoca	765	765	30	310	425
4	Psychiatric Hospital Poiana Mare	500	500	-	-	500
5	Hospital for Psychiatry and Neurology Brasov	468	468	153	0	315
6	Psychiatric Hospital Dr. Gheorghe Preda Sibiu	453	388	0	230	158
7	Psychiatric Hospital Voila	450	450	-	390	60
8	Psychiatric Hospital Gataia	445	445	-	71	374
9	Psychiatric Hospital Sf. Pantelimon Braila	410	410	-	170	240
10	Hospital for Psychiatry and Safety Measures Jebel	405	405	-	15	390

Source: <http://data.gov.ro/dataset/unitati-sanitare-si-paturi-in-unitati-sanitare>

453 beds, with three basic specialties: psychiatry, neurology and neuropsychotic recovery. The structure of the hospital includes 7 sections with beds in the specialties: acute and chronic adult psychiatry, a pediatric psychiatric department, a neurology section and a neuropsychotic recovery section, two mental health centers (adults and children) with two stationary Day, integrated ambulatory with cabinets - adult and child psychiatry specialties, neurology and recovery, physical medicine and balneology, pharmacy, occupational occupation and occupational therapy.

The medical activity of the hospital in the period 2012-2016 is synthetically reflected by:

- 255 beds for acute and 198 beds pentru chronic
- average of cases discharged - 7.300 patients annually: 5.076 adults and 2.224 children
- 27.200 Ambulatory consultations/year: 21.430 adults and 5.770 children
- 2.571 emergency unit consultations/ year : 2.236 adults and 335 children
- 858 day time hospitalization cases/ year: 411 adults and 447 children

2. Needs identified

Beneficiaries of mental health care are a special category of patients with complex medical-social needs. The concept of "best health care" is found in an integrated service package, both medical treatment and psychosocial recovery and reintegration. These services are theoretically in charge of the community. But patients and caregivers are confronted with inadequacy or even lack of community-based services outside the hospital setting. Emphasizing the role of extra-hospital services can increase the subjective satisfaction of the beneficiaries' lives by improving the sphere of social functioning. Thus, the patient manages to fulfill adequate social roles within daily social relations: the family plan, the professional, the household, in the sense of belonging to a group. Poor social functioning is a constant of disease phenomenology and seems to be an area that is independent of negative and positive symptomatology (Lenzenweger & Dworkin 1996).

The needs of the patients treated at the Psychiatric Hospital dr. Gheorghe Preda from Sibiu were analyzed by the medical staff both on the basis of their own observations and by consulting the beneficiaries directly through discussions and questionnaires. The classification took into account the two categories of patients by age criterion, namely children (0-18 years) and adult patients. According to the criterion of diagnosis, severity and permanence of the health impairment, specific needs were identified for groups: acute patients and chronic patients, institutionalized, outpatients, plus outpatients treated by the Mental Health Center. The results of the analysis highlighted the following specific needs

- a) Children patients
 - Diversification of group psychotherapy activities
 - Access to complementary therapies by modern means and techniques (Sensory integration through Special room for Multi-Sensory Stimulation)
 - Leisure and outdoor activities during hospitalization – Secure playground adapted to children with neuro-locomotor disabilities
- b) Adult patients
 - b1. Chronic institutionalized patients
 - leisure, socializing, education, caring and self-care, developing / retaining skills through ergotherapy, support for residual skills (ADL)
 - b2. Patients on acute sectors and the Mental Adult Health Center
 - diversification of occupational therapies, information programs, support of reintegration, engaging in sports activities, counseling - nutrition, lifestyle, hygiene.

The development of complementary therapies and support programs, although they are activities related to the medical act, they do not represent financing priorities, and there are no legal provisions for the allocation of funds for investments in non-medical areas.

The solution identified by the Hospital's management to finance this range of activities and services was a sustainable partnership with a non-governmental organization, the Association of Psychiatric Hospital Dr.Gheorghe Preda Sibiu - ASPPS, through which projects financed from non-reimbursable funds were implemented in order to improve the quality and efficiency of medical services by diversifying treatment methods. In the National Strategic Report on Social Inclusion and Social Protection 2008-2010, published by the Government of Romania, the chapter Priority Policies on Financing of Health Care Services provides "Development of partnerships for the provision of medical and non-medical services by encouraging cooperation and partnerships with the private sector, NGO-s and civil society.

The Association of Psychiatric Hospital Dr.Gh.Preda from Sibiu (ASPPS) is a non-governmental organization established in 2010, whose members are part of the medical and non-medical staff of the Psychiatric Hospital of Sibiu. The association's mission is to promote mental health, destigmatize people suffering from mental disorders and integrate them into the community. ASPPS activities and projects focus on developing complementary therapies and patient support programs.

3. Projects completed 2013-2016

Addressing the specific needs of patients, ASPPS in partnership with the public health unit has applied to obtain private non-reimbursable funding. The projects were implemented in the Hospital, for the benefit of patients, caretakers and medical staff. The total value of completed projects is 539.816 RON.

Projects for adults

ERGOMESTESUGURI – the establishment of the Workroom of wood art at the occupational therapy section *Ergo-Crafts* - development and installation of joinery and wood art workshop

Objectives: Developing occupational therapies and complementary therapies by diversifying thematic workshops: initiating the carpenter's work, restoring wood objects and creating decorative objects from wood and recycled materials

THE THERAPEUTIC GARDEN = planning a garden for patients in the hospital courtyard

Objectives: Increasing the quality of life for patients in surveillance, through the opportunity to spend time outdoors in a safe environment, arranged as a therapeutic garden with beneficial effects on health. Set up a restorative therapeutic garden in the inner yard on an area of 1500 sqm.

Development of the Ergo-therapy department by re-emphasizing the tradition of gardening as an activity suitable for ergo-therapeutic purposes.

Improving the appearance of the Hospital by arranging outdoor spaces in accordance with patients' needs, for rehabilitation and spending time in pleasant and supportive environments

MUVIT

Objective: Developing support programs through thematic groups, focusing on programs that support physical activities in acquiring and maintaining mental health. Providing relaxation and sports therapies, decreasing the negative impact of hospitalization, adherence to and cooperating to the treatment, improving the symptoms specific to the pathologies, reducing the antipsychotic medication and the secondary effects including weight gain.

ERGONET and *INFONET* – provision of computer equipment (computer lab for use by patients) in Mental Health Centers adults and children, in Ergo-therapy Department

Objective: training IT&C

VOLUNTARY SERVICE – '*PRIETENII DIN SPITAL*' (*Friends from Hospital*):

Objectives: Establishment, operation and development of the voluntary hospital service "Friends of the Hospital" at the Sibiu Psychiatric Hospital, on a professional basis, by attracting, training and retaining volunteers in specific programs in order to support the specific needs of psychiatric patients.

Development of voluntary service in Psychiatric Hospital, to support children and adult patients, during hospitalization, by activities of care/personal hygiene, daily activities, support, accompaniment, socialization, information and education, counseling for patients and families, creative and leisure activities.

CAMERA MEMORIEI – *MEMORY ROOM* - Increasing the quality of life of elderly patients and their families experiencing dementia (Alzheimer)

Objectives: The development and application of sensory-rehabilitative therapies in the treatment of dementia patients at the IVth Section of the Sibiu Psychiatric Hospital, by arranging a complex polysensory room (Snoezelen) and its use in stimulating abilities and residual memory in order to preserve functional autonomy. Developing a support service by group therapy, for counseling and psychoeducation to support families in addressing the difficulties associated with Alzheimer.

CULINOTERAPIE – *CULINOTHERAPY*

Objective: Development of supportive services for external patients (the mental health center) for the acquisition / regaining of independent life skills and maintenance of functional autonomy by establishing and maintaining a culinary therapy program and nutrition courses

The program *HOPE THROUGH ART*- annual art exhibit

-to remove the stigma on the patients hospitalized in psychiatric institutions and to develop a strategy to promote the artistic works created by people suffering from psychic diseases.

Projects for children

DREPTUL EGAL LA JOACA – THE EQUAL RIGHT TO PLAYGROUND - to arrange a playground, designed as a platform, for outdoor activities, tailored for children with disabilities, projected and built in such a way as to ensure maximum security and accessibility to disabled children. It should give the chance to children to carry out physical activities outdoor, both as a component of the therapy and as an opportunity for leisure time, socialization, becoming aware of their age of childhood by means of play.

CAMERA DE STIMULARE POLISENZORIALA - POLISENSORY STIMULATION ROOM - Snoozelen Room - to set and equip at the pediatric section a sensory room destined to polisensory stimulation. It supports the recovery of children having difficulties of perception or a dysfunction as regard to the sensory integration, as well as of children with profound disabilities, who are in need of a wheel chair, children without any motor skills.

ÎN LUMEA BASMELOR TERAPEUTICE - THE THERAPEUTIC FAIRYLAND – program for children with psychiatric disorders - emotional therapy and creative techniques

Objective: Direct support for addressing issues of relationship and integration in pre-school and school environment, communication deficits, isolation, aggressive or turbulent behaviors. The project proposes as a solution the organization of group therapy in the medium term through the participation of the beneficiaries in workshops combining therapeutic fairy tales and creative techniques.

SPITALUL CANTATOR – SINGING HOSPITAL

Developing and diversifying group therapies for children aged 7-12 years treated in the Infant-Juvenile Psychiatric Section and dispensarised through the Children's Mental Health Center by introducing music and movement therapy workshops by the Singende Krankenhauesser method. Promoting the benefits of music and movement in therapeutic purposes for caregivers and for health care institutions, especially in the mental health sector (special schools, homes for elderly, hospitals)

CENTRU DE TERAPII ASISTATE DE ECVINE – CENTER OF THERAPIES ASSISTED BY EQUINES

Objectives: Developing and professionalizing the Assisted Animal Therapies as methods of rehabilitation and integration

Establishment and long-term operation of the TAA Center to provide access to effective therapeutic strategies with therapeutic impact for multiple vulnerability beneficiaries

4. Conclusions

Benefits of implemented projects

The positive changes of the environment, by arranging the therapeutic garden and the playground within the hospital, influenced the whole sphere of mental health care in the Sibiu region. This has been highlighted by improving the appearance of treatment facilities by achieving an appropriate standard of the working environment, but in particular by reducing the climate of stigma associated with mental illness and the Psychiatric Hospital. The Psychiatric Hospital has become a pleasant and friendly place with adequate facilities for the needs of mental health care, but also for families and the community. Psychiatric Hospital's integration into the class of European psychiatric facilities is desirable: as a level of endowment and quality of health care, but especially from the perspective of the patient's approach, as the patient is at the center of the medical, therapeutic and social concerns.

The trustworthiness of patients and caregivers has grown, as well as the degree of satisfaction with the quality of service offered.

The range of complementary therapies has been greatly expanded: patients currently benefit from types of therapies that until now were inaccessible (polisensory stimulation) or therapies considered unconventional in Romania but which have been practiced for decades in other countries (animal-assisted therapies). An important step towards the community was made by initiating support groups for patients and caregivers. These support groups have been initiated and

sustained through projects. Thus, an important lack of local community services was covered, namely the support group for Alzheimer-affected families.

With the support of APPS volunteers, important things have been done for all categories of patients with modest or limited financial resources.

Sustainable partnership between a health institution (a public hospital) and a mental health organization has led to the development of constructive relationships in the non-governmental sector, both in the country and abroad (the mental health network *MindResetNet*, the Singing Hospitals).

This type of partnership is a good practice model and it demonstrates the multiple benefits that cooperation can bring in fulfilling the mission of both parties at the service of the patient.

For the public hospital, the expenses were minimal, practically non-quantifiable. They have been done to arrange space and maintain equipment that ASPPS has made available to the Hospital for their use as intended and for the benefit of patients.

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A Multi-Sectoral Study of Financial Inclusion and Economic Output in Nigeria

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Abstract

This study evaluates the causal links between financial inclusion and economic output, as well as between financial inclusion and the five sectors of the Nigerian economy using cointegration and Granger causality test. The results suggest that there is bi-directional causality between financial inclusion and the aggregate economy. In most cases, there is bi-directional causality between financial inclusion and the sectors of the economy as well. This study also shows that financial usage has higher causal links with the economy and its sectors than financial access. Thus, a responsible pursuit of financial inclusion in Nigeria will emphasize not only creation of access to finance, but most importantly, its usage. This study establishes financial inclusion as a potent accelerator of economic progress, which can help realize the national objectives of building shared prosperity and abolishing extreme poverty. For policymakers, the message is clear: Mainstream rural credit from banks and other financial intermediaries in such a way as to realize increased coverage, broaden financial inclusion and stimulate output.

Key words: Financial inclusion, output, sectoral output, causality

J.E.L. Classification: G21, G23, O16, C32

1. Introduction

Is there a nexus between financial inclusion and economic output in Nigeria? If there is, does this nexus also transmit to the sectors of the economy? Our application of cointegration and granger causality tests provide affirmative answers to these questions.

The endogenous growth model highlights the role of finance. A developed financial system widens access to funds and reduce their cost, broadens economic activities and hence increases output. The merits of an inclusive financial system are efficient allocation of productive resources, reduction of the cost of capital, improvement in the day-to-day management of finances and reduction of informal sources of credit (Sarma & Pais, 2008).

However, it has been discovered that there are vast populations of “people, potential entrepreneurs, small enterprises and others, who are excluded from the financial sector, which leads to their marginalisation and denial of opportunity for them to grow and prosper” (Rakesh, 2006, p. 1305). For example, despite the significance of financial inclusion in the evolvement of efficiency and equality in the society, many Nigerians are unbanked and lack access to formal financial services. In 2012, according to EFinA (2016, p. 1), “34.9 million adults representing 39.7% of the adult population were financially excluded. Only 28.6 million adults were banked, representing 32.5% of the adult population... Billions of Naira circulate through the informal sector and this has a negative impact on the country’s economic growth and development... 23.0 million adults save at home. If 50.0% of these people were to save N1,000 per month with a bank, then up to N138 billion could be incorporated into the formal financial sector every year.”

Consequently, the Nigerian Government has pushed for increased financial inclusion in the national development agenda through an ambitious target of universal financial access by 2020 (Table 1) and various initiatives such as agent banking, consumer protection, financial literacy, implementation of the MSME Development Fund, tiered Know-Your-Customer requirements, linkage banking, and credit enhancement programmes (i.e. Agricultural Credit Guarantee Scheme (ACGS), Commercial Agricultural Credit Scheme (CACs), Entrepreneurship Development Centres, Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL), Refinancing and Rediscounting Facilities for SMEs and Small and Medium Enterprise Credit Guarantee Scheme. Considering the possible "cost in foregone economic growth when the volume of financial services in a country does not reach a sufficiently large share of the population" (Barajas, Chami & Yousefi, 2013 as cited in Naceur, Barajas & Massara, 2015, p.4), these measures are necessary to encourage increased financial coverage in the country.

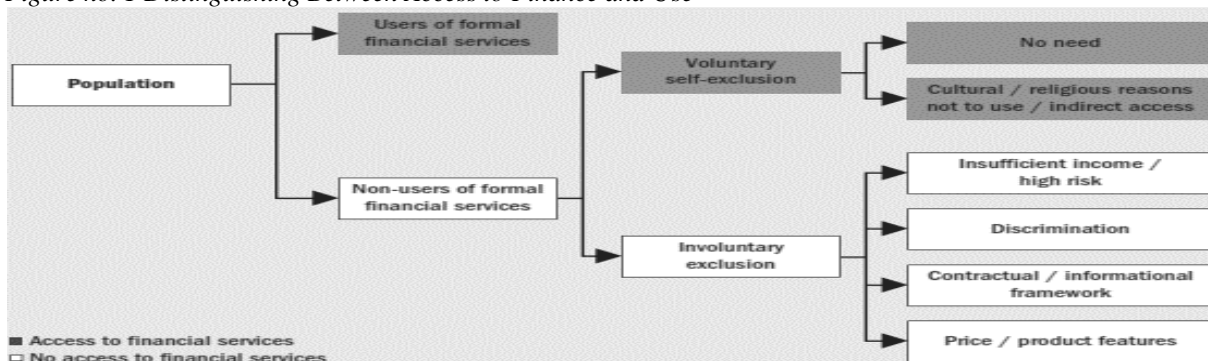
Table no. 1. Financial inclusion Targets in Nigeria

	Target	2010	2015	2020
% of total adult pop.	Payments	21.6%	53%	70%
	Savings	24%	42%	60%
	Credit	2%	26%	40%
	Insurance	1%	21%	40%
	Pension	5%	22%	40%
Units per 100,000 adults	Branches	6.8	7.5	7.6
	MBA branches	2.9	4.5	5.0
	ATMS	11.8	42.8	59.6
	POS	13.3	442.6	850.0
	Mobile agents	0%	3162%	62%
% of pop	KYC ID	18%	59%	100%

Source: CBN ("2012)

It is noteworthy that while financial access and usage may be essential for output, the financial sector may not provide the much-needed financing because of the lack of acceptable collateral, credit monitoring, and the high cost of credit assessment. Financial access is not synonymous with financial usage (Beck & Demirguc-Kunt, 2008). Figure 1 illustrates the difference between financial access and financial usage. The users consist of those who can access the financial system or decide to opt out for some reason. The non-users consist of the unbankable who do not have enough income or are too risky, those discriminated on religious, social, or ethnic grounds and those whose reach is too costly. In other words, finance access is the ability of individuals or businesses to obtain financial services while financial usage is the ability to use financial services.

Figure no. 1 Distinguishing Between Access to Finance and Use



Source: Demircuc-Kunt, Beck & Honohan (2008, p. 29)

While financial access and financial usage are accepted measures of financial inclusion, financial usage is a better measure. Financial inclusion goes beyond simply having access to the traditional financial products such as credit, payments, savings and insurance; it extends to both the depth and breadth of usage. Yet access is a first step to inclusion. This study therefore uses both access and usage as measures of inclusion.

The motivation for this study are many. Although numerous studies are available on financial inclusion as well as economic output, two fundamental gaps exist in the literature. First, there is little empirical evidence available on financial inclusion and its implications for output and the sectors of the economy. Two, a huge part of the literature on financial inclusion has been devoted to its measurement and promotion, to the detriment of the empirical evaluation of its impacts. In fact, in the case of Nigeria, empirical evidence is scarce and little data is obtainable for any significant insights for policy direction. Additionally, analysing financial access and usage in a single study will provide insight on whether there are any differences in their impacts on the economy as well as the sectors and show the reasons why the results might be different. This may also indicate that sector-specific information is vital since results could differ among the sectors of the Nigerian economy. Moreso, with the growing initiatives in developing a financially inclusive economy, it would be worthwhile to explore the nexus between financial inclusion and economic output in Nigeria. In other words, it would be fitting to place financial inclusion within the broader context of economic output. By examining the issues empirically, therefore, we provide solid and conclusive evidence for policymakers.

The rest of this study is organized as follows. Section 2 reviews the previous literature. Section 3 discusses the data, empirical models and econometric methodology. Section 4 deliberates on the empirical results whereas Section 5 presents the conclusion and policy implications.

2. Literature Review

Vast empirical research emphasizes the nexus between finance and growth, as well as the view that financial deepening contributes to growth via either a supply-leading (financial deepening encourages growth) or a demand-following (growth leads to demand for financial products) channel (see King and Levine, 1993; Rajan & Zingales, 2003). Besides, the endogenous growth literature highlights the role of finance (Aghion & Hewitt, 1998, 2005). A developed financial system widens access to funds and reduce their costs, broadens economic activities and hence increases economic growth.

In the last decade, attention has shifted from financial deepening to financial inclusion. Financial inclusion, a concept that evolved in the early 2000s, initially denoted the delivery of financial services to the “nonbanked” or the “non-bankable”, but has evolved, in the last decade, into four dimensions: easy financial access for all households and businesses; prudential institutions, regulation and supervision; sustainability of the financial sector; and competitiveness among financial service providers. Generally, the financial inclusion of an economy is measured by “the proportion of population covered by commercial bank branches and ATMs, sizes of deposits and loans made by low-income households and SMEs” (Mohieldin, Iqbal, Rostom, & Fu, 2011, p. 3).

Development economists suggest that, without inclusive financial systems, poor individuals and small enterprises may deter major decisions as regards human and physical capital accumulation, nor exploit promising growth opportunities (Dupas and Robinson, 2009; Ashraf et al, 2010; Ashraf, Karlan, and Yin, 2010). Financial market imperfections, such as transactions costs and information asymmetries, are likely to confine the poor people to the "poverty trap", thus reducing their opportunities and leading to continuous inequality and sluggish growth (Banerjee and Newman, 1993; Galor and Zeira, 1993; Aghion and Bolton, 1997; Beck, Demirguc-Kunt and Levine, 2007). As well, inescapable trade-off between social inequality and wealth accumulation in the early stages of development likewise implies the essential role of financial access to social equality (See Galor and Zeira, 1993; Banerjee and Newman, 1993).

A rapidly growing literature continues to show the significant beneficial effects of financial inclusion for individuals. For example, studies such as Banerjee and Newman (1993), Galor and Zeira (1993), Aghion and Bolton (1997), and Beck Demirguc-Kunt and Levine (2007) have established a range of models to show how lack of financial access can lead to inequality and poverty traps. The literature shows that provision of access to savings instruments encourages consumption (Dupas and Robinson, 2009), productive investment (Dupas and Robinson, 2009), savings (Ashraf, Aycinena, Martinez, and D. Yang, 2010), and female empowerment (Ashraf, Karlan, and Yin, 2010). Evidence also abounds that access to credit has beneficial effects, though the results are not robust (Karlan and Morduch, 2010; Roodman, 2012).

The empirical literature on financial inclusion mostly comprises country or regional analysis based on primary surveys. For example, Sarma & Pais (2008), in a cross-country empirical study of the nexus between financial inclusion and development, identify levels of human development income, inequality, literacy, urbanisation, physical infrastructure for connectivity and information, nonperforming assets as a percentage of total assets and the capital asset ratio of the banking system as the factors that are significantly associated with financial inclusion. Allen, Demirguc-Kunt, Klapper, & Peria (2016), using data for 123 countries and over 124,000 individuals, find that increased financial inclusion is linked to an enabling environment to access financial services, such as little documentation in the opening of an account, greater proximity to branches, and lesser banking costs. They found that, for rural residents and the poor, policies targeted at promoting inclusion are especially effective. Largely, their results suggest a role for policy in the expansion of financial usage. As well, Demirguc-Kunt and Levine (2007) empirically show that "countries with deeper financial systems experience faster reductions in the share of the population that lives on less than one dollar a day. Almost 30% of the cross-country variation in changing poverty rates can be explained by variation in financial development" (Mohieldin, 2011, p. 5).

With respect to emerging markets, Kumar (2011), using Indian state-wise panel data spanning over 1995 to 2008, show that increase in bank branch network, income level, the factory proportion and employee base as significant determinants of financial inclusion. As well, Swamy (2012) show empirically the growth-enhancing role of bank-based financial intermediation in India. Swamy show that access to finance by the poor is necessary for poverty reduction, inclusive growth and economic development. In Nigeria, there are only two empirical studies on financial inclusion till date: Mbutor & Uba (2013) and Babajide, Adegboye, & Omankhanlen (2015). While Mbutor & Uba (2013) show that growing financial inclusion improves monetary policy effectiveness, Babajide, et al (2015) show that financial inclusion is an important determinant of capital per worker and the total factor of production, which also determine final level of production in the economy. None of the available studies, to the best knowledge of the author, considers empirically the nexus between financial inclusion and economic output, nor between financial inclusion and sectoral output in Nigeria.

3. Methods

Data and empirical model

This study employs annual data of total commercial banks' loans and advances, number of banks in Nigeria, gross domestic product (GDP) as well as sectoral GDP's of agriculture (AGRICULTURE), building and construction (BUILDING), industry (INDUSTRY), wholesale (WHOLESALE) and services (SERVICES). The study covers 1981 to 2013 period and the dataset is collected from the

Central Bank of Nigeria Statistical Bulletin. Following the existing literatures on financial inclusion, number of commercial bank branches per 1000 km² and outstanding loans from commercial banks (% of GDP) are used as measures of financial access and financial usage respectively.

Unit Root Tests

A three-stage procedure was followed in testing for the direction of causality. The first stage involves testing for the order of integration using the Augmented Dickey-Fuller (ADF) and Phillips Perron (PP) unit root tests.

The testing procedure for the ADF test is applied to the model

$$\Delta y_t = \alpha + \beta t + \gamma y_{t-1} + \delta_1 \Delta y_{t-1} + \dots + \delta_{p-1} \Delta y_{t-p+1} + \varepsilon_t \tag{1}$$

Where α is a constant, β is the coefficient of the time trend and p is the lag order of the autoregressive process.

The unit root test is then done under the null hypothesis that $\gamma = 0$ against the alternative hypothesis that $\gamma < 0$ using

$$DF_t = \frac{\hat{\gamma}}{SE(\hat{\gamma})} \tag{2}$$

The Phillips-Perron (1988) test builds on the Dickey-Fuller test with the null hypothesis that $\rho = 0$ in

$$\Delta y_t = \rho y_{t-1} + \mu_t \tag{3}$$

Where Δ is the difference operator. Compared to the Dickey-Fuller test, the Phillips-Perron test has indeterminate autocorrelation and heteroscedasticity in the error term of the test equation.

Cointegration analysis

The second stage involves using the Johansen cointegration test to check for the presence of cointegrating relationship between financial inclusion and economic output in Nigeria, as well as between financial inclusion and the five sectors of the economy. Thus, there are six equations.

When GDP is the dependent variable, the equation is denoted as $F_{GDP}(GDP|ACCESS,USAGE)$. When AGRICULTURE is the dependent variable, the equation is denoted as $F_{AGRICULTURE}(AGRICULTURE|ACCESS,USAGE)$. When BUILDING is the dependent variable, the equation is denoted as $F_{BUILDING}(BUILDING|ACCESS,USAGE)$. When INDUSTRY is the dependent variable, the equation is denoted as $F_{INDUSTRY}(INDUSTRY|ACCESS,USAGE)$. When WHOLESALE is the dependent variable, the equation is denoted as $F_{WHOLESALE}(WHOLESALE|ACCESS,USAGE)$. When SERVICES is the dependent variable, the equation is denoted as $F_{SERVICES}(SERVICES|ACCESS,USAGE)$.

Granger causality analysis

Establishing the presence of cointegrating relationships is a necessary but not sufficient condition to obtain reliable conclusive results. To establish the direction of causality, the third stage involves constructing Granger causality tests to determine the link between financial inclusion and economic output in Nigeria, as well as between financial inclusion and the sectors of the economy. Since the variables are cointegrated, we employ the vector error-correction model (VECM) to test for the Granger causality.

The Granger causality test is conducted by estimating the following multivariate p th order VECM,

$$(1-L) \begin{bmatrix} GDP_t \\ ACCESS_t \\ USAGE_t \end{bmatrix} = \begin{bmatrix} \beta_1 \\ \beta_2 \\ \beta_3 \end{bmatrix} + \sum_{k=1}^p (1-L) \begin{bmatrix} \beta_{1k} & \beta_{12k} & \beta_{13k} \\ \beta_{21k} & \beta_{22k} & \beta_{23k} \\ \beta_{31k} & \beta_{32k} & \beta_{33k} \end{bmatrix} \times \begin{bmatrix} GDP_{t-k} \\ ACCESS_{t-k} \\ USAGE_{t-k} \end{bmatrix} + \begin{bmatrix} \delta_1 \\ \delta_2 \\ \delta_3 \end{bmatrix} \times [\varepsilon_{t-1}] + \begin{bmatrix} \mu_{1t} \\ \mu_{2t} \\ \mu_{3t} \end{bmatrix} \tag{4}$$

Where $(1 - L)$ is the difference operator, μ_{1t} is the disturbance term, ε_{t-1} is the lagged error-correction term. In the six cases the dependent variable is regressed against past values of itself and the other

variables. Since cointegration is detected, there is both short-run and long-run Granger causality relationships. The existence of cointegration among the six equations suggests the presence of Granger causality in at least one direction.

4. Results

Unit root and cointegration results

Firstly, in order to preclude spurious results, it is necessary to carry out unit root test to confirm the order of integration of each series. Table 2 reports the results of the unit root tests. At the 5% significance level, the ADF test and the Phillips Perron test statistics for all variables cannot reject the null of a unit root at level, meaning that the variables are non-stationary at level. Nevertheless, in first differences, the ADF test and the Phillips Perron test statistics automatically reject the null of a unit root at the 5% significance level. Therefore, the unit root test results suggest that the variables follow the I(1) process.

Table no. 2: Unit Root Test

	ADF		PP	
	I(0)	I(1)	I(0)	(1)
ACCESS	-1.429	-4.252*	-1.412	-4.070*
USAGE	-1.029	-6.082*	-0.917	-7.272*
AGRICULTURE	-1.940	-4.230*	-1.929	-4.118*
BUIDING	-1.387	-5.003*	-0.347	-2.967**
INDUSTRY	-1.957	-4.361*	-0.365	-5.630*
WHOLESALE	0.948	-4.913*	-0.393	-2.997**
SERVICES	-1.189	-9.704*	-2.634	-2.962**

Note: * and ** denote the significance level at the 1% and 5%.The lag length is determined by Akaike's Information Criterion (AIC).

Having established that the variables are integrated of order one, I(1), we can safely proceed to implement the Johansen cointegration tests. Table 3 exhibits the results of the trace and max-Eigen statistics of the Johansen cointegration test. Considering the fact that cointegration tests are susceptible to the choice of lag order, we perform the cointegration tests using AIC.

Table no. 3. Johansen Cointegration Test

	Lags	Trace Statistic	Max-Eigen Statistic	
$F_{GDP}(GDP ACCESS, USAGE)$	3	34.021*	25.773*	Cointegrated
$F_{AGRICULTURE}(AGRICULTURE ACCESS, USAGE)$	5	66.582*	34.227*	Cointegrated
$F_{BUILDING}(BUILDING ACCESS, USAGE)$	5	66.442*	48.399*	Cointegrated
$F_{INDUSTRY}(INDUSTRY ACCESS, USAGE)$	5	77.858*	63.933*	Cointegrated
$F_{WHOLESALE}(WHOLESALE ACCESS, USAGE)$	4	51.209*	30.019*	Cointegrated
$F_{SERVICES}(SERVICES ACCESS, USAGE)$	5	32.519*	19.573**	Cointegrated
Critical values				
	1%	29.797	21.132	

	5%	15.495	14.264	
	10%	3.841	3.841	

Note: * and ** denote the significance level at the 1% and 5%. The lag length is determined by Akaike's Information Criterion (AIC).

Therefore, both the trace and max-Eigen statistics of the Johansen cointegration tests consistently reject the null of no cointegrating relationship between the variables. In other words both the trace and max-Eigen statistics fail to reject the null of no cointegration between financial inclusion and economic output, as well as between financial inclusion and the five sectors of the Nigerian economy. Therefore, long run equilibrium relationships exist between financial inclusion and economic output, as well as between financial inclusion and the sectors of the economy.

Granger causality results

Granger causality is used to investigate the causal relationship between financial inclusion and economic output, as well as between financial inclusion and the sectors of the Nigerian economy. Following Granger (1988), the error-correction model is used to determine the direction of causality as it contains both short and long-run causality information. On the basis of the cointegration results in Table 4, the Granger causality test is conducted for the six equations using VECM. Table 4 reports the results of the Granger causality tests.

Table no. 4. Granger Causality Tests

Null Hypothesis	Granger causality test	
	Short run	Long run
$\Delta \text{ACCESS} \rightarrow \Delta \text{GDP}$	6.091	4.422**
$\Delta \text{GDP} \rightarrow \Delta \text{ACCESS}$	1.952	1.413
$\Delta \text{USAGE} \rightarrow \Delta \text{GDP}$	14.148*	11.291*
$\Delta \text{GDP} \rightarrow \Delta \text{USAGE}$	25.812*	13.804*
$\Delta \text{ACCESS} \rightarrow \Delta \text{AGRICULTURE}$	9.885	4.258*
$\Delta \text{AGRICULTURE} \rightarrow \Delta \text{ACCESS}$	20.146*	4.200**
$\Delta \text{USAGE} \rightarrow \Delta \text{AGRICULTURE}$	88.987*	31.419*
$\Delta \text{AGRICULTURE} \rightarrow \Delta \text{USAGE}$	17.872*	3.138**
$\Delta \text{ACCESS} \rightarrow \Delta \text{BUILDING}$	4.922	4.900*
$\Delta \text{BUILDING} \rightarrow \Delta \text{ACCESS}$	9.286	2.081
$\Delta \text{USAGE} \rightarrow \Delta \text{BUILDING}$	109.458*	49.362*
$\Delta \text{BUILDING} \rightarrow \Delta \text{USAGE}$	26.460*	11.260*
$\Delta \text{ACCESS} \rightarrow \Delta \text{INDUSTRY}$	32.217*	3.507**
$\Delta \text{INDUSTRY} \rightarrow \Delta \text{ACCESS}$	6.230	1.149
$\Delta \text{USAGE} \rightarrow \Delta \text{INDUSTRY}$	16.971*	9.761*
$\Delta \text{INDUSTRY} \rightarrow \Delta \text{USAGE}$	9.878	9.109*
$\Delta \text{ACCESS} \rightarrow \Delta \text{WHOLESALE}$	5.765	5.294*
$\Delta \text{WHOLESALE} \rightarrow \Delta \text{ACCESS}$	2.123	1.863
$\Delta \text{USAGE} \rightarrow \Delta \text{WHOLESALE}$	115.659*	12.904*

Δ WHOLESALE \rightarrow Δ USAGE	3.373	10.150*
Δ ACCESS \rightarrow Δ SERVICES	5.750	2.402
Δ SERVICES \rightarrow Δ ACCESS	7.290	2.664
Δ USAGE \rightarrow Δ SERVICES	69.459*	23.795*
Δ SERVICES \rightarrow Δ USAGE	3.945	10.409*

Note: * and ** denote the significance level at the 1% and 5%.The lag length is determined by Akaike's Information Criterion (AIC).

In the case of the aggregate economy, as depicted in Table 4, while there is strong evidence of uni-directional Granger causality from financial access to output in the short run, there is bi-directional Granger causality between financial usage and output both in the short and the long run.

In the agriculture sector, the results also revealed that financial access and agriculture were bi-directional in the long run while unidirectional from agriculture to financial access in the short run. Conversely, when Granger causality was tested on financial usage and agriculture, there is a strong evidence of bi-directional Granger causality both in the short and long run.

Likewise, in the building and construction sector, there is a uni-directional causality from financial access to building in the long run. However, there is a strong evidence of bi-directional Granger causality between financial usage and building in the long run, but only a unidirectional causality from financial usage to industry in the short run.

In the industrial sector, there is a uni-directional causality from financial access to industry both in the short and long run. There is also a strong evidence of bi-directional Granger causality between financial usage and industry both in the short and long run.

In the wholesale sector, there is a uni-directional causality from financial access to wholesale in the long run. There is also a strong evidence of bi-directional Granger causality between financial usage and wholesale both in the short and long run, but only a unidirectional causality from financial usage to wholesale in the short run.

In the services sector, there is no causality between financial access and services both in the short and long run. However, there is a strong evidence of bi-directional Granger causality between financial usage and services the long run, but only a unidirectional causality from financial usage to services in the short run.

The findings of the study that there is a bidirectional causality between financial inclusion and economic output, as well as between financial inclusion and the five sectors of the Nigerian economy is consistent with the vast empirical literature which emphasizes the nexus between finance and growth, as well as the view that the development of the financial system fosters growth via either a supply-leading (financial development encourages growth) or a demand-following (growth leads to demand for financial products) channel (see King and Levine, 1993; Rajan & Zingales, 2003).

5. Conclusions

This study has evaluated the causal links between financial inclusion and economic growth, as well as between financial inclusion and the five sectors of the Nigerian economy using cointegration and Granger causality test. The results suggest that there is bi-directional causality between financial inclusion and the aggregate economy. In most cases, there is bi-directional causality between financial inclusion and the sectors of the economy as well.

This study has established causal links between financial inclusion and growth. Financial inclusion can therefore be seen as a potent accelerator of economic progress, and can help realize the national objectives of building shared prosperity and abolishing extreme poverty. As well, this study has shown that financial usage has higher causal links with the economy and its sectors than financial access. For example, little benefits can be derivable from creating millions of dormant bank accounts. Therefore, a responsible pursuit of financial inclusion in Nigeria will emphasize not only creation of access to finance, but most importantly, its usage. Financial inclusion should not be for inclusion's sake.

Firstly, the key issue in banking the unbanked in Nigeria is the task of mainstreaming rural credit from banks and other financial intermediaries in such a way as to realize increased coverage, broaden financial inclusion and stimulate economic growth. The most important suggestion here is that the existing paradigm has to change: the extension of rural credit has to become a business opportunity, not an obligation for the banks. This will require reducing market and government failures. It is essential for policymakers to provide a conducive environment of good information, tough regulations, and competitiveness among financial service providers. These will aid the private sector in embracing technological innovations (i.e. biometric borrower identification and mobile banking) as well as product innovations (i.e. index insurance and commitment savings accounts).

As well, while microfinance, as a strategy for increased financial inclusion, has achieved wide popularity and acceptance, it will require the search for new credit channels, reduction in transaction costs, innovation in risk assessment and cheaper information technology for its continued relevance. Microfinance agencies need to look at rural lending as business opportunities. To be able to finance all the various rural activities, which can hasten economic growth, microfinance will undoubtedly need to intensify their efforts to reach the many underserved households and small enterprises. In fact a responsible pursuit of financial inclusion will necessitate consumer education about finance. Instead of classroom-based financial education, messages delivered via social networks and other engaging channels (i.e. soap operas) will have huge impacts.

Additionally, financial innovation and engineering can be useful in promoting financial access and usage. For example, the application of securitization could be introduced to securitize assets created by micro-finance and SMEs. The Islamic bonds, called Sukuk, is a good example of successful application of securitization. These marketable instruments can provide the much-needed funding for microfinance and SMEs by pooling their assets, issuing marketable securities, sharing the risks as well as freeing up capital for extra mobilization.

In the rural areas, improved infrastructure in terms of availability (of electricity) and connectivity (of rural roads and telecommunications) can lead to increased supply chain management, enhanced productivity of resources and greater surplus in agriculture. These advances can lead to higher demand for financial services in the rural areas. The implications of these advances for the financial sector are: One, with higher financial inclusion in the rural people, the financing intensity of agriculture will rise; two, with the improved rural infrastructure, increased number of rural non-farm activities (i.e. repair activities, housing, and restaurants) would be open for financing by the financial sector.

All over the world, there are various policy responses to low financial inclusion from the banking industry, the financial regulators and the governments. For example, in Sweden, Section 2 of the Banking Business Act, 1987 requires that a bank cannot refuse to open a saving/deposit account. In France, Article 58 of the Banking Act, 1984 emphasizes the right to a bank account. In the US, the Community Reinvestment Act, 1997, mandates federal bank regulatory agencies to rate banks based on their efforts to serve poor communities. The Nigerian government should take conscious steps in this direction.

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Aspects of Population Savings and Quality of Life in Romania

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Abstract

The study aims to identify the economies and living conditions of people in Romania and perspectives on the current year. Research surprises the following aspects:

- *Analysis of income and household consumption in the current period;*
- *Analysis of savings in the same period.*

The survey provides the necessary information to assess income, expenditure and consumption. Diversity of thematic area of investigation allows for deeper analysis of the socio-economic situation of the population and households.

Key words: population, structure, households savings, income, consumption

J.E.L. Classification: H5

1. Introduction

Saving process developments have focused a significant number of economists who have shaped many opinions, opinions that have led to a number of definitions of this process. Thus, when reflecting on the notion of saving the first thought that we can stop is that signify a constraint, something different of consumption, but an accumulation at the same time, a resulted stock of wealth. But over time they have outlined a series of theories and models of the saving process that highlighted different ways through the present saving activity influences the future one and identifies the sources that can lead to a continued growth. These theories have evolved over time, depending on the dynamics of economic reality and the evolution of economic analysis tools.

In the present context the saving is in fact what was not invested, and the actual savings is only the support for general liquidity to invest, the economy is influenced by a number of subjective and objective factors, general and specific. In essence, we can say that we are witnessing a worldwide increase in the trend of saving both the developed and the level of transition. The studies have noted increase population savings and decrease their consumption as a result of monetary stabilization (inflation control), price liberalization and the transfer of part of the state property to private ownership (privatization).

Income is a fundamental resource for high quality of life. In our study, income is among the least valued aspects of quality of life. A third of the population believes that revenues do not get any basic needs and another third that revenues go only for essentials. Very few households (14% in 2010) manage to save and nearly half of households (46% in 2010) states that can not meet monthly expenses.

In international comparative perspective, according to latest available Eurostat data, Romania was in 2008, the last place in the European Union on income, with incomes from two times to fifteen times lower than in other countries (except Bulgaria).

A solid majority (74%) think negative living conditions in 2010 compared to those in 2009, deeming them worse or much worse.

For many aspects of material conditions of life, in 2010 there was a return to the year 1999 level, another moment of socio-economic crisis.

Material conditions represent the essential pillar of a quality life. In any society, people must have material circumstances - resources obtained through personal effort, and ultimately by government intervention - allowing them to live a good life, according to social norms. Also, quality material conditions have a strong influence on other areas of life such as education, health, profession, leisure or subjective well-being. This chapter includes assessments of the respondents regarding material conditions available to people, focusing on housing and income. Specifically, it answers the following questions: What are the sources of income of the population? What is the place of Romania in the EU, regarding the income? How valued is the population income? To what extent revenues covers people's needs? To what extent do people resort to loans? Can they save? How rich is considered Romanians and what social class they place themselves? How people appreciate the popular general living conditions in 2010, less than in 2009? What is the level of satisfaction with personal finance?

2. Income - psychological and commercial mobile of saving process

In recent years, we see that the country's economic and social life changes have made a significant mark on the standard of living, thereby affecting the income of the population. Diversifying sources of income, developing secondary activities and free enterprise, not only prevented the widening gap between different socio-occupational categories, but appears to be accentuated inequalities and social polarization.

The main sources of household income are wages and pensions / social benefits / allowances. Table1 shows the proportion of households that have these sources of income. In addition, it is given the weight of each source of income in total household income. Apparently it has not been created a favorable course of activities as entrepreneur. Dependency ratio of retired / social assistance and employment indicates a worrying situation.

Table no. 1. Sources of origin of household income (%)

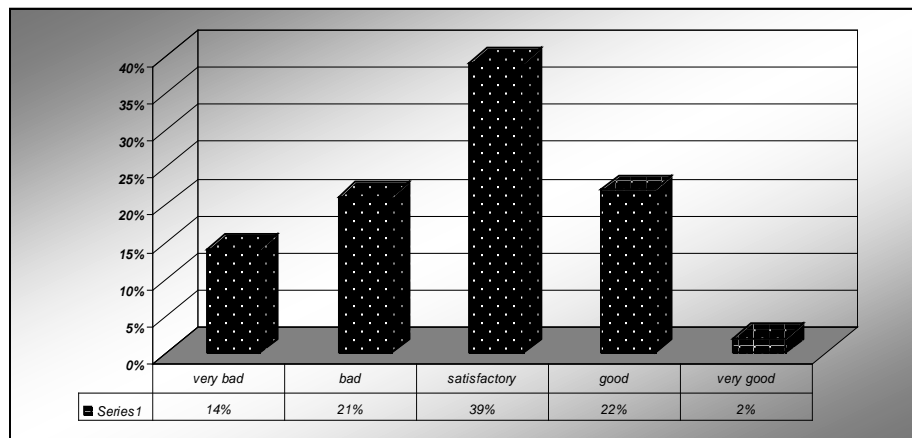
Income from:	1993		2010	
	The proportion of households	Share in household income	The proportion of households	Share in household income
salaries	73	51	59	55
Activities such as entrepreneurial	2	5	3	2
property	0	0	1	0
Sale of agricultural products	8	3	5	2
occasional activities	10	4	13	3
children benefits	37	1	33	2
unemployment	11	0	4	1
Pensions, social benefits, allowances	44	12	54	25
scholarships	0	0	1	0
other income	3	3	3	1
self-consumption	64	20	49	8

Source: Processing statistical data published by INSE

Romania and Bulgaria join, with low income, but other countries have from twice to 15 times more income per person. Income is a fundamental resource for high quality of life. In our study, income is among the least valued aspects of quality of life. When asked *how do you characterize the family income?* most respondents felt that they are the most satisfactory. Only 24% of

respondents consider income as "good" and "very good" while 35% are considered "bad" and "very bad".

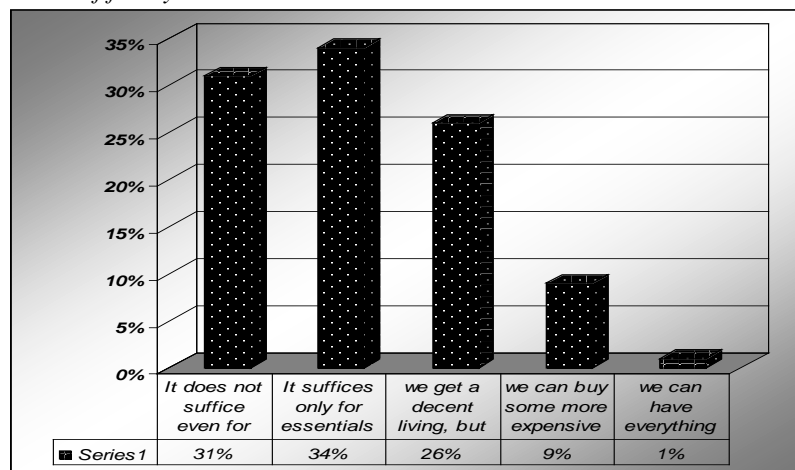
Chart no. 1 Assessment of household income



Source: Processing statistical data published by INSE

When asked to report family income to consumption needs, one third of respondents say it's not enough for basic necessary. A quarter of the sample believes that they lead a decent living, but they not afford the purchase of more expensive products.

Chart no. 2 Assessment of family income in relation to consumer needs



Source: Processing statistical data published by INSE

In time, the needs assessment in relation to revenues remains at low levels. We can see that Romanians are difficult to reach a high threshold of perceived welfare. The most difficult years were 1998-1999, so that, since 2003, is visible a slight increase in the percentage of those who believes that family income is sufficient for a decent living, but not afford anything more expensive. Looking at the evolution of the proportion of those who choose the version *does not suffice for basic necessities*, we conclude that subjective poverty threshold is the same level as in the mid 90s.

At worst characterizations at income in relation to needs (*we do not get for any basic needs*) are found in those without school or have graduated from middle school up. As we advance in years of school graduation assessments are improving, the best (*we can buy some more expensive items, but with effort*) was seen in those who have completed a post high school or higher education. The most disadvantaged groups are farmers and pensioners: 35% of those who say that the income is not enough for basic necessities are the farmers and 26% retired.

3. Consumption – complementary factor of saving process

Economic literature committed to saving is continuously enriched with new and new contributions, domain attraction results from its pragmatic nature, from inclination to bend the theories to "proof of facts" respectively investigating their consonance with contemporary realities. The works on which we stopped are the most cited in this sphere, constituting the core of scientific concerns of this kind.

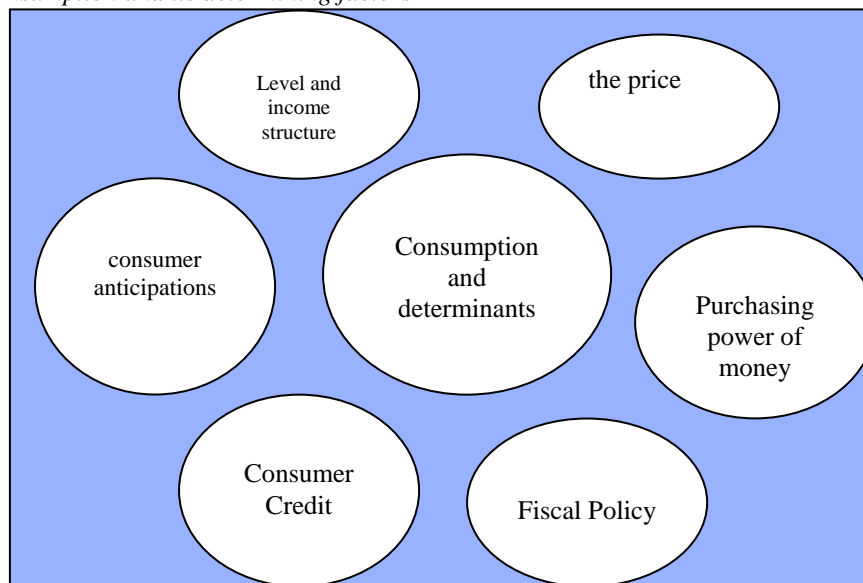
A second important factor influencing the process of population consumption is savings.

Gradually, it was realized that there is interdependence between the income of the population and spending money. However, daily realities highlight the complex nature of the interaction between income and expenditure in the sense that there is no identity and no absolute causal relationship. Thus, we consider that the relationship between revenues and expenses are subject to the action of a multitude of factors that exert a complex action, often in contradictory ways.

Increasing the population's money incomes do not lead to uniform increase of all components of costs from prior periods. Overall, dynamics and structure of consumption expenditure recorded different rhythms and meanings in relation to income growth, in that with traditional spending, new requirements arise that lead to the formation of new categories of expenditure. Factors influencing consumption are those elements of economic life and social-human nature, objective and subjective, which increase or decrease in consumer spending at a time, or for a certain period of time and in a geo-socio-economic space.

Thus there are two categories of factors (subjective and objective) that influence consumer demand. The first category of influence factors is the result of conditions generated by economic life. In this way, we can distinguish:

Figure no. 1 Consumption and its determining factors



In 2001, food and soft drinks had a 52.2% share in total consumption expenditure of households, 13.5% of expenditures were designed to cover the costs of housing, water, electricity, gas and other fuels, 6 % of the money went on alcohol and cigarettes, 6% is the share of the costs with clothing and shoes. The remaining expenditures (education, health, communications, transport, etc.) had a share of 22.4%.

Ten years later, in the first quarter of 2011, the expenditure pattern was different: food share felt to 42%, the costs of clothing and footwear felt to 3.9%, while alcohol and tobacco have reached 7,2%, more in the next picture. Data source is NIS.

In other words, in 10 years we managed to reduce by 10 percentage points the share of food expenditure, and if we keep this rhythm, in over 25-30 years we will catch up with those in the West, where this type of expense is accounting for most 15%.

In principle, the share of food in total consumption expenditure of households is higher, that family is poorer, since most of the money goes to cover basic needs.

Also in these 10 years, the share of health expenditure increased from 2.7% to 4.8%, education has kept the share of 0.7-0.8%, transport costs have increased from 5.3 % to 5.8%, and communications have increased their share from 3.9% to 4.6%.

4. The savings

Saving is a behavior that benefits in times of crisis, those reserves can cover temporary revenue deficit of reduced earnings, job loss, etc.

In the month of May 2010, after spending the household, 14% of respondents were able to save some money. Saving behavior is more likely in households where at least one person has completed a post high school or tertiary form, has an occupation with higher education, living in a city with 100,000 inhabitants or more. data suggest, on the one hand, that education has an important role in ensuring a decent living sustainably, through two mechanisms: (1) build professional skills required to manage the situation on the labor market and (2) acquiring a way of relating to life rationally and critically, making possible the organization and planning behaviors. On the other hand, the data suggest polarization between rural / urban small and large urban area (cities over 100,000 populations) in terms of access to opportunities for long-term quality of life.

Among those who failed to save, 46% said they did not meet the costs of last month. Of these, 23% had savings that used to manage the difficult moment, 55% had to borrow money, and 42% still owe to banks or individuals.

5. How the crisis influenced the structure of revenues, expenditures and savings of population

According to published on Tuesday INS data, in T4.10, the total average monthly income of households were 2308 lei, down by 3.4% from T4.09 and by 0.5% from T4.08. In other words, the last two years, revenues have virtually stagnated, while prices rose by nearly 14%, which means that purchasing power has declined accordingly.

In terms of expenses, those totaled 2,114 lei, down by 1.3% compared to last quarter of 2009, but 1.6% above the level recorded in last quarter of 2008.

Income of population

Of the total income of households, wages had a share of 48.6%, percent down from 2008 when the share exceeded 50%. Meanwhile, income from social benefits climbed from 22.3% in T4.08 to 25.3% in T4.10.

Decrease in wages was determined so that state employees have suffered a reduction in wages by 25%, and the fact that the number of employees decreased from 6.348 million last quarter of 2008, to only 6.09 million last quarter 2010 (this includes the work on black).

Expenses of population

But really interesting is the evolution of population structure of consumption expenditures over the past two years - overall, in T4.10, consumption expenditure of households totaled 1,515 lei per month, up to 27 lei (1.8%) than T4.08, but as prices have risen in the meantime, consumption was reduced in volume by about 12%.

How did the structure of expenditures evolved in the last two years:

- expenditure on purchasing food products and soft drinks increased by 0.8 percentage points, from 40% to 40.8%, which in absolute amount is an increase from 595 lei to 618 lei (3.9 %);
- expenditure on purchasing alcohol and tobacco rose from 6.9% to 7.7%, increase in absolute amounts was 13.6%, from 102.6 lei in 2008 to 116.6 lei in 2010. This development shows that significant price increase did not result in a decrease in consumption as people prefer to cut from somewhere else than to stop smoking or alcohol.
- also increased was the share of health expenditure and transport, details in the next picture.

- and that in terms of income should decrease your expenses somewhere, reduction was felt most in funds allocated to purchase shoes and clothing (amount decreased by 16% from 110 lei to 92.4 lei per month), and in recreation and culture costs (-13.6%, from 68.4 lei to 59 lei).

Saving

In the fourth quarter of 2010, household spending accounted for 91.6% of total revenues, so increasing percentage from 2008, when expenses were 89.8% of revenues, and from 2009, when expenses were 90.6% of income.

In these conditions, taking into account that the number of households is about 7.4 million, resulting in T4.10 that the population has saved approximately 4.3 billion, with 0.98 billion lei or 18.5% less than same quarter in 2008 and 1.2 billion or 21.5% less than T4.09.

Throughout the year 2010, savings have reached 21.4 billion lei, up from 23.9 billion in 2009 and 19.2 billion in 2008. In 2007, the year of full exuberance of consumption, savings totaled almost 13 billion.

6. Conclusions

Selfplacing of the respondents on a poor-rich scale (defined by values from 1-10) shows a rather poor situation, a frequency distribution massive located on the first half of the scale.

Positions 1-5 were 76% cumulative frequency and positions 6-10 have only cumulative frequency of 22% 5. Extrapolation to the population of obtained values in poor-rich scale research should be done with extreme reserve that poor and rich were less likely to be contained in the used sample size (1161 subjects). However, it is expected that the population level 1-2 positions have, in fact, higher frequencies, as, although with low values, the 9 - 10 positions would likely be chosen.

Evolution in time of poor-rich scale evaluations shows a very slight improvement in the situation after 1999, when there was the most critical situation.

Only 13% of subjects were placed over level 5, in 1999, compared to 16% in 1994 and 22% in 2010. Also, in 2010 the first two levels recorded 14%, compared with 20% in 1999. In 1994 these two levels were the lowest frequency of all time, 10%.

Most people have a definite perception of their place in society, identified with a certain social class: 33% of respondents feel that they belong to middle class, 43% are placed in the working class and 22% believe they are part of the peasantry.

Only 1% of the sample thought they are part of high class. The middle class self placing is more likely for those who choose positions 6-8 of poor-rich scale. In fact, perception of their place in society is depending on education and occupation: the number of years of absolved formal school increases and occupation requires more complex skills and knowledge, the more likely is the self placing in the highest social levels.

The data presented lead us to conclude that, in Romania, welfare is capped for most people at a low level. At the limit, we can say that the vast majority of Romanians goes up a decent living. The most affected are rural residents and small towns. Year 2010 marks the return of the negative assessments regarding the standard of living at the early '90s recorded values.

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R-Tourism: Introducing the Potential Impact of Robotics and Service Automation in Tourism

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Abstract

Robotics and artificial intelligence are expected to reach their 'tipping points' over the next decade. Digitalization and service automation are already visible in the tourism sector, raising questions on their wider impact on the industry and the holiday-experience per se. Numerous application examples and cases of those technologies across the entire holiday value-chain are outlined and their diffusion drivers are discussed. Apart from providing a typology for R-tourism applications, this paper makes a strong case for the incorporation of this interdisciplinary area into mainstream tourism research.

Key words: tourism, service, robotics, automation
J.E.L. Classification: L83, D73

1. Introduction: Henn Na Hotel – A Robotic Theme-Park or the Beginning of a New Era

The concept of 'Henn Na Hotel' (<http://www.h-n-h.jp/en/>) in Japan underlines a commitment to introducing state-of-the-art technologies in order to maximise excitement, efficiency and comfort for the guests. Amongst other innovations (e.g. voice- and face-recognition), this hotel is mainly staffed by robots. The reception is staffed by 3 multi-lingual robots (one of which is a talking dinosaur), responsible for greeting, checking-in and assisting guests. At the cloakroom, a robotic arm stores luggage, and porter robots carry them to the rooms. A standard room, accommodating 2 guests, costs between approx. €80 (Weekdays) and €250 (Weekends / Holidays) per night. Replacing a friendly, human receptionist with a robotic dinosaur may appear questionable for hospitality aficionados, but the concept appears to be successful. A second 'Henn Na hotel' has been built and is in operation (<http://www.hennnahotelmaihamatokyobay.com/>), featuring a guest rating of 7.4/10 (<https://www.booking.com/hotel/jp/henna-hotel-maihama.de.html>) in booking.com. The question here is whether such a concept is indicative of the near future.

In the late 90s, the diffusion of the internet initiated a debate concerning the transformation of the holiday-distribution channel. The so-called 'disintermediation effect', postulated that the potential of information and communication technologies and the corresponding reduction of transaction costs, could lead to the emergence of electronic markets for holidays (and holiday components), at the expense of brick-and-mortar tourism intermediaries (i.e. travel agencies and tour operators). As we approach 2020, the development and diffusion of robotics and artificial intelligence in services spark a second debate. Could the productivity- and competitiveness-related potential of those technologies enable a 'dehumanisation effect'? Subsequent to the gradual mutation of traditional intermediaries, could the future of tourism's evolution be the gradual mutation holiday service encounters? The answer is clearly a 'no'. This is not about the future; The future is already the present!

2. Tourism-4.0: Digital Transformation and Intelligent Automation in Tourism

According to World Economic Forum's (2017:05) latest report: *"The greatest societal impact may be the effect of digital transformation on the travel workforce, which could represent as many as one in every 11 jobs worldwide by 2025. Intelligent automation will change the nature of some travel jobs and eradicate others altogether."*

Within the next 5 years, Tourism 4.0-related technologies such as: cloud computing, mobile internet, robotics, artificial intelligence, autonomous vehicles and even 3D-printing are expected to have a considerable impact on the skillset-requirements, as well as on the composition of the global tourism workforce (World Economic Forum, 2016). Cognitive abilities and systems-related skills are becoming increasingly vital, within a social-skill-focused tourism education and training.

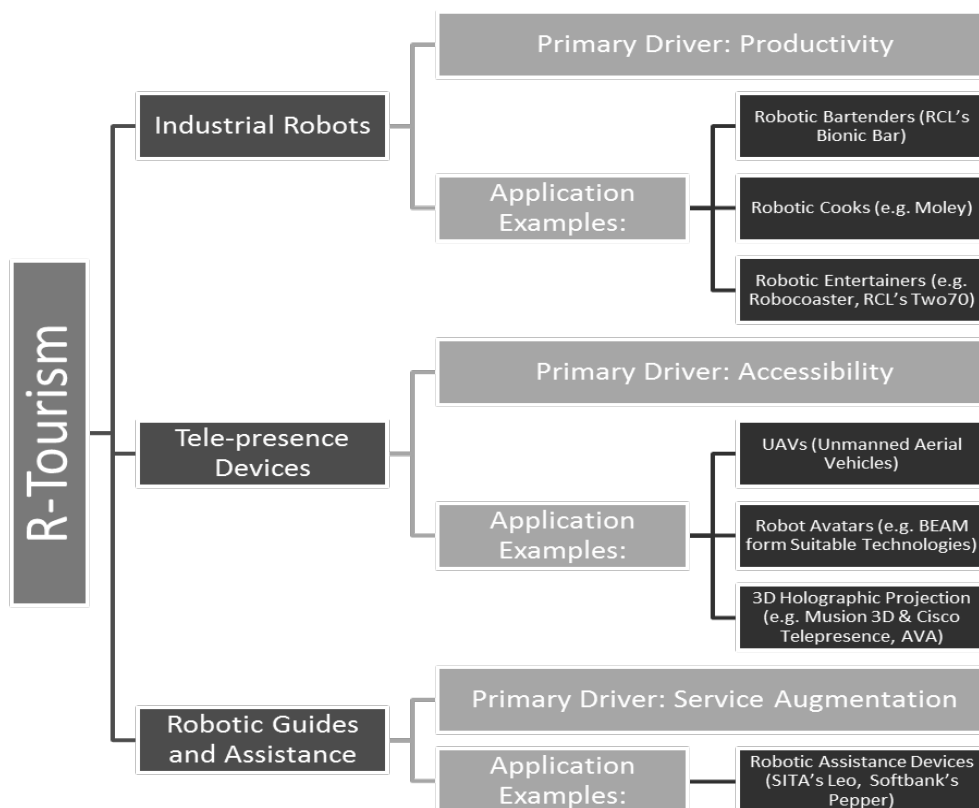
It is estimated (World Economic Forum, 2017) that the digital transformation of the tourism and travel sector implies:

- \$780.000 displaced jobs, mainly front-line functions in airports and hotels
- \$305 Billion value-addition for tourism companies, due to productivity and improved capacity utilisation
- \$100 Billion value-migration, from traditional players to new entrants
- \$700 Billion value-addition to society as a whole, due to end-customer time/money savings and by reducing security- / impact-related costs.

3. Robotic Prototypes and Application Examples in Tourism

Robots are making their appearance in practically all levels of the holiday distribution chain. The primary drivers of their adoption are: productivity, accessibility and service augmentation.

Figure no. 1: Robot Applications in Tourism – Typology and Adoption Drivers



Service Augmentation: Chat Bots and Robotic Assistance Devices

Chatbots are infiltrating online communication between customers and holiday intermediaries, enabling users to interact with digital assistants, using natural language to answer travel-related inquiries and process bookings. (Sheffield, 2016). According to Sheffield (2016), those so-called 'Travel-Bots' can be categorised as:

- Customer-service Bots: Usually incorporated in the provider's website and their functions are limited to answering basic questions and assisting the user with navigating through the homepage (example: Sofia – TAP Portugal Airlines)
- Facebook Chatbots: More interactive than customer-service bots, allowing a possibility to enter search and booking-related data using another interface (Example: Expedia's or Skyscanner's Facebook Messenger Bots)
- Travel AI (Artificial Intelligence) Bots: Such applications still rely on instant messaging to interface with the customer, but also utilise algorithms and access to information to make recommendations (Example: Hello Hipmunk – A virtual travel agent using calendar and email information to produce personalised recommendations).

Robotic Assistance Devices (abbr. RADs) are currently being piloted in travel agencies (e.g. AMADEUS' Pepper), Hotels (e.g. Marriott's Mario, Botlr Robot Butler) and Airports (KLM's Spencer, SITA's Leo). Their functionality ranges from interacting and entertaining travellers to physically assisting them (e.g. transporting and checking-in luggage, guidance to departure gates).

Accessibility: Telepresence Technology

Beyond mainstream tele-conferencing and video-communications, 3D-holograms and telepresence devices promise to eliminate geographical distance enabling travellers to be virtually present in any location at any time.

Telepresence devices (e.g. BEAM Pro (<https://telepresencerobots.com/robots/suitable-technologies-beam-pro>), Unmanned Aerial Vehicles (New Zealand Tourism Drones: <https://www.airshare.co.nz/>)) combine tele-conferencing and mobility-technology to create personal 'avatars', allowing travellers and interactively visit attractions while being physically at another location. The main aim and benefit of those technologies is not replace the actual holiday experience, but to provide increased accessibility. Apart from the obvious application in accessible tourism, other examples involve the possibility to tele-visit an attraction during night-time/after-hours (<http://www.nma.gov.au/engage-learn/school-programs/digital-outreach>), or an otherwise not accessible, dangerous or sensitive natural environment (Rutkin, 2015).

Productivity: Industrial Robots

Industrial robots for entertainment purposes in tourism have been present for a long time, mainly due to their efficiency and reliability. A classic example are roller-coasters like RocoCoaster (<http://www.robocoaster.com/>). More recently, Royal Caribbean Cruises introduced robotic bartenders on their newest vessels (Quantum Class). Those robots can mix 2 drinks per minute (or 1000 drinks per day) and offer a menu of 21 cocktails aside their ability to handle custom orders (<https://www.royalcaribbeanpresscenter.com/press-release/1117/bionic-bar-infographic/>). Moley Robotics has constructed a robotic kitchen and is currently developing an end-consumer version of its product (<http://www.moley.com/>). The robotic chef can cook over 100 different meals and provide unlimited access to chefs and recipes. Its estimated price is \$92.000 (Huen, 2016).

4. Tourist Acceptance: Human-Robot-Interaction and Robotic-Design

Whilst a number of the above-mentioned technologies are already a reality in tourism, they might appear counter-intuitive and unsuitable for service-encounters. Can the magnitude of automation in services match the one of manufacturing? Can technology adequately replace the

'human-face' and 'dream-inspiring hospitality' of the tourism-sector? At the end of the day, to what extent are tourists willing to adopt interact with robots during their holidays and what is their perceived optimal trade-off between efficiency and humanity.

A recent survey (sample size > 6000) on tourists' acceptance of robots (Travelzoo, 2016) reported that the majority of international travellers are comfortable with the idea of robots. The main perceived advantages were the robots' ability to handle data, deal with many languages and function non-stop. Main disadvantages included: fears of job loss and robots being 'too impersonal'. The survey also highlighted national differences in terms of adoption-readiness, with Chinese (92%) and Brazilian (73%) respondents being the most comfortable; while German (37%) and French (47%) respondents were the least. The potential of robots and their acceptance in tourism represents a novel research domain and needs to incorporate Human-Robot-Interaction (abbr. HRI) and robotic design aspects (Murphy et al, 2017).

5. Smart-Ships and Cruises 4.0: Service Augmentation as Driver of R-Tourism in Cruises

Cruise vessels have been getting larger over the last decade. Oftentimes they are described as 'Floating resorts' or 'Superliners'. This mega-ship trend is due to potentials economies of scale and on-board revenue growth, accompanying the growth and popularity of cruising as a mainstream holiday form. But ever-increasing cruise-vessel size has downsides such as: Itinerary restrictions, increased security, health and safety risks (Papathanassis, 2017).

Over the last couple of years, and complementary to the Mega-ship trend, so-called 'Smart-Ships' are appearing in the global cruise fleet. Royal Caribbean's new 'Quantum class' vessels feature a number of 'smart-features' such as (<http://www.royalcaribbean.com/anthemoftheseas/already-booked/>): online check-in, RFID armbands, cruise-apps, virtual balcony-staterooms, and affordable high-speed internet connectivity on-board. Smart-ships also feature robotic technology ranging from robotic bartenders, dancing robots and digitally-enabled, transformable public venues (e.g. Royal Caribbean's Two70^o). Considering that Royal Caribbean's new cruise-vessel generation is smaller than the previous one, may signal a trend-shift towards smaller-but-smarter cruise vessels.

What could be the drivers behind this? Automation, digitalisation and robotics could, at least theoretically, help reduce staff costs. In the case of cruise tourism, less crew could be translated to less staff-related costs and more space and cabins for revenue-generating guests. Yet, when comparing the Quantum class with the previous generation (Oasis Class), a different picture emerges. In Table 1, a comparison between RCL's Oasis of the Seas (Megaship) and the Anthem of the Seas (Smart Ship), details and illustrates this point.

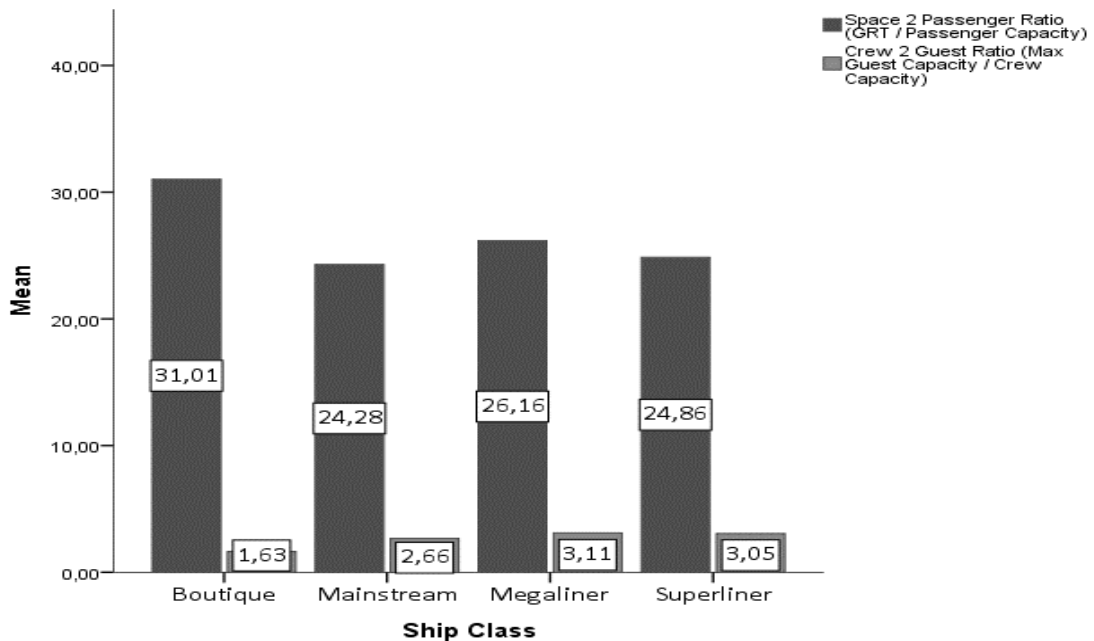
In this example, it becomes evident that the primary driver of technological innovation is not human-related cost-reduction. The 'smarter' Anthem of the Seas is smaller, cost more to construct, carries fewer passengers, while offering more space per passenger (Difference of 1.98 GRT/Passenger more) and better service (difference of 0.15 Passenger /Crew Ratio). The technological innovation appears to be employed mainly for enhancing the holiday experience (see 'Service Augmentation' Driver – Figure 1).

Table no. 1: Smart vs Mega: A Comparison between RCL's Oasis of the Seas and Anthem of the Seas

Indicator / Metric	Oasis of the Seas	Anthem of the Seas	Difference
Passengers	5412	4100	1312 (25%)
Max Passengers	6318	5400	918 (14%)
Crew	2394	2165	229 (10%)
GRT (Size)	225300	210600	14700 (6.5%)
Construction Cost	\$900 Mil	\$950 Mil	\$50 Mil (5.5%)
Length (m)	362	347	15 (4%)
Width (m)	60.5	41.4	18.6 (30%)
Space Indicator (GRT per Passenger & Crew)	25.86	27.84	1.98
Service Quality Indicator (Max Passengers per Crew)	2.64	2.49	0.15

The differences between the two ship class examples may appear minimal, but a comparison of those metrics across the global cruise fleet underlines the potential implications of digitalisation and robotics for the cruise sector. Both RCL vessels (i.e. Oasis of the Seas and Anthem of the Seas), despite being Superliners, offer space and service ratios superior to average superliners and megaliners. In fact, their indicators match those a smaller, mainstream cruise-vessels (see Figure 2).

Figure no. 2: Service- and Space-Indicators - Comparison across 264 cruise vessels



Source: <http://www.cruisemapper.com/wiki/761-cruise-ship-passenger-capacity-ratings>

Based on Cruise Market Watch's (2016) data, crew-related costs are relatively low (\$83 / passenger / day), whilst the daily average revenue per passenger sums up to \$254. Therefore, it could be asserted that a more intensive service interaction, leading to higher sales on board, is economically more attractive than saving staff-costs. Indeed, this example demonstrates that R-tourism is not merely about replacing humans with robots; it bears the promise to individualise mass-tourism and standardise service exclusivity.

6. Conclusion

This paper addresses a novel aspect of tourism and explores its implications. Tourism research in the diffusion of robotics and artificial intelligence is rather limited and mainly conceptual / experimental at this stage (e.g. Yeoman & Mars, 2012; Dialo et al, 2015; Navarro et al, 2015). Nevertheless, tourism practice is rapidly evolving towards this direction, creating a research relevance gap for the next years.

Tourism companies are becoming increasingly indistinguishable to technology suppliers. In the words of TUI's CEO Fritz Joussen:

"In Silicon Valley there is little to learn about software development and technology... One can learn everything that has to do with reach, ambition, changing the world, total focus on the product, speed and competition around the clock."

Embracing, as opposed to resisting, the potential of R-tourism is exactly about that and we hope that this paper will inspire more tourism researchers and educators to incorporate this interdisciplinary area into their activities.

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Education as a Factor in Globalization through Academic Mobility

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Abstract

Globalization is not a new concept, as it would be. It has a torn history of acceptances and rejections, starting with the nineteenth century. Globophobia and globophilia are two terms that eloquently justify the pro and anti struggle against this phenomenon, which is not yet understood by many politicians, but which takes full advantage of it, as economist Guillermo de la Dehesa says. In order to understand the principles of globalization and its effects, we must judge in terms of benefits and losses in the historical and economic context of the last decades, struck by wars, by the cultural and social decline, by the closure of some states in the communist blocs. It is only after understanding the events that we can dissect what is happening today in Europe and globally. At the end of the 20th century and the 21st century, humankind continues globalization on segments, allocating the greatest tribute to education through continuous training, study and practice.

Key words: globalization, globophobia, higher education, mobility, education

J.E.L. Classification: F22

1. Introduction, Globalization - General State

Thus, regardless of the political and social sense, Europe abounds with widespread belief in a new trend that has changed the world and brought it into a dynamic changing. If we judge nowadays in this socio-political climate, globalization leads to a difficult struggle for development, when Europe was hit by Brexit, France has been troubled by the election of a president that would have led, most likely at Francexit, Poland retains its conditions National gates, closing the gates of Europe, preserving national customs and identity. Spain seems to maintain a balance of social customs and morals; Italy faces its own mafia, but keeps the air of the well-defined democratic wife. On such a terrain how can one define a direction that Europe can follow? At a historical glance of globalization one can see the struggle of man with the idea, with the norm, with the peculiar with acceptances and disapprovals. What needs to be stressed is that by trying to become a whole we become stronger, we are strengthening the borders of the economy. A single government can bring unique solutions if the reason for thinking and ordering is placed in a healthy moral and social context of thought.

Globalization has seen a number of phases, so it is not a new and innovative land of today. The first wave of globalization lasted 44 years, from 1870 to 1918. The global market was a theme underway at the beginning of the 20th century, interrupted by the two world wars, resumed later through fascism and communism and now the Great Depression. According to the de la Deshea, the current of globalization phase has exceeded 50 years of existence and has stronger social principles than the first. These were hopes 10 years ago in 2007. Today, in 2017, we see that these

social principles are not moral, and this leads to a difficult decline. The phenomenon of moral decline started in the developed countries, reaching social and moral denigration in states emerging from former communist blocs. Today, when the state institutions in Romania are corrupt, when bureaucratic corruption is still in praise, can we talk about an ascendant route of globalization? Poland and Hungary have managed to get out of the corrupted tradition of the corrupted spirit by going to the right areas of socio-economic development. Countries like Romania and Bulgaria are still at the top of the list as countries with serious corruption problems at all institutional levels. The sad experience of the two world wars and the pre-crisis, pre-war, interwar and post-war crisis has shown that the stagnation of globalization has side effects both at national and European level. What has led to the hindering of globalization are those legal, social, economic, and political institutions that have not been credible in the past, and today still strongly oppose globalization. Lack of credibility comes from lack of meritocracy at all levels of state institutions. Mentalities and people, who cannot be changed, caught in an unflattering customary. Using the terms used by economist Gullemo de la Desha, they are "losers" of globalization, those who refuse to open gates to a common economic market. Also, according to the economist's above mentioned, "winners" of globalization are those who have accepted and managed to attract capital, trade, foreign developers. Such acceptance and openness through the development of companies' leads to the favoritism of the expansion of an optimal capital market, better than governments can do. The difference between the company and the government, according to de la Desha, is that the capital market develops through individual decisions, while democracy depends on a joint decision of the majority. There are also decisions to the contrary, but reality has shown that such a process is slow and does not lead to an upward trend.

Daniel Choen, has been saying since 1999 that globally society needs a new set of rules, such as safety and social security, to balance the current turmoil. But looking at the current massive migration to the crisis of wars in the Arab world, the upward curve to globalization is at this moment in another social and moral crisis.

In 2000, humanity was moving towards a possible globalization on real premises.

"At the Davos summit, Prime Minister Tony Blair and President Bill Clinton supported the ideas of globalization in the new century to create an open global economy and a global society. This will only be possible if the unprecedented opportunities that globalization creates for the well-being of people are combined with a strong ethical base and mutual responsibility to prevent the exclusion of some countries or individuals. This means an international commitment to help those affected by debt, genocide or environmental problems. Unlike the last century, concludes Blair, the 21st century will be a struggle for pragmatic ideals, not ideological dogmas. In Clinton's view, it is unclear that industrialized countries should ensure that poor and disadvantaged people are not neglected and that all workers have access to the benefits of education and professional training for the application of new technologies. Leaders of developing countries must reduce the gap between the rich and the poor and ensure that governments and institutions are open and transparent. This is essential for attracting foreign investments needed to improve development coefficients and solve social problems. There is a limit to which industrialized economies can act to help developing countries do not take the necessary measures. They can, however, reduce the debt burden of these countries, trade with them, and support education and training sessions. I believe that Blair and Clinton's speeches in Davos clearly outline the opportunities and challenges of globalization" (Guillermo de la Dehesa, 2005, p.14-15)

In a fragile economic, social and moral world, globalization has become difficult to achieve, although it has started from good premises. To support the achievement of globalization goals, the highest social and economic component has brought higher education through academic mobility.

2. Academic mobility - globalization factor, general presentation

Just as globalization is not a new activity, so did the mobility, the academic pilgrimages were and remain the factor of development, change, transformation of human society. It is historically known that every nation has developed and built on the basis of the movement of human beings, for reasons of drowsiness, social, working or intellectual.

Over the last 30 years, Europe has developed and implemented the program of support for young Europeans for vocational training, then has undergone multiple changes, depending on economic needs in relation to information, technical and technological development tools. Along with the largest reform of the super-education system, based on the British system, namely, the Bologna Process has developed, in three major stages and names, the LifeLong Learning Erasmus program from 1987 in Europe and 1997 in Romania until 2014. From 2014 The program for all youth education activities, but also for adapting to the new requirements on the labor market, adult retraining included all sub-programs of the previous program under the name of Erasmus +.

Key actions 103 and 107 address strictly European and pan-European higher education. Specifically, the program provides support grants for intellectual mobility for both students and teachers for all categories of activities; Studies practice, teaching and training.

The largest budget was allocated in 2014 to the Erasmus Program for all staff and target groups, most of the European pocket went to this component, which is currently preparing for the midterm evaluation, after which Decides the fate of the program after 2020, the last year provided in its current form.

The program has a legislative basis at European level and is adapted to the national level, provided with working tools, adapted, updated and readjusted during the program, according to the reports from the staff involved in the project at local level, universities and national, National Agencies. The reports of project beneficiaries, universities as well as project participants were also collected. Following the evaluation of feedback, the program was continuously updated according to the needs of the participants and the beneficiaries. System errors were centrally regulated at European, and then national and local levels. Still, the program has little confusion of functioning but insidious and subjective, subjectively treated on a case-by-case basis.

3. Mobility Goals and Outcomes

On a sensitive social background in former communist countries, the program had a very high impact on outgoing or outbound mobility, what is called internationalization at the external level and less on incoming or inbound, internationalization at home. It is understood that the desire and motivation of students and teachers was a moral condition and the desire to change the society in which he lives, escapes, transforming, without too much conviction or presumption of the future. Academic mobility has had two great results; Social and economic. Relocation for a semester or academic year among students, accommodating and willing to change has been manifested by either their desire to return home, to their home countries, or to stay or return to host countries. Thus, another kind of migration emerged; Intellectual migration, regardless of the field of study or practice. Thus, graduates and former Erasmus students work in public, private, or European research institutes, homogenizing a driving force of globalization through education and meeting the goals of the Bologna Process of Harmonization of the Higher Education Area (EHEA). All the premises and objectives of globalization through Higher Education have led to the successful implementation and adaptation to new information resources through state-of-the-art technologies, the modernization of equipments and working tools, regardless of the field. What has not yet been achieved is concrete development focused on individual labor issues in the labor market. The lack of investment in industries, the uneasy development of the former Communist bloc, the political and apolitical strategies lead to the shortage and the crisis of the jobs that global humanity is currently struggling with. National interests centered on the individual needs of lack of meritocracy created the European crisis generating drastic syncope in achieving the goals of globalization.

From a social point of view, adaptability knows periods of renunciation and fear, but after the accommodation has happened, it takes place that cultural syncretism, as if there were more arts in one. This is how the Erasmus generation was born, the new world that eliminated the spaces and the time of life's life, forming a new society without judging its sense of good or bad.

If a large number of outgoings are observed in the former communist countries, then the logic of the situation leads to a large number of incoming people towards developed societies and here we include: France, Germany, Spain, France, the Netherlands and even the northern countries. Here, there has been an economic growth due to mobility and a change in the culture of the country, while the countries supplying mobile people have suffered through a decline in demographics and a

lack of workforce, taking into account the fact that students, for the most part, are working on a program Part time or even full time. The shy phenomenon that has been noticed in former Communist states and which expects a continuous dynamic is the effects the micro-society is subjected to after returning a young actor home. Starting from the civilization degree, the desire for transformation and change, the social culture, all lead to a change of mentality. From the sphere of social sciences, it is known that any change takes time. Only 30 years after the start of intellectual mobility projects begins to feel the influence of a civilizing world in ideas and concepts, but in Romania, unfortunately seriously damaged by the governing system and the two existing economic markets simultaneously, the capital market Economic outlook and black economy.

Apparently, mobilities have created a chaotic social system with the tendency of losing national identity. Here we can count on the "defendants" of globalization, which by different visions confuse the change and the progress with the national, ineffective voices in the situation in which the Arab world is struggling at the gate of Europe. Europeanization is not a concept by which each state renounces folk traditions; on the contrary, a "strong Europe" has in its consolidation the preservation of national and cultural identities.

4. Conclusions

Current Europe in the "knowledge era" has two major development principles: mobility, which can generate academic migration and private investment by encouraging capital free investors.

Despite all the global economic hurdles and crises generated by the moral crises of the world, globalization has moved in slow but sure-footed cultural syncretism on an ascending trend of the future of Europe. The followers of today's Europe will be a new generation who will speak more languages as mother tongues, which seems utopian, but it is already happening; the generation without frontiers and without cultural limitations, while preserving its origin as an identifying mark of its being.

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Methods and Techniques Used for Statistical Investigation

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Abstract

Statistical investigation methods are used to study the concrete mass phenomena and diversify according to statistical research stages: data collection, data processing and analysis. All of the operation processes and methods of statistical investigation constitute the methodology of statistics. To capture the exact trends of mass phenomena in the socio-economic area and to estimate their evolution, statistical activity follows a rigorous program with concrete actions named statistical investigation which includes all operations of collecting, systematization, classifying, processing, storage, analysis and interpretation of statistical data.

Key words: census, collective data, investigation methods

J.E.L. Classification: C10, J10

1. Introduction

A first stage of statistical investigation is represented by the observation of individual data on the studied phenomenon. Data collection can be performed directly by observing, interviewing or based on existing documents in the information system. A large proportion of statistical data can be collected from the information system of economic and social units, from databases of different systems from different statistical publications (yearbooks, periodicals). Also, data can be collected through special investigations (censuses, surveys and monographies) (Biji et al, 2010).

The data collected provides individual information, but for decision making are required collective data and synthetic information which can be obtained by centralizing and systematization of the primary data. An important method of systematization is grouping method by which is identified the composition of statistical population, the location and significance of each group. Based on the homogeneous groups or classes, are calculated the synthetic indicators.

2. Census- method of statistical investigation

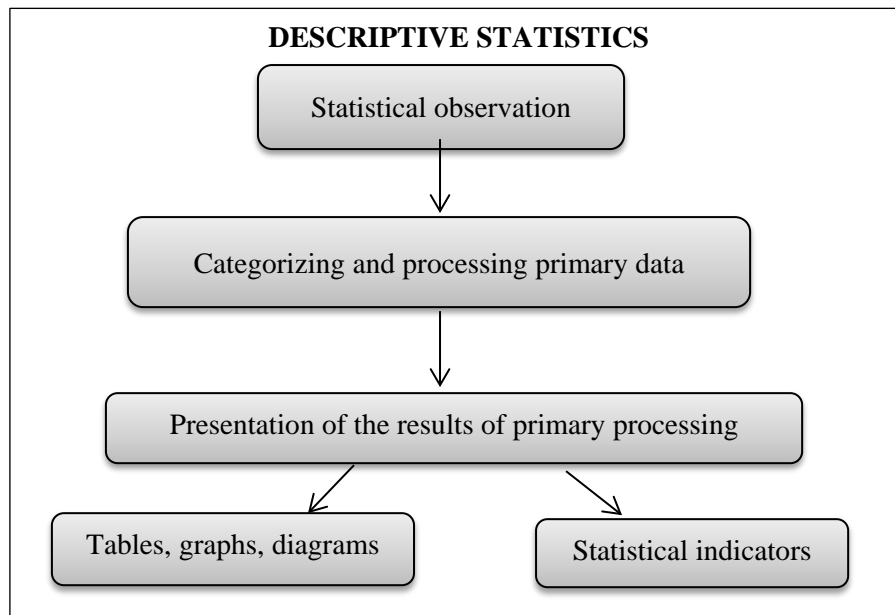
In the operation of data processing, there are used specific methods and techniques of study of the distribution of the series, the regression and correlation methods and the analysis of time series. The final stage of statistical investigation is the analysis and interpretation of results and formulation of statistical conclusions. Complexity of statistical research impose the need for continuous improvement of the methods of observation, processing and statistical analysis. A significant role in the development of statistical methods represents the progress achieved in the theory of probability and mathematical statistics and in computer science.

Depending on the objective, methods and techniques used, the generalizability of the findings, the statistical research is classified as follows:

- Descriptive statistics (exploratory statistics) which aims synthesizing and structuring the primary data in a direct and intuitive manner as well as presenting data processing in the form of charts, tables, graphs, numerical indicators;
- Inferential statistics (decisional statistics) that aims to extend the results obtained from the sample of the data to general population and to confirm or disprove the assumptions made in descriptive statistical research.

Descriptive statistics is also called the statistics without random patterns. It makes assumptions about possible extension of the findings to the entire population, but does not verify the truth of these assumptions. Inferential statistics aims to expand the results based on the sample data to the general population. It is based on the probability theory and has specific characteristics such as: generalization of the results through induction, generalization of conclusions from sample to total population by using specific methods.

Figure no.1 Descriptive Statistical Research



Source: (Adapted from Isaic-Maniu et al, 2004)

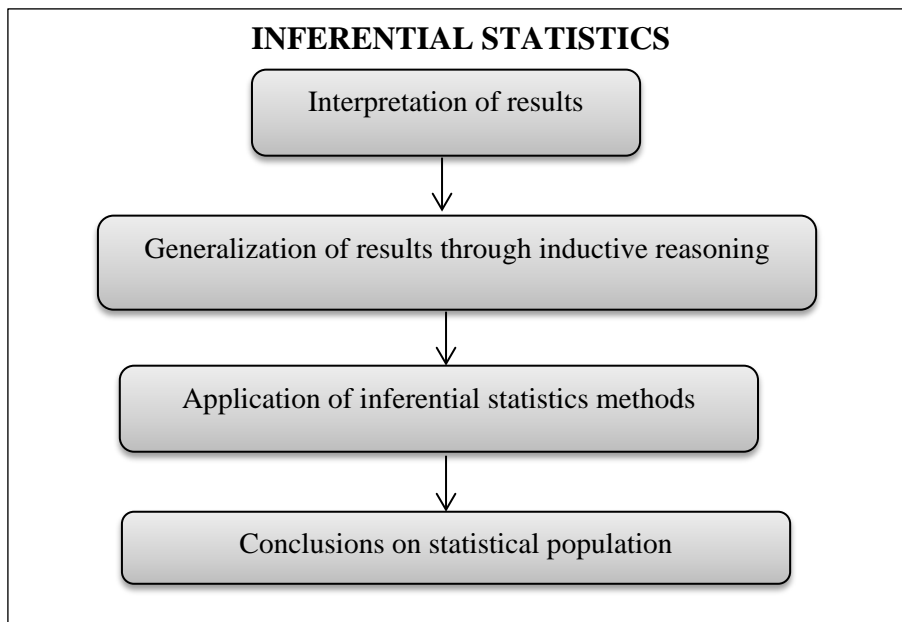
In practice, statistical observation of social and economic phenomena is realized in different ways, depending on the type and nature of phenomena, the objective pursued, as well as the organization of economic and social activity. In statistical information system, statistical forms reported by economic agents represent the main method of observation and data collection, named statistical research.

Statistical surveys represent official documents that economic agents with public or private capital are obligate to prepare in a specific form, using a uniform methodology for calculating pursued indicators. Statistical surveys are prepared for small periods of time (monthly, quarterly) or for extended periods of time (semester, annual).

The census is the oldest method of statistical observation and is basically an overview of the phenomenon at a moment of time, by uniformly and simultaneously criteria to all units of the population surveyed. Census is a total observation, characterizing static phenomenon, with adequate periodicity according to the set objective. The period of the census preparation is great, because of the consulting of the similar methodologies for conducting censuses in the past, on national or international level. Definitions, classifications, nomenclatures align the recommendations made in this respect by international organizations, bringing them the experience gained by the national statistics of each country.

Census is a broad statistical operation that occurs at regular intervals (usually 10 years) representing the counting of official population within a country and the smallest sub-geographic territories, together with a selected number of demographic characteristics and social needs of the population. The purpose of the census is to provide detailed and reliable information necessary for planning and implementing economic and social development policies, at national and local level, for administrative activities or scientific research.

Figure no.2 Inferential Statistical Research



Source: (Adapted from Isaic-Maniu et al, 2004)

The most recent census in Romania was conducted between 22 and 31 October 2011. The Population and Housing Census from 2011 was the first held after Romania joined the European Union. Compared to previous censuses, it has provided the European Union data and information necessary to know the human potential of the entire European community, with relevant information on the migratory movement of the population between different member states and outside, with a particular focus on the working age population.

European Commission Statute (document under which are organized national censuses) decided that all member countries to conduct census in the same year (2011) to provide premises for comparability at European Union level. The slogan of the census "Because everyone counts" indicates the idea that each person registered and every information obtained from the census are crucial in supporting the programs and projects of development both at European Union level and at national and local levels.

Being a complex and expensive action, in terms of financial and human efforts, Census 2011 involved over 120.000 persons employed only for recording operations in the field and spending over 193 million lei. According to census outcomes, Romania's population was 20.121.641 persons, of which 10.333.064 women (51.4%).

Table no.1 The evolution of Romanian population according to census results from 2002 and 2011

Population	Total	Male	Female	Urban population	Rural population
2002	21.680.974	10.568.741	11.112.233	11.435.080	10.245.894
2011	20.121.641	9.788.577	10.333.064	10.858.790	9.262.851
Growth rate (%)	-7.19	-7.38	-7.01	-5.04	-9.59

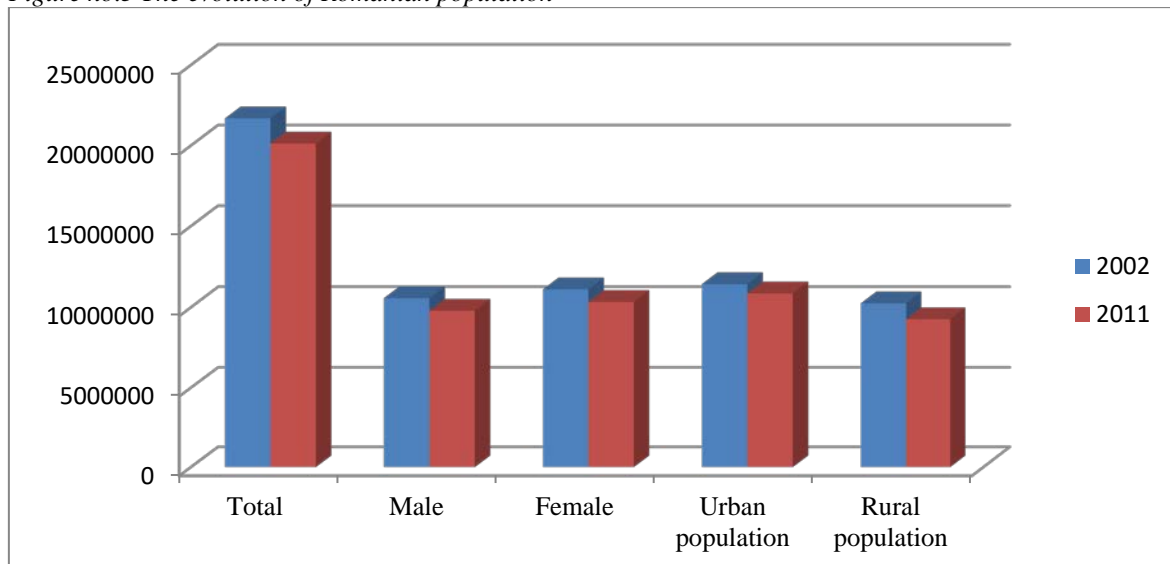
Source: National Institute of Statistics, Statistical Publications, available at : www.insse.ro

Compared to the situation at the previous census (2002), the resident population dropped by 1.559.333 persons, mainly due to external migration. The first six counties, except Bucharest (1.883.400 persons) by the number of resident population are: Iasi (777.300 persons), Prahova (762.900 persons), Cluj (691.100 persons), Constanta (684.100 persons), Timis (683.500 persons), Dolj (660.500 persons).

Counties with the lowest number of people are: Covasna (210.200 persons), Tulcea (213.100 persons), Salaj (224.400 persons), Mehedinti (265.400 persons), Ialomita (274.100 persons) and Giurgiu (281.400 persons). Depending on the residence, in municipalities and cities lives 54.0% of the total population, the share increased by 1.3% over the last census.

On October 20, 2011, children (0-14 years) had a share of 15.9% of the total resident population, young population (15-24 years) represented 12.3%, adult population (25-64 years) formed the majority of 55.7% and persons aged 65 and over accounted a share of 16.1% of the population. Persons aged 85 years and older registered a share of 1.3% of the population. By the completed level of education, 44.2% people had low level of education (primary, secondary or no education), 41.4% had medium level of education (high-school, vocational school) and 14.4% people had higher education.

Figure no.3 The evolution of Romanian population



Source: made by the author based on data provided by National Institute of Statistics, Population and Housing Census, available at: <http://www.recensamantromania.ro/en/>

On October 20, 2011 there were registered 254.400 illiterate people. The number of persons gone abroad for a period of at least one year, which are not part of resident population, was 727.500 people, which are only a part of the total foreign immigrants. This under-registration was due to the fact that at the time of the census, most of these people have left with their families abroad and there were no other people in the country to declare the required information about them.

Compared to 2002, the distribution of population by age clearly shows the aging of the population. Thus, the age group 10-14 years, 15-19 years and 20-24 years have decreased as a share of total stable population, due to the continuous decrease of births after the year 2002. Age groups 25-29 years, 30-34 years, 35-39 years registered a higher share than in 2002 due to the aging of generations of 15-29 years. Age group named "decrees" (40-44 years) has the highest rate of 8.7%. However, age groups 75-79 years, 80-84 years, 85 years and over account 7.2% of the resident population, compared to 4.9% as it had in 2002.

Age group 25-64 years represents the labor resources of a country and a premise for economic development of the counties. Not incidentally, the counties with economic potential have the largest share of this age group in the stable population. These counties are: Bucharest (61.1%),

Iffov (58.3%), Constanta (58.2%), Brasov (57.9%), Timis (57.4%), Arges (57.5%), Tulcea (57.1%).

Compared to 2002, it is noticed an increase in the level of education of the stable population. Thus, the share of people with higher level of education increased from 7.1% to 12.6%, of the people who graduated high-school increased from 21.4% to 24.4% simultaneously with the decrease of the share of persons with primary education from 20.1% to 14.2%. People with no education represent 3% of the resident population, while in 2002 they had a share of 5.6%.

Women with university studies have a higher proportion than in 2002 (the share was two times higher). A quarter of men have completed secondary education. Higher education is more common among people in rural areas (22.4% of the stable population living in cities have a university degree, compared to 4.7% of the villagers). Instead, in rural areas are more common people with secondary education (36.6% compared to 19.0% in urban area) and with primary education (20.9% compared to 8.5% in urban area).

3. Conclusions

An important role in the gathering and learning process about observed phenomena has the statistical investigation methods and techniques. The ultimate goal of statistical investigation is to research a real world situation and to expand the body of contextual knowledge. Census method refers to the complete information about a population. This population may be a place, a group of people, a specific locality or country through which the data is collected. The census method is suitable when the population is not vast, when there is enough time to collect data. Some of the disadvantages of census method are: is a costly and time consuming method, requires a lot of people involved in data collection.

The success of the census depends essentially on two factors:

- Clear and accurate working materials (questionnaires, manual guide) which depend on the professionalism and quality of the census employees, especially statisticians who developed these materials in accordance with international methodological standards;
- The availability of people to give sincere answers to census questions, which can be achieved only by an appropriate promotional partnership with the media. While receiving the reviewer and dialogue with him is a legal and civic obligation, the answers depend exclusively to the free declaration of the respondent, not requiring providing any document, except the personal identification number. All information to be provided shall enjoy the protection of confidentiality guaranteed by law that it cannot be used for any other purpose than statistical.

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Theoretical Approaches Concerning Statistical Survey

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Abstract

In the current modern age, socio-statistical surveys are particularly important in researching social life. Thus, individual data obtained through total or partial observations are used. The main issue proposed to solve by selective research is to determine a partial collectivity from the total statistical community with features that characterize the entire statistical population. Partial collectivity is an element of statistical research through which are researched the features of the entire collectivity. Statistical survey represents a method of characterizing the statistical population based on the research of a subset named statistical sample, which is obtained by various methods from general population. The ultimate goal of the survey is not the knowledge and research of the sample, but the knowledge of the whole statistical population.

Key words: statistical survey, statistical investigation, survey method

J.E.L. Classification: C10, J10

1. Introduction

Statistical survey method has a large-scale application, with public and private institutions that organize various research samples. The results of the survey are made public in the press or by other methods of communication. Results of surveys conducted in the economic, social, political or other areas of national interest confirm their importance and usefulness. The survey results will extend to the general population through specific methods, complying the principles of probability, mathematical statistics and the law of large numbers.

2. The survey- method of statistical investigation

With many advantages, statistical survey applies to many areas of social and economic life, so research surveys are given particular importance both in theory and in practice.

Surveys research has two stages:

- Observing or statistical description- consists in extraction of the sample and calculation of statistical values that define it: average, variance, standard deviation, relative indicators, coefficient of variation, coefficients of asymmetry;
- Indicators obtained by processing the sample data extend to the entire population in order to characterize it in terms of statistics.

Survey research use pair concepts such as:

- General collectivity and selection collectivity;
- Average of general collectivity and average of selection collectivity;
- Calculated statistical value and estimated value.

The most important advantages of the survey research are:

- High quality of the results;
- Reduced working time;
- Saving money;
- The research sample comprises a greater number of features than the total observation.

In industry, the survey method is used to:

- Determining productivity in natural units;
- During the technological processes to prevent spoilage;
- Research of the product quality;
- Research of the causes that conduct to employment fluctuations;
- Study the importance of investments.

In trade, the survey is used to:

- Testing the acceptance of new products;
- Studying the demand for goods depending on the influence factors;
- Estimating specific trends for the sales activity;
- Studying the provision of services to the population.

General collectivity or statistical population represents all simple or complex units forming the phenomenon under research. The statistical survey begins by strict definition of the general community in time and space, in terms of content and form of organization. General collectivity consists of statistical units, which can be simple or complex. The volume of the general collectivity, from which are extracted units to create the sample is denoted by "N" for simple units, by "M" for alternative variable, by "R" for complex units.

The selection collectivity (sample) represents a part or a number of elements of the general collectivity from which data is processed in order to extend these results to the entire community. From a statistical population can be extracted more samples, which differ in structure and volume. The indicators that characterize each sample can be considered random variables that can determine the distributions of frequencies. The volume of selection collectivity is denoted by "n" when the sample consists of simple units, by "r" when it refers to complex units, by "m" for the alternative feature (Anghelache et al, 2016).

Table no. 1. Formulas for calculating the average and variance for general collectivity and selection collectivity

Notion	Indicator	Computing relations	
		Non alternative feature	Alternative feature
Selection collectivity	Average	$\bar{x} = \frac{\sum_{i=1}^n x_i}{n}$	$w = \frac{m}{n}$
	Variance	$\sigma^2 = \frac{\sum_{i=1}^n (x_i - \bar{x})^2}{n}$	$\sigma^2 = w \cdot (1 - w)$
General collectivity	Average	$\bar{x}_0 = \frac{\sum_{i=1}^n x_i}{N}$	$p = \frac{M}{N}$
	Variance	$\sigma_0^2 = \frac{\sum_{i=1}^n (x_i - \bar{x}_0)^2}{N}$	$\sigma^2 = p \cdot (1 - p)$

Source: (adapted from Mendenhall et al, 2012)

Selective research purpose is achieved if the preparation should be carried out according to a plan that will produce the most accurate information. It should include:

1) Objectives- the survey beneficiary should clearly state the objective of the proposed project. The statistical population should be properly defined and the purpose and use of results should be clearly stated. It is very important the delimitation in time and space of the general collectivity by identifying all individual cases in which these phenomena manifest and verify the homogeneity degree. There are organized several successive surveys to verify the representativeness of the average and dispersion characteristics after which the sample is made.

2) The sampling frame- any systematization units allowing random selection of units that will contain the sample are called a random basis and must contain the complete population, without double counting.

3) The sampling units might be human population (cities, households, individuals) in agriculture (farms), industry (companies, batch production).

4) Extract of the sample – to determine its size, the type and selection process, of the indicators.

5) Methods of obtaining data – by direct path, by e-mail, by telephone, by internet.

6) Tracking the survey labor in terms of field operators.

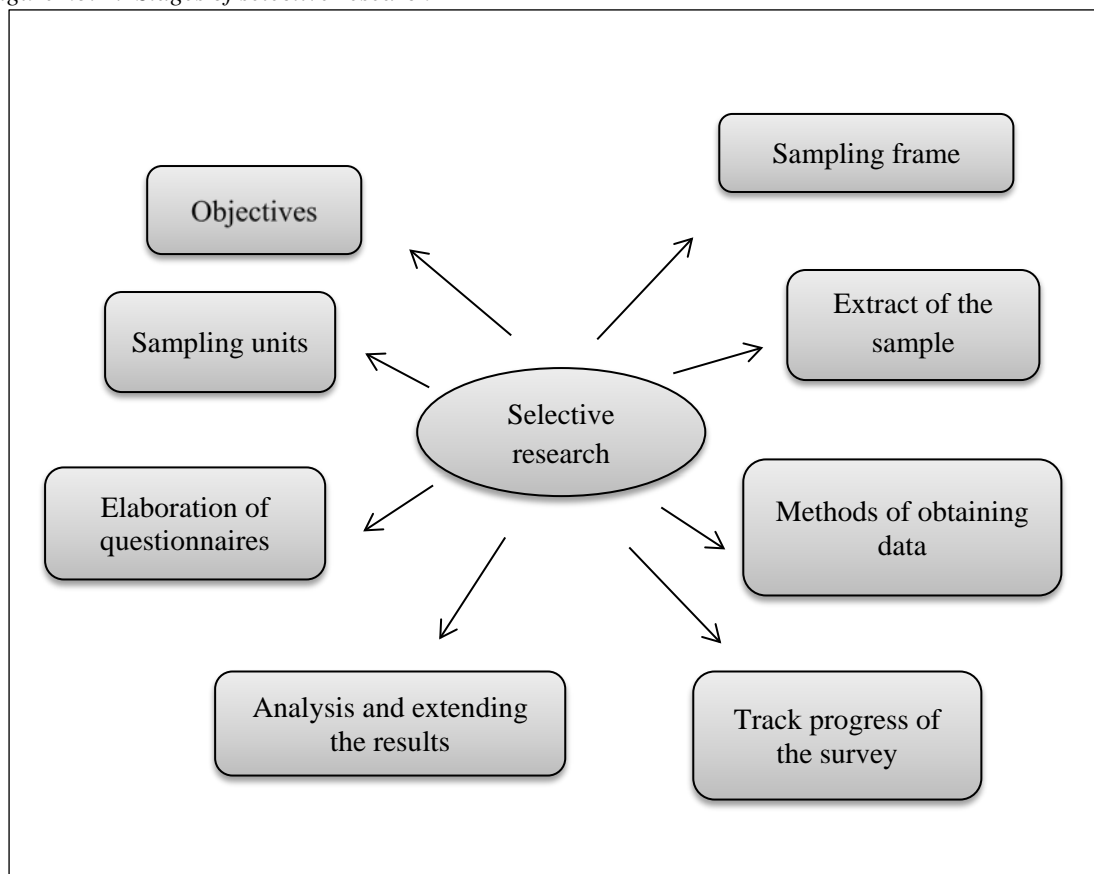
7) The pilot survey – preliminary data is recorded to assist the formation of the new sample, to clarify various issues raised.

8) Elaboration of questionnaires.

9) Establishment the methodology and organization of data processing.

10) Analysis, interpretation and presentation of data: suitable processes are selected to verify the significance of the selected indicators and extrapolation of the results to the general collectivity.

Figure no. 1. Stages of selective research



Source : (adapted from Walpole et al, 2011)

The fundamental principle that should be considered in a selective survey is structured sampling. It is required that the selection collectivity structure should be as close as the general community structure. Theoretically the selection structure and the general collectivity structure can be identically. However, in practice, there will always remain a difference between the two structures. The closer they are together the results of selective research will be expanded with more precision on the general community.

Example:

Suppose 1000 employees perform the same piece to a machine. Distribution of employees by daily production is presented as follows:

Table no.2 Distribution of employees by daily production

Groups after the production of parts (pieces)	General collectivity – employees		Selection collectivity – employees	
	Absolute amount	Share (%)	Absolute amount	Share (%)
60-70	140	14	7	14
70-80	660	66	33	66
80-90	180	18	9	18
90-100	20	2	10	2
Sum	1000	100	50	100

Source: (Podasca, 2017)

Sample average (\bar{x}) is representative for general average (\bar{x}_0) if is satisfied the following relation:

$$\frac{\bar{x} - \bar{x}_0}{\bar{x}_0} \cdot 100 \leq 5\%$$

The difference $\bar{x} - \bar{x}_0$ is called the margin of error or sampling error and occurs due to random character of extraction units. These errors may be:

- Representativeness systematic errors that are the result of non-compliance with the principles for achieving survey, respectively equal opportunity for each element in the sample; these errors can be excluded by proper composition of samples;
- Representative random errors that cannot be avoided.

3. Conclusions

To achieve the establishment of optimal proportions between sample groups and general collectivity, it is necessary to know the distribution of total population. The essential condition to guarantee a selection community is representativeness. This represents the characteristic of the sample to faithfully reproduce the essential characteristics of the total community, to be faithful to its elements. In case of random sampling, the sampling units are randomly selected, so each unit has the same chance of being selected. It is based on the draw principle. The utility of random sampling is based on the fact that its results can be appreciable in probabilistic terms. This method is indicated when the population units are small and there is no significant differences between the various units of the population size.

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Migration and its Determinants: an Europe 2020 Perspective

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Abstract

The main theories of migration argue that migration is caused by the level of development of the host countries. This fact is also confirmed by the empirical analyses from the scientific literature.

Due to the changes occurred after the economic crisis the main concern of European Union is focused on Europe 2020 perspectives. This analyse merge migration with four of five major domains regarding Europe 2020: employment, research adn development, education, poverty and social exclusion. The data set used comes from Eurostat and includes a time span of 10 years starting with 2004, for all 28 countries of the European Union.

Key words: migration, panel data, regression model, Europe 2020

J.E.L. Classification: C33, F22, O10, O15

1. Introduction

Since prehistoric times migration was a normal activity for people to gain their existence as humans were rather nomadic, nowadays migration is rather an exception. Migration is defined as a movement of a person or a group of persons abroad, representing the international migration, or within the borders of a state, representing internal migration.

The main interest when studying migration is related with the determinants of it and what drivens this social phenomenon. Literature regarding migration is abundant in studies that explain a plurality of triggers and many studies are focused on economical determinants of migration.

Acording to the main theories of migration there are a series of push and pull factors that influences the decision to go abroad or to return back home. In terms of international migration push factors can occur at the home country (e.g. unemployment) and pull factors can occur at the destination country (e.g. higher wages). Neo-classical Theories and New Economics of Labour Migration consider that migration is a consequences of cost-benefit ratio that individuals take into consideration when they decide to migrate, thus the main reason of migration is to improve income which denotes that migration is especially related with labour market (Massey et al., 1993). Dual Labour Market Theory also explains migration in terms of labour market by emphasizing the disparities in employment rates and conditions (Massey et al., 1993). World System Theory considers that migration is a consequence of the differences between countries (Massey et al., 1993).

Therefore the main theories of migration mainly argue that migration is caused by the level of development of the host countries including labour market and economical development. This fact is also confirmed by the empirical analyses from the scientific literature. Zimmermann and Zaiceva (2008) showed that a higher GDP per capita increase the propensity to migrate for EU 15 countries. Mayda (2005) showed that an increase of GDP per worker in the host country increase the emigration rate in the home country. Also, Sprenger (2013), besides the obvious influence of the increase of GDP per capita of the host country increases the inflows of migrants, showed that higher unemployment rate in the home country increase the emigration rates.

Due to the changes occurred after the economic crisis the main concern of European Union is focused on Europe 2020 perspectives, and focuses on the economic and social development of European Union Countries. This paper merge migration with four of five major domains regarding Europe 2020 perspective.

The most recent trend of the European Union concernings are regarding the Europe 2020 perspectives that establish the main goals for the EU future and socio-economic development. In this context there are five major targets according the EU, and as detailed in Table 1., regarding five major domains: Employment, Research and Development, Climate change and energy sustainability, Education, Fighting poverty and social exclusion.

Table no. 1. Main targets of Europe 2020

Europe 2020	
Domain	Targets
Employment	<ul style="list-style-type: none"> 75% of the 20-64 year-olds to be employed
Research and Development	<ul style="list-style-type: none"> 3% of the EU's GDP to be invested in R&D
Climate change and energy sustainability	<ul style="list-style-type: none"> greenhouse gas emissions 20% (or even 30%, if the conditions are right) lower than 1990 20% of energy from renewables 20% increase in energy efficiency
Education	<ul style="list-style-type: none"> reducing the rates of early school leaving below 10% at least 40% of 30-34-year-olds completing third level education
Fighting poverty and social exclusion	<ul style="list-style-type: none"> at least 20 million fewer people in or at risk of poverty and social exclusion

Source: European Comission

Though migration is usually strongly related with the degree of development of a country (Zimmernann and Zaiceva, 2008; Mayda, 2005; Sprenger, 2013) education also plays an important role. A comprehensive study regarding migration and education was conducted by Dutmann and Glitz (2011). They start from the premise that migration is an investment for the future and education and skill acquisition are the main dimension of future investment in human capital.

2. Data and Method

The method employed in this analysis is the linear regression model applied on panel data. Panel data are that type of data which include two components: both time and cross-sectional components.

The linear regression equation for panel data as Wooldrige (2002) describes has the following form:

$$y_{it} = \beta_0 + \sum_{k=1}^k x_{kit} \cdot \beta_k + \varepsilon_{it} \text{ (equation 1.)}$$

Where: $i = 1, \dots, N$, N represents the crosssectional in this case country;

$t = 1, \dots, T$, T represents the time observations in this case year;

k represents the index of independent variables;

y_{it} represents the dependent variable for country i and year t ;

x_{kit} represents the independent variables for country i and year t ;

β_0 represents the constant term common for all crosssectional entities;

ε_i represents the error term independently and identical distributed with mean zero and continuous variation.

There are three types of linear regression models to estimate when referring of panel data: pooled regression, which in fact is the classical linear regression model not taking into account the variation between or within its components, and fixed effects model and random effects model.

The fixed effects regression model is defined as:

$$y_{it} = \beta_{0i} + \sum_{k=1}^k x_{kit} \cdot \beta_{kit} + \varepsilon_{it} \text{ (equation 2.)}$$

The random effects regression model is defined as:

$$y_{it} = \beta_{0i} + \sum_{k=1}^k x_{it} \cdot \beta_{kit} + u_{it} \text{ (equation 3.)}$$

Where: $u_{it} = (\alpha_i + \varepsilon_{it})$.

The data set consists of all 28 European Union countries and a time span of 10 years starting with year 2004, since the data for the variable of interest NEET (not in employment, education or training) has been collected starting with the year previously mentioned.

Table no. 2. Description of the variables employed in the analysis

Variable	Description
<i>NEET (not in employment, education or training) age 18 to 24 years</i>	the indicator includes unemployed and inactive persons not in education or training, and covers different age groups (starting with age of 15 and up to 34 years: 15-17; 15-19; 15-24; 15-34; 18-24; 20-24; 20-34; 25-29).
<i>In-work at risk of poverty rate 18 to 24 years (denoted as In-work poverty)</i>	measures the rate of poverty for employed persons aged 18 to 24 years.
<i>Expenditures for Research and Development</i>	as percentage of GDP
<i>Education early leavers at age 18 to 24 years old</i>	as percentage of total population
<i>Wages and Salaries</i>	as percent of GDP
<i>Population with tertiary educational attainment level 25-64 years</i>	as percentage of total population
<i>Long Life Learning</i>	persons aged 25 to 64 who declared that they received a form of education in the last four weeks during the survey.
<i>Employment rate for age 15 to 24 years</i>	as percentage of total population
<i>Household consumption</i>	Expenditures with household consumption as percent of GDP
<i>Old Dependency Ratio</i>	refers of the ratio between the persons over the age of 65 and the the economically active persons (aged 15 to 64).
<i>People living in households with very low work intensity (denoted as LowWork Cap)</i>	are those aged 0 to 59 living in households where the adults (aged 18-59) work less than 20% of their total work potential during the past year.
<i>Crude rate of net migration plus adjustment</i>	expressed per 1000 inhabitants, a negative value shows that the overall phenomenon is towards emigration. The indicator is obtained by dividing the difference between immigrants and emigrants with 1000 inhabitants.

Source: Eurostat Metadata

Most of the chosen variables are considered part of the main indicators that are taken into consideration for achieve the target of the Europe 2020 perspective. In the analysis was also considered the following variables: expenditures with household consumption mainly because remittances (that are a main characteristic of migration) consist an important part of them (OECD, 2006).

3. Results

As was mentioned before the data set involves a time span of 10 year, to emphasize the effects of financial crisis in the model was also introduced a dummy variable. Most authors placed the debute of the financial crisis in 2007 (Papademetriou and Terrazas, 2009; Stiglitz, 2010) and the first signs of recovery in European Union where noticed in 2010 (Eubanks, 2010).

The results are presented in Table 2. And also Hausmann test was applied to choose which type of model is more appropriate for the analysis, a statistically insignificant result of the test shows that random effects model is preferred to fixed effect model (Baltagi and Liu, 2014). The model

Table no. 3. The regression model for the panel data set

Dependent variable: <i>Crude rate of net migration plus adjustment</i>	Fixed effects		Random effects	
	Coefficients	P-value	Coefficients	P-value
Independent variables				
R&D expenditures (as % of GDP)	-1.4291	0.317	1.1246***	0.006
Early leavers education 18 - 24 years	-0.1269	0.400	-0.0205	0.854
NEET 18 - 24 years	-0.3265**	0.032	-0.3567**	0.012
Wages and salaries (as % of GDP)	-0.3961**	0.045	-0.1785	0.214
Population with tertiary educational attainment (% of population aged 15 - 64 years)	0.0508	0.694	0.0399	0.681
Long life learning	0.0109	0.928	-0.0411	0.700
In-work poverty	-0.1383	0.250	-0.1065	0.311
Low work Cap	-0.3640**	0.037	-0.5259***	0.001
Employment rate for 15-24 years	0.4761***	0.000	0.2299***	0.008
Household consumption (as % of GDP)	-0.4235**	0.016	-0.4233***	0.001
Old Dependency Ratio	0.7154**	0.025	0.5734**	0.012
<i>Economic Crisis</i>	-0.8356	0.131	-0.8552	0.126
Constant	18.1361	0.254	25.8560**	0.012
R Squared within	0.4747		0.4527	
R Squared between	0.0549		0.0797	
R Squared overall	0.0924		0.1542	
F	15.51		-	
Wald chi2	-		151.70	
rho	0.86922		0.6724	
Number of observations	245			
Number of groups	27			
Breusch and Pagan Lagrangian multiplier test	208.61*** (p-value = 0.0000)			
Hausmann test	13.89 (p-value = 0.3078)			

(***) significant at 1%, (**) significant at 5%, (*) significant at 10%

Source: Author's computation

Between R&D expenditures and Employment rate for 15-24 years there is an indirect relationship, this result shows that for an unit increase of R&D expenditures and of Employment rate the crude rate migration will be negative, so the phenomenon is towards immigration. People being attracted if the countries offer employment or have investments in research and development. If the Old Dependency Ratio will increase with one unit reveals that will lead an increase of immigration. This also can be seen from the demographic perspective as European Union face demographic aging, mainly with this demographic process is faced by the developed countries. This fact it is not a signal of pull factor for migration but rather a signal that countries that are attractive for migration are dealing with low birth rates are a large population of elders.

The variables people living in households with very low work intensity and NEET 18 - 24 years increase the phenomenon of emigration. So if the countries are experiencing these negative effects people are influenced to emigrate. Household consumption (as % of GDP) confirms that an increase with one unit lead to emigration, which it means that remittances are part of expenditures with household consumption.

4. Conclusions and remarks

Financial crisis has a low significant effect only if it will be taken into consideration a significance threshold of 15% mainly because though at the European Union level an economic recovery has been felt starting with 2009 not all the European Union countries exit the economical and financial crisis at the same time. This variable should be interpreted in terms of financial crisis individually for the each European Countries.

Regarding the migration aspect the Emigration and Immigration are a consequence of social and economic conditions of a country, the results show that employment rate and people living in households with very low work intensity increase the migration propensity, and expenditures with research and development will increase the propensity of immigration rates being a pull factor for migrants.

Migration as a phenomenon of human progress will increase in countries that will have low rate of unemployment, financial security for both employees and unemployed, so from the Europe 2020 perspective will be expected that countries that will rich the most of the main targets will be attractive for immigrants.

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Public Perceptions of Immigration in European Union: A Survey Analysis of Eurobarometer 83.3 and 85.2

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Abstract

Immigration has recently become a considerable topic to debate by the governmental authorities as the illegal immigration has increased substantially along with the well-known immigration crisis, that has brought numerous concerns among with terrorism. Considering this fact the opinion regarding immigrants from outside the European Union countries in European Union may have been influenced and also changed in a negative way. The analysis focuses on the EU citizens' perception toward the feeling about outside immigrants related with concerns as unemployment and terrorism, based on data collected by the Eurobarometer 83.3 from 2015 and Eurobarometer 85.2 from 2016 for the European Union country members.

Key words: migration, survey analysis, logistic regression, Eurobarometer
J.E.L. Classification: C25, C83, F22, O10, O15

1. Introduction

Migration is a very old process and phenomenon but still an actual topic nowadays especially considering the recent European migration crisis. Migration is generated mostly by economic and political aspects, and the main hypothesis noted in the literature regarding human migration have been developed in the area of the determinants and factors that influence the migration. The reasons to migrate evolved among the time and within the evolution of technology and society, if at first people emigrated for survival purposes this aspect has gained new values. So migration is a result of the emergence of needs that have to be satisfied taking in consideration the social environment of the individual.

Most of the theories that explain human migration concern aspects that are related with the human needs starting from the basic needs (as survival and safety) and ending up to the higher level needs (as self-esteem and fulfillment) (Ravenstein, 1885; Stark, 1984; Cassarino, 2004). Regarding these theories it can be conclude that nowadays migration is strongly related with employment (respectively unemployment), or generally with work (if considered the business), mostly because to fulfill their need people need money. Unfortunately, with the migration crisis in Europe the perspective on migrants have changed mainly because the term migrants always creates confusion, migrant being considered by the public opinion that is every person who leaves its country, so they do not make any differences between migrants or refugees. The recent migration crisis as it is known is actually a refugee crisis. As UNHCR (2016) mentions migrants are the persons that choose to leave their country to improve their lives and they can return back to their homes without confronting any danger, while refugees leave their countries mainly because of armed conflicts or persecution.

2. Method and Data

In order to analyse in which direction three of the most important issues that the respondents consider the European Union is facing was used the Ordinary Least Squares Multiple Regression Analysis, represented mathematically as a first degree equation:

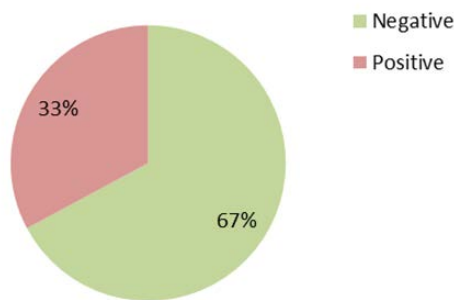
$$y_i = a + b_1 \times x_{i1} + b_2 \times x_{i2} + \dots + b_n \times x_{in} + e_i \text{ (eq. 1.)}$$

Where the y_i is the endogenous variable, x_i are the exogenous variables.

In 2014 the results from the Eurobarometer 81 regarding public opinion about economic and social topics showed that one of the main concerns were unemployment (48% of the respondents) and immigration (being on the fourth place with an increase of 3% from year 2013), terrorism at that time remained a matter of low interest (European Commission, 2014). In the last decades migration was more associated with unemployment, rather than terrorism.

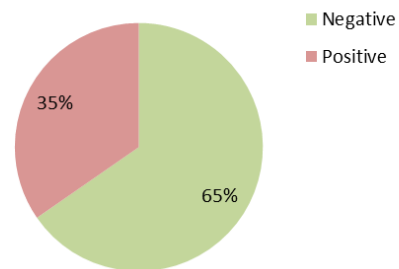
For this analysis were considered four variable: as a dependent variable was used the question: "if the immigration of people from outside the EU evokes a positive or negative feeling" and as independent variables the opinion about the most important issues that EU confront: immigration, unemployment, terrorism.

Figure 1. Opinion about immigration from outside EU 2016



Source: own construction based on Eurobarometer 83.3

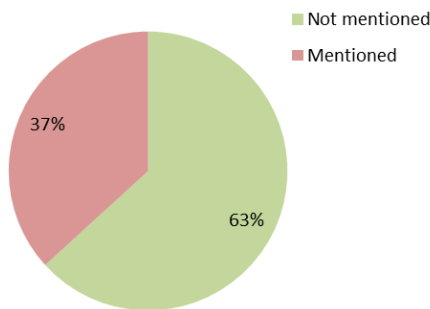
Figure 2. Opinion about immigration from outside EU 2017



Source: own construction based on Eurobarometer 85.2

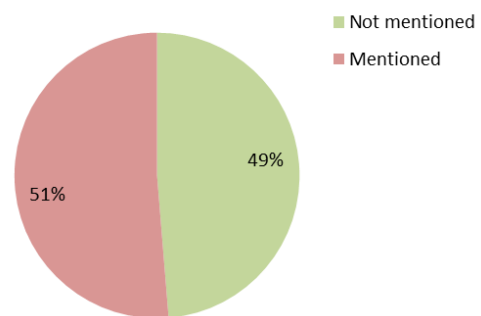
It can be observed that there is a slightly insignificant difference between year 2016 and 2017 regarding the opinion about immigration that occurs in European Union from outside countries.

Figure 3. Immigration 2016



Source: own construction based on Eurobarometer 83.3

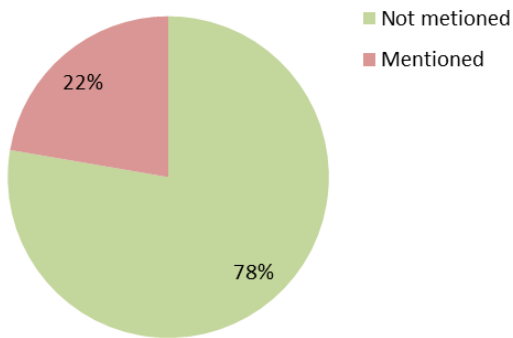
Figure 4. Immigration 2017



Source: own construction based on Eurobarometer 85.2

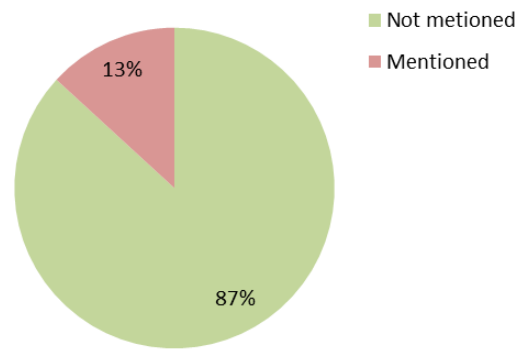
In 2016 immigration was considered an important issue for European Union by fewer respondents than in year 2017, when it is observed an increase in the perception of the importance of immigration in European Union.

Figure 5. Unemployment 2016



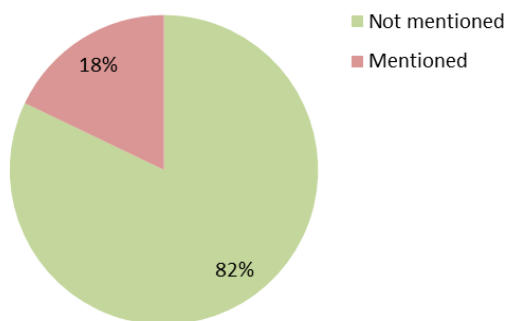
Source: own construction based on Eurobarometer 83.3

Figure 6. Unemployment 2017



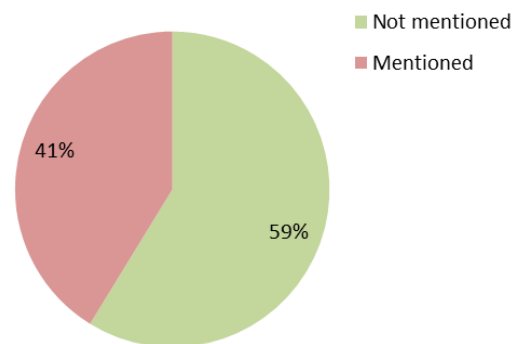
Source: own construction based on Eurobarometer 85.2

Figure 7. Terrorism 2016



Source: own construction based on Eurobarometer 83.3

Figure 8. Terrorism 2017



Source: own construction based on Eurobarometer 85.2

The public perception regarding the issue of terrorism has doubled in year 2017 compared to year 2016, European Union citizens becoming more worried about terrorism than they were about unemployment.

The general model can be described as the following equation:

$$\text{Perception of immigration outside of EU countries}_i = a + b_1 \times \text{Immigration}_i + b_2 \times \text{Unemployment}_i + b_n \times \text{Terrorism}_i + e_i \text{ (eq. 2)}$$

With i from 1 to 28, because there were considered all the 28 European member countries, for this model the situation of Brexit (Great Britain has voted to exit European Union in year 2016 and the date to leave EU was set to march 2019 (Hunt and Wheeler, 2017)) was not considered. The model was made both for negative and positive perception of the respondents regarding immigration outside of EU countries, and also both for year 2016 and 2017.

3. Results and conclusions

This paper employs four different regression models two for each positive and negative feeling. The main objective is firstly to observe if there are differences regarding perception towards migrants, and secondly to observe the differences between year 2016 and 2017 for each type of feeling.

Table no. 1. The influence on the positive perception of immigration outside of European Countries

Dependent Variable: Immigration from outside EU is Positive 2016 vs. 2017								
	2016				2017			
	Constant	Immigration	Unemployment	Terrorism	Constant	Immigration	Unemployment	Terrorism
Coefficients	-67.807	0.189	1.168	0.258	1.681	0.207	1.155	0.138
Std. Error	116.855	0.159	0.308	0.410	120.839	0.189	0.421	0.303
t test	-0.580	1.184	3.788	0.629	0.014	1.097	2.745	0.457
Sig. t	0.567	0.248	0.001	0.536	0.989	0.284	0.011	0.652
Lower Bound (95%)	-308.985	-0.140	0.532	-0.589	-247.718	-0.183	0.287	-0.487
Upper Bound(95%)	173.371	0.518	1.805	1.105	251.080	0.598	2.024	0.763
Collinearity Statistics: Tolerance	-	0.874	0.863	0.764	-	0.556	0.884	0.609
R Squared	0.415				0.28			
F test	5.667				3.116			
Sig. F	0.004				0.045			
DW	2.319				1.953			
Observations	28				28			

Source: own calculation based on Eurobarometer 85.2 and 83.6

In case of positive feeling towards immigrants from other countries than those that are EU members it can be noted that both for year 2016 and 2017 the unemployment has a significant and direct influence on the dependent variable. So for those respondents who consider that unemployment is an important issue for European Union there is an increase for the respondents that perceive immigration as a positive thing.

In case of negative perception of immigrants outside European Countries the main concerns for European Union that influence the negative perception were immigration and unemployment for year 2016, as for year 2017 there can be noticed a difference regarding the issues that influence the negative perception, terrorism being significant instead of unemployment.

Therefore until 2016 the main concerns for the respondents that consider immigration as a negative feeling were immigration and unemployment, starting with year 2017 there has been a replacement with the issue of terrorism. If after the financial crisis the perception was strictly a matter of jobs and employment, starting with the refugees crisis and the terrorist attacks in the last period the situation of public perception regarding immigrants has been changed, negative feeling being associated with terrorism instead of unemployment.

Table no. 2. The influence on the negative perception of immigration outside of European Countries

Dependent Variable: Immigration from outside EU is Negative 2016 vs. 2017								
	2016				2017			
	Constant	Immigration	Unemployment	Terrorism	Constant	Immigration	Unemployment	Terrorism
Coefficients	92.162	0.689	0.714	0.143	242.314	0.496	0.015	1.114
Std. Error	116.559	0.182	0.406	0.292	147.848	0.202	0.390	0.519
t test	0.791	3.778	1.757	0.489	1.639	2.460	0.038	2.146
Sig. t	0.437	0.001	0.092	0.629	0.114	0.021	0.970	0.042
Lower Bound (95%)	-148.403	0.313	-0.125	-0.460	-62.829	0.080	-0.790	0.042
Upper Bound(95%)	332.727	1.066	1.552	0.745	547.457	0.913	0.820	2.186
Collinearity Statistics: Tolerance	-	0.556	0.884	0.609	-	0.874	0.863	0.764
R Squared	0.535				0.418			
F test	9.222				5.755			
Sig. F	0.000				0.004			
DW	1.993				2.898			
Observations	28				28			

Source: own calculation based on Eurobarometer 85.2 and 83.6

Unemployment remains an issue for European Countries for in year 2017 for those who consider immigration from outside the European Countries as being positive, instead for those who consider immigration from outside of EU as being negative the issue of unemployment has been replaced with the issue of terrorism. This fact might be interpreted as if so far public perception towards migrants was that they are a threat for the workforce in the receiving country, now migrants are more associated with terrorist and terrorism, being a threat for public safety.

Unfortunately, European Union citizens consider that refugees are a threat and they associate migration with negative aspects as unemployment and terrorism in high proportion considering the results in table 2. were immigration and terrorism are explaining the negative perception migrants outside European Union in proportion of over 40%. This should be a signal alarm on political decision-makers, because as although the number of refugees has increased and the number of terrorist acts alike, this does not necessarily imply a cause-effect relationship.

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Correlations between Labor Employment and Economic Growth

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Abstract

The main objectives of macroeconomic policy for most governments are: a high level of labour employment, price stability and high rate of economic growth. As far as I walk in life, I learn something new, everywhere I go, I find something that fascinates me. This is why this subject has an influence over me, I wonder every day why people find a job to maintain with such difficulty and why they are so lazy when they hear about work. This type of behaviour leads to a huge increase of unemployment, because people leave their courage under an invisible line and create a fake personality where they hide saying that they can't do what society wants. In case that increasing inflation is obvious, unemployment is decreasing and people are trying to find something to do, to work, because inflation also leads to some actions which affect directly the unemployed ones.

Key words: wage policy, unemployment, monetary policy, public policy, declining wages

J.E.L. Classification: E20, E24

1. Introduction

This paper aims to bring to your attention one of the most significant advances in the world economy, thus making a comprehensive study on what illustrates the controversial relationship between inflation and unemployment: Phillips curve.

Any policy aims at both low levels of unemployment and moderate inflation, therefore, the essential purpose of creating a high and sustainable economic growth. And nowadays a sustainable and high economy is the highest aim which a state government may propose. What are the mechanisms that help its fulfilment and what should be done for a better development of things is precisely what I want to emphasize with this paper. Since the national economy is a complex system, its various components balance: economic growth, employment, unemployment, inflation and external economic and financial relations are interrelated to each other. In the expansion phase of the economic activity (phase two), the aggregate demand increases rapidly and consequently the difference between an actual output and its potential is reduced. Two of the objectives of macroeconomic policy record good results: the production grows rapidly and unemployment is reduced. In contrast, the other two are worsening because, on the one hand, inflation increases by request, on the other hand, due to higher prices, domestic products become less competitive on the world market (less exports) and foreign products appear cheaper (import increases), which entail a deficit in the current account of balance payments. As a result the equilibrium deteriorates the level of the exchange rate of the national currency (increase) and imports more expensive products which in this way maintain inflation. When it gets to the peak of economic growth despite the positive effects of record production and unemployment, the inflation and balance of imbalance payments problems become acute. When exceeding the peak of economic growth and pass the phase of recession, things are going exactly opposite to the trends described in the stage. The decrease in aggregate demands entails a negative movement in the economic activity, accompanied by job losses and thus increasing unemployment. Meanwhile, inflation rates tame and the balance of payments situation improves. State intervention in the development of employment encounters great difficulties. Inappropriate expansive policies may cause side effects, causing monetary

instability and other imbalances. If what you seek is a well remunerated job offer, sustained for a long-term, you have acted with care.

2. Literature Review

The broadest facts of experience run in precisely the opposite direction from that which the financial community and academic economists have all generally taken for granted. Paradoxically, the monetary authority could assure low nominal rates of interest-but to do so it would have to start out in what seems like the opposite direction, by engaging in a deflationary monetary policy. Similarly, it could assure high nominal interest rates by engaging in an inflationary policy and accepting a temporary movement in interest rates in the opposite direction. These considerations not only explain why monetary policy cannot peg interest rates; they also explain why interest rates are such a misleading indicator of whether monetary policy is "tight" or "easy." For that, it is far better to look at the rate of change of the quantity of money.

Both M. Friedman and R. Lucas argued their submissions on the relationship between monetary policy and unemployment present empirical evidence. The similarity of these speeches prove an important feature of macroeconomic theory being interconnected with empirical evidence.

Friedman emphasizes the role of mere evidence. He argued that the evidence of the instability of Phillips curve was instrumental in the formation of a new thinking. On the other hand, Lucas emphasized the role played by instruments advanced mathematical discoveries in economy. As he mentioned, the effect of money in the economy involves dynamic reactions of economic agents to change prices, interest rates and income. Economists have needed formal instruments suitable for that progress to be achieved and to be understood in the dynamic nature of individual decisions affecting the evolution of the economy over time. Lucas is the one who emphasized the role of theory in macroeconomics influencing policy.

Studies by Robert Lucas and Milton Friedman continue to guide studies in macroeconomics. Their works on the links between inflation and unemployment have influenced the course of economic theory and in practical discussions on anti-inflationary policies and reduce unemployment.

The most recent Nobel laureate Edmund Phelps contributes in inflation and employment through a different point of view from his previous Nobel prize winners colleagues. He said that the exchange will not be achieved between inflation and long-term unemployment because an expected inflation will be continuously adapted to the current INI inflation. Phelps stressed the importance in his analysis process by which future chances of achieving political stabilization targets are affected by current policies: higher inflation currently generates higher inflation in the future.

Phelps believes that current inflation is based not only unemployment, but also the prospects for its future development. A higher current inflation rate leads to higher expectations of inflation in the future, resulting in this regard in a number of difficulties in achieving economic stabilization policy.

During the 60's, Philips curve shows that there is an inverse relationship between unemployment and inflation. Phelp's research wanted a rectification theory of inflation and unemployment by modelling the behaviour of companies regarding wages and pricing. He brought the economic analysis' expectations and achieved a crucial dichotomy between the 'expected' and 'unexpected' inflation, examining macroeconomic implications of this distinction. Philips curve involves reformulating the concept of enlargement prospects.

Phelps's analysis was inconsistent with the old theories showing that low unemployment could be achieved mathematically by inflationary demand policies. This implies that there is a long-term exchange between inflation and unemployment, so how could there be a discrepancy between current inflation and the expected one. This hypothesis of a vertical long-term Philips curve at a steady unemployment rate is one of the most important ideas in macroeconomics over the past 50 years. This hypothesis has become crucial in terms of monetary policy developments. The contribution of Phelps in the inflation-unemployment report is remarkable because his works raise a new paradigm. The inflation-unemployment ratio, expressed their opinions and other researchers

whose contributions were important in macroeconomics, although not certified with the Nobel Prize.

Professionals analyzed the relationship between inflation and unemployment and have gone through two stages after the Second World War and recently entered into a third phase.

The first step consisted in accepting the hypothesis associated with the great economist A.W. Phillips, that there is a stable relationship between unemployment and negative rate of change in wages - high levels of unemployment would be accompanied by declining wages, while low levels of unemployment imply rising wages.

The changes were inter-conditional on the pay of the changes to prices, thus allowing an increase in productivity which took effect in the sense of an excess price higher than the cost of wages generated by a perfectly constant factor.

Unfortunately for this hypothesis, additional evidence was not consistent with it. Ratings on empirical Phillips curve relationship highlighted were unsatisfactory. More important, the inflation rate that seemed to be consistent with a certain level of unemployment has remained fixed: according to the circumstances of the period after the Second World War, when governments sought to promote the employment of total employment, unemployment however experienced increases in some countries and even unexpectedly varied between countries. Looking at it from another point of view, inflation rates which were previously associated with low levels of unemployment were held in conditions of high levels of unemployment phenomenon which involved simultaneous high inflation and high unemployment reached gradually to public attention and professional. It is classified as inflation speculated.

Milton Friedman and other economists were sceptical from the beginning about the validity of a stable Phillips curve, more theoretical reasons than the empirical ones. They argued that what mattered for the workforce did not constitute wages in dollars or pounds, but real wages - goods and services that could be purchased from wages. Unemployment fell would mean, really, pressure for higher real wages, but real salaries as could rise even if nominal wages would be lower if it were also supported by lower prices. Similarly, high unemployment would mean real wage pressure for a small but real wages might be small even if nominal wages would be high, and the prices were so high that the effects would be evident.

There is no need to assume a stable Phillips curve to explain the appearance accelerating trend of inflation to reduce unemployment. This can be explained by the impact of unforeseen changes in demand in markets characterized nominal (implicit or explicit) of long-term commitments, both in terms of capital and labour. Long-term commitments on employment can be explained by employers' costs to get information about those who wish to hire and costs for those who want to embark on various opportunities. Furthermore, individual specific capital is the amount an employee in the eyes of the employer and lead to a greater appreciation of its value in appreciation of other employers. If anyone could predict growth of around 20 percent per year in prices, then this prediction could be represented in future salaries, real wages would behave exactly as they would have behaved if everyone would have predicted that they will not there are price increases, and there is no reason for the 20 percent of the inflation rate to be associated with a different level of zero unemployment. An unanticipated change is very different, especially in terms of long-term commitments, particularly as a result of imperfect knowledge of the effects it would generate over time. Long-term commitments means, firstly, that there cleansings markets simultaneously, but only delay adjustment of both prices and quantities involved in the request or tender; secondly, that the commitments are contingent not only on current prices but also prices that are expected to be on during the engagement. Together with S.E. Phelps, Milton Friedman has developed a differentiated alternative hypothesis that short-term effects and long-term changes early on nominal demand. Starting from several stable positions of the prices was triggered, for example, an unanticipated acceleration of both, the demand nominal aggregates. This will be handled by each manufacturer as an unexpectedly favourable demand for its product. In an environment where demand changes for different goods have always held, the producer will not know if the change occurs especially for him or comprises all economic agents. Rationally, he will interpret the change in point of view and react as such, trying to produce more to sell at a price which he perceives to be higher than the price at which it is expected that it will sell future goods. Will be willing to pay higher wages than he was willing to pay them before, especially to attract a larger workforce. Higher nominal wages

can mean lower real wages from his point of view. For employment, the situation is different: what matters to employees is the purchasing power of wages but not particularly on the goods they produce, but on all goods in general. They and their employers are likely to adapt more slowly perception of prices in general, because it is costly to gather information only guess the prices of goods they produce in particular. As a result, an increase in nominal wages can be perceived by employees as an increase in real wages and thus to generate an increase in supply, while it is perceived by employers as an increase in real wages and therefore be requested an increase in the supply of jobs. Average price expressed in terms of expected future real wages are lower; Average price in terms of expected future real wages are higher. But this situation is temporary: if left free higher rate of growth of nominal aggregate demand and in prices, perceptions will adjust to reality. And when they do, the initial effect will disappear and even then will reverse for a while, so that employees and employers will find in inappropriate situations.

Finally, the workforce will return to the unanticipated acceleration allegedly taken before the nominal aggregate demand.

Unanticipation involves one change, while, of course, there is a continuous course of unexpected changes; not explicitly address any delays or exaggerations and expectations formation process. Nevertheless emphasizes the key points: what matters is not inflation, and unanticipated inflation; there is no stable relationship between inflation and unemployment, there is only a natural rate of unemployment (UN), which is consistent with the facts and correct perceptions; unemployment can be kept below the level of inflation only accelerated; or above it only accelerated deflation.

'The natural rate of unemployment', a term introduced by Milton Friedman and running parallel to 'natural rate of interest' is not a numerical constant but depends on monetary factors 'real' labour market efficiency, expanding competition or monopoly, barriers or encouragement to work in various occupations.

The connection between employment and productivity efficiency level of savings is another topic that has a fundamental importance for public policy but is another consequence of the problem presented. There is a tendency to presume that a high level of registered unemployment is evidence of an inefficient uses of resources and vice versa. Milton Friedman argues that this view is incorrect. A low level of unemployment can be a sign of a project forced an economy uses its resources inefficiently and convinces workers to sacrifice their free time for goods that they value less than cherish free time, convinced real misconception that their wages will be higher than prove. A natural rate, low unemployment may reflect institutional arrangements that allow changes.

An economy static, rigid, may have a fixed point for everyone while a dynamic economy, highly progressive, multiple changing opportunities and develop flexibility, could have a natural rate of unemployment increased.

The natural rate hypothesis or expectations adjusted Phillips curve is again accepted among economists worldwide. A few economists still adhere to the Phillips curve in its original format; most of them still recognize the difference between interpreting curves in the short term and long term but allude to the fact that long-term curve has a negative slope, curves more pronounced than for the short term. Other economists substitute for a stable relationship between accelerating inflation and unemployment with a stable relationship between inflation and unemployment - still being aware but not concerned that there is a possibility that the same logic that led them to a second derivative to lead them to the derived class higher.

Incertitude of the decision industrialized countries return to stable prices in the long term before the Second World War or to tackle inflation rates high, and more precisely the circumstances that produce this uncertainty lead to separating the conditions for Phillips Curve vertical.

The most important exception is that high inflation is unlikely to be constant during transition periods. On the contrary, with the higher this ratio, the more is more likely to be variable.

Governments have not produced the high inflation as a deliberate policy announced, but as a consequence of other policies - particularly employment policy entirely to labour and welfare state policies that increased government spending. They expressed their adherence to one goal: stable prices. They reacted so in response to the reaction of their constituents, which agreed with many of the side effects of inflation, but are still faithful to the concept of money set. One consequence of the Keynesian revolution of 1930 was accepting a rigid level of wages and price levels almost

rigid, as a starting point for analyzing short-term changes in the economy. It was taken as such they were first given institutional concern to operators, so that changes in aggregate nominal demand would be reflected almost entirely hardly yields and prices.

In this context, it is intellectually expected for economists to analyze the relationship between inflation and unemployment and nominal wage problem and not the real ones. These changes will default connection with changes that will affect equally nominal and real ones. Further, empirical evidence suggesting originally a stable relationship between unemployment and the rate of nominal wages were deducted in a period in which, despite fluctuations over short periods of price, there was a relatively stable price term long.

The hypothesis that there is a stable relationship between unemployment and inflation has been adopted by economists promptly as complete structure Keynes' theory. As the time passed, it became increasingly difficult to accept that assumption in its simple form. It seemed like it took inflation ever higher to keep unemployment low. This has created the concept of stagflation.

The assumption about normal unemployment rate Phillips curve hypothesis contains simple as special case and streamlines a wide range of experiments, especially the phenomenal stagflation. It was not universally accepted. However, assuming normal unemployment rate in its current form has proved not well enough developed to explain a recent development: changing stagflation. In recent years, high inflation has been accompanied by high unemployment, not lower unemployment as the Phillips curve suggest, nor with the same unemployment as natural rate hypothesis suggest.

The recent association between high inflation and high unemployment may reflect the impact of natural events such as the oil crisis, or independent forces have imposed an upward trend in inflation and unemployment. A major factor in some countries or a contributing factor in other countries may be that they are in a transitional period. State has not adapted the institutions' attitude and a new monetary system. Inflation tends to be not only bigger, but also to grow in a volatile, this being accompanied by state intervention in pricing.

Monetary growth, it is widely held, will tend to stimulate employment; monetary contraction, to retard employment. Why, then, cannot the monetary authority adopt a target for employment or unemployment-say, 3 per cent unemployment; be tight when unemployment is less than the target; be easy when unemployment is higher than the target; and in this way per unemployment at, say, 3 per cent? The reason it cannot is precisely the same as for interest rates-the difference between the immediate and the delayed consequences of such a policy. Thanks to Wicksell, we are all acquainted with the concept of a "natural" rate of interest and the possibility of a discrepancy between the "natural" and the "market" rate. The preceding analysis of interest rates can be translated fairly directly into Wickselian terms. The monetary authority can make the market rate less than the natural rate only by inflation. It can make the market rate higher than the natural rate only by deflation. We have added only one wrinkle to Wicksell the Irving Fisher distinction between the nominal and the real rate of interest. Let the monetary authority keep the nominal market rate for a time below the natural rate by inflation. That in turn will raise the nominal natural rate itself, once anticipations of inflation become widespread, thus requiring still more rapid inflation to hold down the market rate. Similarly, because of the Fisher effect, it will require not merely deflation but more and more rapid deflation to hold the market rate above the initial "natural" rate.

Volatility rising inflation and removal of increasingly higher relative prices of values that would establish a free market, transform the system into a less efficient introduce fictions in all markets and may lead to higher rates unemployment.

3. Conclusions

The main conclusion to be drawn from the evolution of economic ideas about the existence of a relationship between inflation and unemployment level is that the incorporation of price expectations within the analytical framework allowed warnings that the early version of Phillips curve was too simplistic. Implicitly, the supposed relationship posed a naive behavior of economic agents. Monetarists warn authors which contributed to these shortcomings and failures of the facts that Phillips curve was one of the favorite targets of attacks of the counter-revolution monetarist.

That is why it is said that the monetarist counter-revolution has complied with a scientific purpose: to challenge and discard the enormous amount of intellectual banalities that accumulated after a successful ideological revolution in economics (Johnson 1971). Deflation will never create unemployment as inflation will never create jobs (although they will be created by the state by printing money, other jobs will be lost in the private sector by reducing the welfare produced by inflation).

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The Use of Accounting Information as a Means of Fraud

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Abstract

Accounting information plays an important part in the economic book-keeping/registration system in general, but also in the economic information system especially for decision making necessary for the business.

Although accounting information are available for a wide range of users – stakeholders, four principal qualitative characteristics must be met for the accounting information to be useful in the management system: understandability, relevance, reliability and compatibility of information.

Unlawful tax evasion involves deliberate violation of the tax law and is legally punishable by imprisonment.

The auditors also play a role in the fight against fraud and should help Member States fulfill their obligations to prevent, detect and correct irregularities and fraud.

Key words: accounting information, unlawful, fraud, evasion, compatibility of information.

J.E.L. Classification: M41, M48.

1. Introduction

Economic information is of particular interest for accounting. Accounting information belongs to this category. It is obtained by specific methods, procedures and instruments for processing economic data. It is the most real, accurate, complete and operative information representing in fact the support on which the management process is based. Most of the decisions that are made in the process of work rely on information obtained from accounting.

Auditors have a key role in the formulation of an opinion on the effective functioning of management and control systems of the operational programs co-financed by ESIF. International Auditing Standards states that the primary responsibility for preventing and detecting fraud lies with both top management and those responsible for governance of the entity.

On the other hand, the auditors also play a role in the fight against fraud and should help Member States to fulfill their obligations to prevent, detect and correct irregularities and fraud.

Auditors need specific training directly related to their role in combating fraud. Thus, real cases and situations should be used.

The procedure consists of a working group composed of experts from Member States and representatives of OLAF, Regional and Urban Policy General Directorate, Employment, Social Affairs and Inclusion General Directorate, Maritime Affairs and Fisheries General Directorate. They work for a year on a specific topic chosen by the Member States.

Accounting information is produced by specialized structures, organized within the enterprise in the form of distinct functional compartments, or outside the unit as independent legal entities, as well as certified freelancers whose principal activity is to obtain these accounting information.

Managerial accounting information is for internal users or the entity's management and includes information on the unit cost of products, cost behavior relative to the volume of business or profitability per product.

2. The importance and definition of accounting information as a means of combating fraud

According to the well-known American scientists B. Needles, H. Anderson and I. Coldwell, (Needles B., Anderson H., Caldwell J., 2000, p. 319) "the information provided by accounting represent the basis on which decision-making process rely both inside and outside the company", stating that the purpose of accounting information - "to provide the basic data needed by different users to take fundamental decisions" - is an ideal. The difference between ideal and real, is the most interesting and controversial part of accounting.

In the context of contemporary developments of any company's activities, evolution of the market economy, its increased complexity led to a corresponding development of the economic and financial information. This type of information characterize the financial situation of a company, the results of its economic and financial activity, the use of human and material resources, both for its own needs and for third parties (shareholders, customers, banks, tax institutions, other natural or legal persons).

The audit is generally a systematic process of obtaining and evaluating objectively information or statements in order to assess their degree of compliance with pre-established criteria, as well as the communication of results to interested users. (AAA) Audit consists of a set of interconnected tasks (a process) carried out by the auditors or by other experts who, based on their theoretical and practical knowledge and after assignments from specific organisms, analyze the information and operations of an entity or related to certain activities in order to provide assurance through the formulation of opinions or recommendations (Oprean, 2002,p.36).

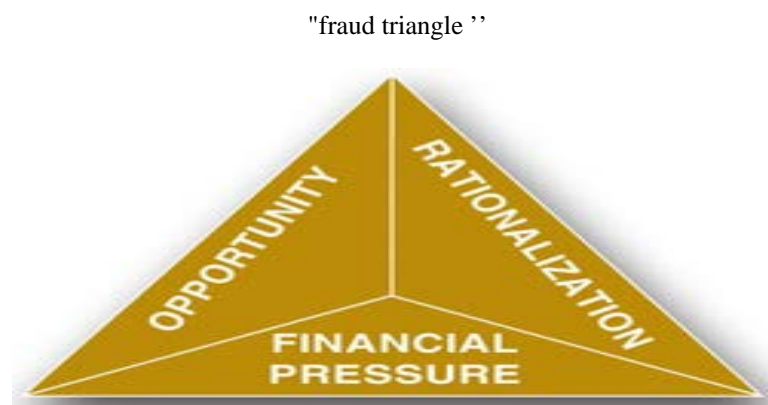
The convention, drawn up under Article K.3 of the Treaty on European Union, on the protection of the financial interests of the European Communities (Official Journal of the European Communities, 1995, p.49), defines "fraud", in terms of cost, as any act or deliberate omission related to:

- ✓ using or presenting false, incorrect or incomplete statements or documents, which results in misappropriation or improper retention of funds from the general budget of the European Communities or the budgets managed by or on behalf of the European Communities;
- ✓ nondisclosure of information and violation of a specific obligation, with the same effect;
- ✓ the misuse of such funds for purposes other than those for which they were originally granted.

ACFE divides fraud into three types, as a starting point for an organization to identify areas vulnerable to fraud:

1. Intentional manipulation of financial statements (e.g. incorrect reporting of revenue)
2. Any type of misappropriation of tangible or intangible assets (e.g. fraudulent expense reimbursements)
3. Corruption (e.g. bribery, manipulation of bidding procedures, undeclared conflicts of interest, misappropriation of funds).

There are three elements that underpin committing fraud, which can be summarized as a "fraud triangle" (Harry Cendrowski, James P. Martin and Louis W. Petro, 2007, p.41):



- ✚ opportunity – chance
- ✚ rationalization – justification
- ✚ financial pressure –financial burden

✓ **Opportunity:** Even if a person has a reason, there must be an opportunity. Inefficient internal control systems may create an opportunity (*the presumed likelihood of fraud not being detected is a crucial consideration for the fraudster*).

Fraud can also occur if controls are not performed or persons of authority create opportunities to override existing controls.

✓ **Justification:** A person can formulate a justification by reasonably explaining their acts, e.g. "it is fair to do this - I deserve this money" or "they owe me", "I'm just borrowing the money - I will return them."

✓ **Financial pressure, inducement or motivation:** „need or greed” factor. Pure greed can often be a strong reason. Other pressure can arise from personal financial problems or personal vices such as gambling or drug addiction.

3. The facilitating factors of fraud

Factors that generate and favor the tax evasion phenomenon, both in its "permitted" and not sanctioned by law form and the one sanctioned by the law, may be grouped, for a better systematization, in:

✓ **psychosocial factors**, relating both to the inner impulses and beliefs of the taxpayer and the general conduct and social environment to which he belongs;

✓ **economic factors**, related to the taxpayer's perception of the level of income remaining after payment of taxes and its ability to meet the individual needs of the taxpayer;

✓ **legal and administrative factors**, related, on the one hand, to the perception of how the taxes are decided, the equity of tax system and the perception regarding the destinations chosen by the government for the revenue collected from taxes, and, on the other hand, to the taxpayer's perception on how the state institutions apply tax laws and any penalties arising from failure to comply with them.

There is an original factor of any tax avoidance: the inclination of taxpayer, of human being, for tax evasion (Hoanta, N., 1997,p.77) though not always he acts on it.

All these factors have a combined action on the decision to avoid taxation, so drawing a clear line of each person's action is both difficult and inappropriate.

Therefore, we believe that the recourse of a taxpayer to tax evasion, or not, is an internal option, personal to each taxpayer, which is in correlation with his perception on some exogenous variables, taken as a whole.

Imperfect integration of tax in social life derives, according to some authors, from the gaps in the fiscal education of people. In this regard, in the 40s, (C. N. Tautu, 1940, p. 23) wrote about this education of Romanians at the time: "Education of our taxpayer is nowadays so poor that he has only one concern: how to pay less and if, he could, not at all."

Unfortunately, even today, the Romanian taxpayer's mentality remained the same. Profession, religion and marital status may also bear relevance on the decision to commit tax evasion.

The volume of revenues may rise even by reducing the tax rate but only applied to a greater amount of the taxable income. (Pestieau, M.,1991, p. 65)

It must be said, however, that the scenario of a policy of fiscal relaxation, of liberal inspiration, can lead to two opposite impulses. Thus, the decrease of tax level can lead to a reduction in the black economy, especially in tax evasion, undeclared work and fraud, or, on the contrary, of regulation, as effect of a policy of fiscal relaxation, it may lead to the encouragement of underground practices, which are less constrained and controlled. (Craiu, N., 2003, p.91).

4. International legal issues and fraud methods

Tax evasion is the logical result of the flaws and inconsistencies of an imperfect legislation, faulty methods of application and the incompetence of legislature, whose excessive taxation, for example, can be considered as guilty as those it provokes thereby to evasion.

According to the author, Vasile Bîrle (Birle, V., 2003,p.98), in the modern world, tax evasion has become a phenomenon, even a scourge in many countries, which grinds the economy, devours it from the roots, stifling it without giving any hope .

We believe that regardless of how it is defined this phenomenon; tax evasion is, finally, the failure to pay tax obligations, in bad faith, by the taxpayers.

The most common method of legal tax evasion is the existence of *tax havens*.

The name of tax haven tends to be replaced today with that of international financial center or financial paradise due to the numerous benefits granted to foreign investors in several domains, not just the taxation. Tax havens' aim is to attract foreign investors, who, benefiting of large facilities granted by these countries, will invest huge financial resources in certain business which will bring substantial benefits to the level of the country, thereby ensuring its development.

In the opinion of Grigore Lăcrița(G., Lacrita,2006,pp.42-43), the fiscal paradise is a country or a geographical area with an almost non-existent tax regime and a high degree of fiscal discretion or an area where tax obligations can be suppressed in full legality and almost impossible to control.

The number of international companies that have reported incidents of fraud increased by 22% over the past two years, according a study conducted by the first 4 audit companies in the world.

Although there were implemented new procedures to control fraud by the corporations, fraud is still widespread, difficult to be prevented and, in terms of its detection.Frauds were found in 45% of the companies .

Besides the premature revenue recognition, other methods were applied when these revenues were recorded on the basis of fictitious sales or nonexistent customers. Boston Japan, a supplier of medical equipment, recorded sales of USD 75 million in the period 1997-1998 from fraudulent sales - the company's sales managers leased commercial deposits, recorded false sales to distributors and delivered cargo to rented warehouses. The company has concealed that distributors have never paid those assets by issuing invoices by reversing to those and then recording other sales of the same goods to other distributors, but without moving the goods from the rented warehouses.

Company employees even recorded sales to distributors not involved in the field of medical equipment, but who had agreed with the company's sales executives to be part of this fraud.

Another method is to record transactions that occur between companies but in the end they present no economic benefit for any of the companies. For example, if a company gives a customer a loan so he can buy company's products, it is part of such a scheme if the loan was given for never being repaid. These transactions have the sole aim of increasing sales revenues.

5. Conclusions

Users of accounting information act, operate and make decisions constantly, by using and understanding the accounting information provided by financial statements.

International Auditing Standards states that the primary responsibility for preventing and detecting fraud lies with both top management and those responsible for governance of the entity.

Audit authorities of the Member States bear the responsibility, stipulated in their professional status, for two main types of audit: system audit and audit of operations. These two types of audit have different fields of interest and, therefore, prevention and detection of potential fraud will be examined separately.

Propensity to tax evasion exists in every individual from whom the governmental authority takes some of the income that belongs to him by law, and therefore he perceives this, first and foremost, as an attack on his welfare and freedom to enjoy the fruits of his labor.

Tax evasion is the logical result of the flaws and inconsistencies of an imperfect legislation, faulty methods of application and the incompetence of legislature, whose excessive taxation, for example, can be considered as guilty as those it provokes thereby to evasion.

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Middle Class in Romania: Fiction or Reality?

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Abstract

Social and economic specialists have widely debated on the importance of an intermediary category, as solid as possible, between the rich and the very poor, with the role of ensuring sustainable economic development, and the political stability of the respective regime.

In Romania's case, the analysis of the middle class is more focused on our exceptionalism: during the interwar period, the process of transformation of the peasants' class into a capitalist one unfolds, whereas the communist time signifies annihilation of the interwar middle class and the construction of a middle class reaching its deep roots in the industrial development process. After 1989, the reconstruction of the middle was made under the sign of political and economic hesitations, as well as deep crises in the Romanian society.

Therefore, the Romanian middle class is still fragile as far as numbers are concerned and in terms of the homogeneity of its constituent groups.

Key words: middle class, income, education, welfare, Romania

J.E.L. Classification: N340

1. Introduction

The middle class is the catalyst of any modern capitalist state's economic development, as well as the support for a consolidated democracy. The last two hundred years' economic and sociologic theories have shown that financial resources are accrued at middle class level, such being the funding sources for new investments (for which reason, in absence of a prosperous middle class, it is necessary to create one through funding from foreign sources), the human resources' quality is enhanced, and the incorporation and the development of new technologies are more easily performed. The final outcomes are the stability and the satisfaction of a big part of the population, which provides more stability to the regime.

The Romanian middle class underwent a century filled with fluctuations, triggered by the double process of passing toward a capitalist economy: the former was marked by the accelerated passing from a feudal economy to an incipiently capitalist one during the interwar time, followed by the annihilation of the middle class during the communist time, as well as the transition from communism to the new capitalism after 1989. These fluctuations triggered the rise and fall of the middle class, with its future in the new Romanian context as European Union Member State still uncertain.

2. Theoretical considerations on the middle class in the capitalist societies

According to Grusky (Grusky, 2001, p.2), social stratification is a set of social institutions, i.e. a process establishing the kind of social assets which are deemed valuable in the respective society; a set of rules determining the manner in which the respective resources are allocated to the various social positions; not least, mechanisms by which individuals have access to such positions and control these unequal resources.

As far as the first key-component identified by Grusky is concerned – i.e. valuable social assets, at all times, in the case of all human societies, wealth is unequally divided among the society's members. Throughout history, wealth has been closely connected to land ownership, - the land being the main source of ensuring survival (together with the control of the labour force necessary to cultivate it).

In developed capitalist societies, land ownership has lost its importance as the trading and industrial sectors were developed; a concentration of wealth can be noted in these new sectors, to the detriment of the agricultural one. Thus, wealth has become more capital and money-related than real estate-related, which triggered transformations in modern societies. The industrial world implied the accelerated development of the production of goods intended for consumption at the level of big masses of people; this development implied also the growth of the labour force; we are witnesses of increased incomes and enhanced life standards of the labourers, of their education, the amendment of their lifestyle, impacting also other social sectors. The importance of technologies and of people who can handle them has triggered the enhanced role of education, and the possibility of educated people moving up the social ladder, and, thus, experiencing enhanced social mobility.

Thus, another important source of social stratification – income, i.e. the reason why social researchers of the 20th century were concerned with an analysis of occupations, and divided populations into occupational aggregates, which they more or less placed in connection with the meaning of class and the manner in which it relates to the possession of production goods. In industrial societies, occupation is closely related to wealth, as well as to social position, very well illustrated by occupational prestige. The analysis of occupations raises yet another series of issues (Crompton, 1998, pp.56-57): firstly, occupational analysis does not include the whole structure of a society, since not everyone is economically active, and their identification based on the head of the family, although useful, does not illustrate the whole picture; secondly, in addition to the production and market relation factors, further factors occur which need to be considered, such as gender, race, and age; thirdly, occupations are not indicative of the wealth of individuals; lastly, occupational analysis tells us absolutely nothing about social relations between individuals or groups.

One aspect worthy of being mentioned is related to the prestige of occupations (Rothman, 2005, pg.125-127), which is as important as the level of incomes an occupation generates: the level of income is obviously particularly important as far as prestige is concerned; however, education is far more important, which is why teachers and priests benefit from special authority despite their low incomes. The relation between occupation, education, income and lifestyle is complex, and it is closely related to status and social class.

In contemporary societies, occupational achievements are triggered by educational ones, as occupation is directly correlated with an individual's incomes which most obviously determines a person's lifestyle.

3. The interwar Romanian middle class: lots of owners, few employees, really rare members of the bourgeoisie

Upon speaking of the interwar middle class, one needs to be aware that it is a social group including families, not individuals, they are speaking about; the head of the family determines the social position of the entire family. This is all the more true about interwar Romania, when the man was the provider of the family, the factor triggering the family's social position, in the context of women rarely having a job.

The existing synthetic data regarding the respective time (Axenciuc, 1992, p.38) highlight the high number of people working on their own (approximately one third of Romania's active population), both in the rural, and in the urban areas. Another important aspect worth mentioning (at least in the rural environment) is related to the majority of auxiliary family members (44.1% of the total active inhabitants in the urban environment and 51.1% in the rural environment). The high number of people working on their own, and of the auxiliary members, explains why during the interwar period, we face economic inefficiency and poverty: even if the latter were also providers, their income was not big enough to ensure the well-being of the whole family.

One of the most comprehensive and pertinent analyses regarding Romanian bourgeoisie is made by Mihail Manoilescu, whose vision regarding Romanian middle class is in line with the theoretical analyses of his time. According to the aforementioned, middle class included people who were neither bourgeois, nor proletarian or peasants. Middle class included the direct auxiliaries of the bourgeoisie (trading and industrial servants), small traders, small real estate owners, craftsmen and small industrialists, village school teachers and priests. Moreover, Manoilescu utilises the qualification criterion associated with school attendance: the middle class involves those people in the urban area having an average education level. The conclusions of the aforementioned study (Manoilescu, 1942/2002, pp.129-132) speak for themselves as far as the frailness of Romanian middle class in the interwar period is concerned: the number of people who could be deemed to be middle class members (whom Manoilescu calls the bourgeois wannabes) was as high as approximately 101,000 individuals, which means that, upon considering an average of 4 individuals in a family, there were 400,000 individuals out of a 20-million inhabitants' population (i.e. 2% of the entire population); a second aspect – which is a trait of the middle class in present-day Romania, also, is dependency on the public sector (the number of state employees was three times higher than that of freelancers); in fact, the number of people included in the middle and high, capitalist class during the interwar time acquiring income from the Romanian state was prevailing; the majority of middle class categories were related to the economic activity in the urban environment, whereas the rural only had a minority consisting mainly of teachers, doctors and priests; not least, these individuals' education level was very low, most of them having graduated from elementary or middle education.

Another important category which could be assimilated to a solid middle class consisted of people owning more than 10 hectares of land, which allowed them to make certain investments in their properties and to use the wage labour of other peasants. This meant approximately 7% of the rural population. It is certain though that between 20-100 ha could come close to the requirements of middle class (although in this case also there are very big differences between the two ends of the range), but this category included 2% of the total of agricultural exploitation works, joining together 10% of the country's total agricultural surface (Enciclopedia României, 1938, p.304). These are those categories of the so-called "wealthy peasants" or "kulaks", which were the most dynamic categories at the level of Romanian villages.

Office holders represent another important middle class segment, with the Romanian red-tapists being a pretty extended social category, or, as some interwar researchers put it, much too vast considering the needs and possibilities of the Romanian state at that time. This group is not homogenous either, given the significant salary incomes discrepancies. The Romanian state's employees were as many as 310,000 individuals, plus 45,000 county and communal level employees. The 310,000 included also employees of autonomous administrations, trading administrations and other special directorates; together, these categories included 100,000 persons, 50,000 of whom worked for the Romanian Railways (Measnicov, 1938, p.23).

According to the above mentioned author, 40% of all office holders earned a monthly income ranging from 2,000 to 3,000 lei; under 4,000 lei, 72% of all office holders). The statistics of prices and the living cost in 1934 reveals that a family of 5, 3 of whom were children, had the following monthly expenses: in Bucharest, lei 10,596; in big towns, they would spend lei 7,500-9,000; in towns where the living cost was lower: lei 5,500-6,000. The data indicate without a doubt that this category was poor, which made the office holders to be on a permanent lookout for additional income sources, including "gifts" for illegal services (Measnicov, 1938, pp.24-25).

The analysis of the interwar middle class shows that the segment included a relatively small number of individuals characterized by economic vulnerability, particularly in terms of their dependence on the Romanian state. The entrepreneurial component was underdeveloped and the promising categories as far as development under the western model was concerned were removed during the communist time.

4. The destruction of the middle class during communist period

As soon as the communist regimes took over power in Eastern Europe, they enforced programs for the systematic destruction of society's capitalist elements, including the middle class; the

outcome was that a whole social class was obliterated, and its obliteration exceeded the economic area, as it focused also on extra-economic aspects, such as pressures on families and friends, going as far as physically terminating high numbers thereof.

In Romania's case, one of the most abused categories, against which total destruction was aimed, was the rural middle class, i.e. the "kulaks". As seen before, it became a more and more economically and socially dynamic class, an elite in the rural environment, which was an evident obstacle to the communist party. One of the means used to discriminate against this social class was the replacement of the original meaning of the word by conferring it defamatory, derogatory connotations (Larionescu *et al*, 2006, p.94-95). The process was accompanied by the physical termination or forced relocation, as well as land misappropriation of this profoundly anti-communist category (most of the communist opposition came from this social category). The destruction process was slow, unlike the misappropriation of production means in the case of big industrialists, which took place overnight, in the form of nationalization.

The communist regime determined a new middle class to emerge, as a result of industrial development during this time, doubled by the development of the Romanian education system, having direct effects on the general education level, which included mainly two social categories: technocracy and the intellectuals.

Lenski (Lenski, 2001, pp.78-79) proves that the communist systems allowed us to have a better understanding of the causes and consequences of stratification systems, given that many of the issues of communist systems resulted from inadequate motivations, with the lack of motivation impacting labourers and the directors of enterprises and office holders of central authorities alike. The absence of salary differentiation based on qualification resulted in the lower qualification of labourers, absenteeism, no discipline, corruption, alcoholism in some cases, which triggered a much lower work efficiency, illustrated by the famous line: "They pretend to be paying us money, we fake working." Income levelling and the consequences thereof proved that rewards should reflect the social utility of performed work and that such need to be differentiated.

5. The remaking of the Romanian middle class in the new capitalist society

The remaking of the Romanian middle class was carried out by way of several means, depending on the economic activity type: thus, in agriculture, the choice made was the retrocession of lands owned before World War II, which meant the perpetuation of the disintegration of farming lands based on the model existing during the interwar time. It was only after the accession to the European Union and the utilization of financial funds made available by the same that a process of concentration of agricultural exploitation in associative market-oriented forms started. The rural population involved in such activities is the essence of a true rural middle class; however, this category is small in size, as the rural population is mostly poor, and does subsistence farming.

The transformations which affected the middle class in the twentieth century may be noticed also at the level of developed capitalist states: namely, the United States entered capitalism as a nation consisting of small owners, but the transformations undergone by the American society at the beginning of the twentieth century triggered an increased number of employees to the detriment of freelancers. The fast decline of the former middle class was doubled by the spreading of employed work, so that at the end of the fourth decade, four fifths of the active population was employed and working for the 2 or 3 percent of the population owning half of the private property in the United States. These four fifths include also the new middle class, for which the market, not the control of property, is the opportunity to attain a higher income, to achieve social reputation or to enhance their qualification and social ascension (Mills, 1956, p.63).

In a study dedicated to the Romanian middle class (Larionescu *et al*, 2006, pp.119-120), the authors deem that a particularity of the emergence of the middle class after 1989 is represented by the utilisation of political capital from the communist era to generate economic capital: the former communist technocracy utilises the information and its networks of personal/professional relations inherited from the communist time, to turn them into an economic resource. The resulting difference here compared to the classic model of middle class emergence and development in Western Europe and in the United States (based on private initiatives, the undertaking of market-afferent risks, etc.) is that the forming of the class of entrepreneurs in our country is made in an

environment where the state generates and protects (and even finances) the emergence of a class of entrepreneurs (all the more true as we look at the top of the pyramid of business made based on national capital).

In a recent study, Cătălin Zamfir (Zamfir, 2015, pp.31-36) makes an analysis of the transition time in Romania; one of the conclusions of his study is that in Romania we are dealing with a "neo-feudal" state: just like the classic feudal state, the transitional Romanian state ensured the creation of a rich class in Romania; the difference from the classic feudal state is that enrichment was not made solely with the population's resources (by creating the rich class in an upward movement, although such phenomenon was also encountered), rather by the utilisation of the economic and financial resources of the state, inherited from the communist period. According to the aforementioned author, the ways in which this was achieved were most diverse: from the defective privatization of state property (fast privatisation, by any means, in very many cases to the detriment of economic efficiency and of economic development), the inclusion of private management interested not in the efficiency and the development of the respective enterprises, but in the identification of ways to achieve their own personal enrichment, the utilisation of state funds for investments whose main purpose was to benefit individuals or groups of individuals, and, not least, the financial plundering of a large category of the Romanian population.

In most cases, these economic policies, allegedly meant to achieve economic growth and sustainable development in Romania, had outcomes to the contrary; as shown in a recent study by the Institute of Research of Life Quality (ICCV, 2017, pp.11-17), the amendments with negative impact were numerous: the rate of the employed population in Romania is almost half the historic numbers (from 8.1 million in 1990 to approximately 5 million in 2015); the rate of the active population out of the total population has also declined, which means the substantial cutting down of incomes in the case of a significant percentage of the population; the numbers of freelancers and of non-remunerated family workers are very high (i.e. 17.3%, and 7.3%, respectively) which triggers a very high level of poverty characterising a high level of the population, particularly rural inhabitants; the level of incomes, which is an essential indicator of the population's living standard, places Romania at 61.1% of the EU 8 average level (former communist states) and at 25.9% of the EU 15 level, which provides a bleak perspective on the time needed to bridge such gaps; according to the quoted study authors, this is caused by the low weight of salaries against the newly-created value (Romania's GDP had grown 400 times during 1990-2015, whereas salaries were only increased by 143.3%).

All these were reflected in the population's education and health levels, as expenses with these fields are at the lowest level in the European Union. These are the reasons why the current middle class is very frail (both in terms of income, and number), as can be seen in the data below:

Table no 1 Middle class categories in current Romania (2012):

No.	Major Occupation Groups (ISCO-08)	The average number of full time employees working the entire month	The achieved gross average salary (lei)
0	TOTAL:	3,645,061	2,052
1	Members of the legislative, the executive, high commissioners of public administration, top management and clerks	258,198	4,887
2	Specialists in various fields of activity	819,195	2,869
3	Technicians and other technical practitioners	332,073	2,258
4	Administrative clerks	247,316	1,731
5	Workers in the service field	521,751	1,076
6	Qualified workers in agriculture, forestry and fishery	16,627	1,189
7	Qualified and assimilated workers	548,557	1,657
8	Installation and machine operators; machine and equipment assemblers	465,675	1,624
9	Unqualified workers	435,669	1,014

Source: Tempo-online, www.insse.ro (Accessed on 2 May 2017).

The chart data prove the discrepancies between what the specialized literature calls the *upper middle class* and *lower middle class*: the first chart category, illustrating the upper middle class,

includes under 10% of our country's employees (5% of the total active population); the following two categories, characterizing the intermediate middle class, brings together approximately one third of all employees, with average incomes, whereas categories 4-6, which include the lower middle class, represent 25% of all employees, with their incomes barely reaching half the average.

Regarding the incomes, the best qualified categories earn an average of 4.5 times more than the lower middle class; however, it is not the difference that matters, it is the fact that people working in the service field earned an average income in 2012 (latest available data from the National Statistics Institute), i.e. 1,076 lei (approximately EUR 200), which brings them closer to the categories with poverty risk. The abovementioned study show (ICCV, 2017, p.14) that compared to other European Union Member States, Romanian population average earnings place us on the last position: half compared with the average level of the EU 8 (former communist countries), and six time lower the EU 15.

6. Conclusions

In none of the historic periods analysed in the case of Romania can we speak of a well-developed, homogenous middle class, given that, in addition to the underdevelopment of a common lifestyle (work, consumption, formal and informal association), there is also a social gap, highlighted by the differences between the urban and the rural segments, or between certain categories included in the middle class.

The most important aspect to be underlined if we are to see the progress of this social class is that it was dominated by cultural capital, with the economic capital relatively decreased at the Romanian society level; this led to downsizing the role of this social class which actually means the cancellation of its so important political and economic role.

In the next few decades it is absolutely necessary to consolidate this important economic, social and political group, otherwise the gap between our Romania and the developed countries of the world will increase; as showed in a recent study (Burrows, 2016, p.61) the middle class will become, in most of the countries around the world, especially in the new developed world (South Korea, China, Brazil, India etc.), larger, highly-educated, using on large scale latest technologies.

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Safety Management and the Modern Teaching Environment

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Abstract

In this paper we aim to create a link between the pedagogical organization, educational topics and the mode that visual graphic design, aided by technological means (educational software), must collaborate to forge an attractive educational learning product for maritime safety management.

Maritime safety and security sectors are becoming sensitive faced with the need for the protection of goods and persons against the multiple threats and risks that are coming from the sea. The growth and diversification of maritime activities are leading to an increase and an evolution of threats. This requires the consideration of individual (accidents, navigation, immigration, terrorism, pollution and illicit traffic) and environmental (disasters and natural resources) risks, as suggested by the ISM Convention and Code.

Modern pedagogy proposes to organize the learning process in such a way that content and strategy issues are achieved according to the above learning objectives. The didactic tools interpose between teacher and student, enhancing the instructive-educative capacity of the educator and facilitating the student's learning activity.

Key words: navigation, educational environment, maritime safety, design teacher, ISM

J.E.L. Classification: J24, J28, L91

1. Introduction

The objectives of maritime safety management are to ensure safety at sea, prevention of human injury or loss of life, and avoidance of damage to the environment and property. By properly understanding, learning and enabling safety management objectives, seafarers "should provide safe practices in ship operation and a safe working environment." (Nistor, 2009, p.397). The use of effective, eye-appealing and modern informational techniques during the educational process, might lead to highly satisfactory results.

Safety is the state of being "safe" and protected against all types or consequences of failure, damage, error, accidents, harm or any other event which could be considered non-desirable. International Maritime Organisation (IMO) – the United Nations specialised agency with responsibility for the safety and security of shipping and the prevention of marine pollution by ships – places considerations of the human element at the centre of its work. Issues of concern to seafarers such as stress, fatigue, workloads, training standards, safety, security and environmental protection are affecting the competitiveness of a maritime company. Ship owners admit the benefits from employing seafarers who are properly qualified and who have received performant, modern, education and training in order to be able to display the professional standards and technical competence needed to manage today's ships safely and efficiently. That is why seafarers can obtain

seafaring certificates only after they learn properly and demonstrate their knowledge on IMO's International Conventions on Standards of Training, Certification and Watchkeeping for Seafarers (STCW), Safety of Life at Sea (SOLAS) or International Safety Management (ISM) Code. The managers of the shipping companies take over all duties and responsibilities imposed by IMO's ISM Code. They should develop, implement and maintain a safety management system which includes safety and environmental protection policy; instructions and procedures to ensure safe operation of ships and protection of the environment; defined levels of authority and lines of communication between, and amongst, shore and shipboard personnel; procedures for reporting accidents and non-conformities with the provisions of ISM Code; procedures to prepare for and respond to emergency situations and procedures for internal audits and management reviews. (Nistor et al., 2009, p.396-400).

In this paper we make the connection with the computer contribution in the process of creating modern educational tools for enhanced dissemination of the concepts: safety management and maritime safety. This will enable students to acquire knowledge and skills which allows them to adapt to the requirements of a knowledge society which is constantly transforming.

We speak about the design of visual graphic organization in an educational environment, and make some advices for visual design in the context of aesthetic value. We state that all multimedia resources used must be of good quality: both image resolution and sound quality will follow the standards used on the web and in web applications. The visual aspect has a significant contribution to a clear understanding of each information provided, being in accordance with psycho-pedagogical norms and considering students' particularities.

At the end of the paper we make some suggestions on how to integrate the educational means into the whole of modern teaching technologies. We underline that any appeal to modern educational means must be balanced by the advantages and disadvantages.

We observe, as a conclusion, that in the maritime management domain the presence of the computer and its efficient use in organizing the training act within the educational process, will facilitate the transmission of the lesson progress made by science and technology.

2. Design of visual graphic organization

Good quality education is a prerequisite for ensuring a ship maintains high standards of operation within a safety environment. From the legally imposed training certificates of competence to the cadet programs of practice at the board of the ship, it is essential to understand the strategic importance of operating a vessel to the highest levels. In this paper we will try to answer how the modern teaching environment can have an useful insight in this aspect.

The didactic interaction between the program and the user /student is achieved through a graphical interface made according to a didactic strategy related to the objectives pursued. Allowing the correct interpretation of user reactions (Manole, 2015, p.37) and the adjustment of the process according to a established strategy.

To ensure quantitative and qualitative workloads on safety management (Năftănăilă, 2009, 27), educational software must have high interactivity levels, at least 50% of applications will be interactive. Navigation interactivity is not considered to be pedagogical interactivity.

The information is organized by positioning the text against the image, setting the weight of the text against the image and sound, avoiding overlapping adjacent windows, displaying information in text windows, etc.

Graphics must provide standardization and consistency in using a style.

For the consistency of the didactic process, a number of design or accessibility requirements (Oprea *et al*, 2010, p. 38) need to be standardized to ensure predictability and regularity, i.e. to ensure students' comfort on the one hand, and to help them with the learning process:

- font characteristics (size, color, effects)
- ensures the optimal legibility (at a distance of 60-70 cm from the screen)
- standardization of the interface for all objects to create a common learning environment to ensure the student's comfort organizing the information on the screen: positioning the text against the image, avoiding the overlapping of the adjacent windows, etc.

- use of colors - according to medical and psychological recommendations compliance with standard procedures for all educational software provision of a local help system.
- instructions are standardized, clear, simple, they can be understood by students with low computer skills, are briefly written in an unambiguous form.

3. Aesthetic value – advices for visual design

In order to be appealing to maritime students of all ages and backgrounds, graphics used within educational tools must follow some principles (Oprea *et al.*, 2010, p. 71) of web design:

- the principle of unity - all parts of a screen must form a whole;
- the principle of variety - the appearance must be varied and contrasting to defeat monotony;
- the principle of balance - balance is essential between the illustration, text, title and other multimedia resources present on the screen;
- the principle of rhythm - we can get the feeling of movement, even in the case of a static display; A simple mean is the identity of the paragraphs, the view being taken from one paragraph to the next;
- the principle of harmony - the screen must not contain troublesome or sudden contrast elements;
- the proportion principle - refers in particular to the letter body used for different widths of the text;
- color principle - can be used in graphic design, taking into account the physiological and psychological effects of colors and the sensations they create;
- the principle of accentuation - according to which, if everything is accentuated, nothing stands out; Contrast is nevertheless necessary, taking into account the other rules;

All multimedia resources used must be of good quality: both image resolution and sound quality will follow the standards used on the web and in web applications.

The visual aspect has a significant contribution to a clear understanding of each information provided, being in accordance with psycho-pedagogical norms and considering students' particularities.

- simplicity - Software authors tend to include too many details. It is advisable for a page to contain the main ideas and "for more information ..." access links. some research that compared the "dense" text and those containing only the main ideas (by removing 40% of the premiums) concluded that the level of information retention remains the same, while the duration of a work / learning session shortens significantly in the case of "processed" texts.
- positioning in order of importance - The information can be positioned on the page in order of importance and relevance, the privileged place being left, up (for individuals in European, American cultures - who are accustomed to visually viewing the Z-shaped material).
- grouping elements by significance - This principle includes some suggestions for the "topography" of the page. Elements embedded in the same idea must be demarcated by other elements or groups of elements by using free spaces, frame boxes, different colors, and other grouping-labeling methods.
- spacing - it is advisable that the actual text occupies between 25 and 50% of the total space of the page. Highlighting text units by using attributes: underlined, bold or bold. A different color highlights some important information. The spacing between the lines will take into account the size of the body.
- balance and symmetry - The text should be distributed balanced on the page and weighted by including graphics and images. The avalanche of gross, visually unprofessional information is contraindicated, leading to disorientation of users.
- proper use of colors - The finding that the use of a varied chromatic field increases the efficiency of intellectual activity has propelled and diversified research into the influence of colors on the human psyche. An adequate color combination is an important element of the presentation materials. Colors can be used at text, illustrations, and background. The use of color is primarily functional, but largely determines the aesthetics (character and keeping of materials) and, implicitly, the integrity of all software.

- at the level of the illustrations - using colors increases the significance value. The reader receives, processes and interprets a color illustration much faster and more efficiently than a grayscale image.
- indicative symbols - that visually signal the presence of a certain type of content (menu, useful information, recommended links, warnings, etc.) will better perform the orientation function by constantly using colors and taking into account the conventional meanings (yellow - caution, red - attention, etc.).
- background - The chromatic differentiation of the pages of each section or themes can prove to be very useful in general orientation in the presentation material of the software. But the most important aspect of color use for the fund refers to the color function of influencing behavior by triggering emotional feelings, intentions, and positive attitudes.

4. Educational suggestions: integration of educational means into the whole of modern teaching technologies

In the following lines we make some suggestions on how to integrate the educational means in the modern teaching technologies for maritime safety:

- inclusion in initial and continuous training for teachers of courses and training modules for their empowerment in the pedagogical (Cristea, 2011, p. 241) and computer science design of educational software;
- creating multidisciplinary teams (computer scientists, teachers of various maritime and non-maritime specialties, school psychologist, support framework, visual arts professor, as well as maritime industry representatives) at each level of the maritime education institution in order to implement specific programs for the design of didactic software (Vasilyeva, 2006, p.31), correlated to the real seafaring environment, while monitoring all teaching and learning activities assisted by computer from school;
- posting on the webpage of the maritime education institution or on the weblog, related links, of proprietary software products, shared in distinct folders by the level of education and subject created by the teachers in the institution;
- linking the classes to internet and motivating teachers to become educational software authors (Petac, 2015, p.44);
- planning meetings of methodological committees in which to analyze software products for maritime safety of their own design and teaching-learning-evaluation activities based on computer-assisted training.

Any appeal to modern educational means (Grainne, 2007, p.24) must be balanced by the advantages and disadvantages:

- advantages: They supplement verbal explanations by providing a visible, intuitive support, providing to students a hard-to-reach reality, challenging and supporting cognitive motivations, strengthening knowledge, and making learning more effective.
- disadvantages: they predispose to a standardization of the perception and interpretation of reality, embrace passive reception, sometimes cause distortions of the phenomena exhibited and contribute to the formation of artificial images about society.
- In conclusion, the selection of the means of education can be done with a lot of competence without over-requests or exaggerations.

5. Conclusions

In contemporary society a very interesting phenomenon is observed regarding the link between the progress of science and education (Storo, 2013, p.124). This connection is not new, it has manifested itself in all ages and civilizations and consisted in transmitting within the lesson the progress of science and technology. What makes this link interesting nowadays is the presence of the computer and its use in organizing training, conducting education, or teaching pedagogy.

- Computer-assisted training gives the learner the opportunity to learn through research, discovery, interact and respond to various visual or auditory stimuli.

- The computer offers a wide variety of information, questions or problems, presented in audible or visual form, through texts, photographic images, animated videos, drawings or graphics. The computer is an interactive environment that keeps the student's attention and motivation awake, regardless of the degree of difficulty.
- Like any didactic method (Neacșu, 2007, p.639), computer-assisted learning has advantages, which must be known by the teacher to be used or, on the contrary, avoided. First of all, using a computer means a great deal of time, but it is very expensive. Second, the computer stimulates some phenomena and processes, but does not replace experiments or their direct observation.
- The learning process requires a variety of qualities and contributes to their formation and development, as well as other skills and competences that can provide the student with the "keys" for successfully completing the maze of life in a complex society such as the knowledge society.
- Under the slogan: "Do not teach others what you want, you do not teach them what you know, you teach them what you are." (Jaures, 1902, p.21) it can be done any learning activity whatever the proposed form, traditional or computer aided.

Digital resources are an auxiliary support for learning maritime safety. Educational software is a response to a thorny question that concerns most teachers: "how to attract and motivate students to learn about this discipline ?"

Educational software is the flame that can rekindle the student's interest, if well graphically and pedagogically designed, can keep it burning, leading for the first time at least a rapprochement and a "friendship" of the student with the rigor of science.

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Section IV

Marketing – Management

Analyzing Seasonality and Forecasting the Number of Tourists' Overnight Stays in Constanta Municipality

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Abstract

Constanta is perceived as the country's largest port-city, but also as the most visited tourist city on the Romanian Black Sea coast. For many generations, Constanta has been the place where many beautiful summer holidays memories are made, being associated especially with the sea and the sun. These aspects highlight the seasonality in tourism activities.

Using an important tourist traffic indicator, the "number of overnight stays", the objectives of this study are to analyze the seasonality in the tourism activity in Constanta, between 2010 and 2016, and to predict the evolution of this indicator, per months, for 2017. We appreciate that the results of this research are a relevant basis for various stakeholder debates (which carry out, or are related to, tourism activities), on the choice of a strategy that would contribute to the reduction of seasonality in the tourism activity carried out in Constanta.

Key words: seasonality, number of overnight stays, mobile backgrounds, Gini index, forecast

J.E.L. Classification: C10, C15, C38,L83, M21, M31,R11

1. Introduction

In the economic literature, the concept of seasonality refers to the evolution of the activity whose specific feature is represented by the annual or intra-annual repeatability and which is manifested by a significant variation or even by the occurrence of discontinuities in the performance of the activity from a field and/ or area. It is noteworthy that not every oscillatory movement may be considered seasonality (Grigorescu, 2003). Mostly, the studies on seasonality focus on its negative impact on the use of natural and anthropic resources, the longer-term recovery of the invested capital, difficulties in ensuring well-qualified workforce, the creation of agglomerations in tourist destinations. This can attract tourists' discontent, disturbance of the inhabitants' normal lifestyle and even difficulties in carrying out the activity of some economic operators (Koenig-Lewis, Bischoff, 2005; Minciu, 2004). This study combines quantitative and qualitative research and the results obtained represent "a radiography" (an image) of the evolution of seasonality in tourism activities, in Constanta city (including the tourism activities from Mamaia resort).

1.1. Seasonality - a feature of the tourism activity in Constanta

The tourism activity from Constanta has always been influenced especially by natural factors, which have imprinted a pronounced seasonality nature, as its basic feature. Thus, on 14th August 1887, Delavrancea wrote in *Romanian Newspaper (Ziarul Romanul)* that many Bucharest inhabitants, from higher socio-professional categories, preferred going to Constanta "to end the holiday season. After the mountain air, there followed the salty air of the sea" (Ștefănescu

Delavrancea, 1972;in: Păuleanu, 2006,p.147). Considerations on the natural factors were also formulated in the summer of 1894: "a large and distinguished audience came from different corners of the country to visit our city, to breathe the fresh, refreshing and health and life giving air, as well as to take sea baths" (Aurora, 1894,p.4; in:Păuleanu, 2006). Later, in 1928, Constanta became a known resort in Europe, precisely due to its natural resources (Dacia.1924, p.1, in: Păuleanu, 2006). The resort's activity was recognized in 1928, when the city hall was awarded the gold medal at the Balneological and Climate Exhibition. In the same year, Constanta hosted the 5th International Congress of Thalassotherapy, which was attended by many foreign scholars (DJAN, 1928, in Păuleanu, 2006).

The qualitative research highlights that, in Constanta, the seasonality in tourism activities has been an old concern for more than 135 years. Thus, *Farul Constanta* newspaper wrote on 14th June 1882 that: "The sea bathing season has come close". Then, in a meeting of the Communal Council (Constanta) on 26th March 1887, upon discussing the issue of city illumination, it was stated that it had to be solved "before the 15th of June, when the sea bathing season begins" (DJAN .1887, f.9-13, in: Păuleanu 2006, p.144). Clear issues about seasonality are also mentioned in the Regulations of Constanta Spa Resort, elaborated by the Mayor's Office, in 1892, which states that: "The sea bathing season starts on 15th June and it lasts until 15th September" (DJAN .1892, f.2-6, in: Păuleanu 2006, p.188). After a few years, the tourist season began earlier: "It is brought to your attention that the sea bath season began on 1st June this year (1899 n.n.) in Constanta" (DJAN .1899, f.3-5, in: Păuleanu 2006, p.145). It seems that the expansion of the season was a concern for tourism entrepreneurs, but also for local administration authorities, in order to ensure revenue growth, investment recovery, better capitalization of natural resources and the general development of the city.

In order to explain seasonality, as a way of evolution of tourism activities, it is necessary to identify the factors that can determine seasonality and understand their action. Thus, a grouping of factors can be made by their nature. Thus, it is considered that seasonality is determined by the geographical environment (represented by climatic conditions, thermal regime, relief, positioning, natural resources), sociological factors (referring to people, lifestyle, social groups, customs, traditions, culture) and economic factors (expressing the level of development and the structure of the economy by branches, employment rate, free time, income level, consumption level and structure etc.) (Grigorescu, 2003). These numerous and diverse factors, in their separate action, but also combined, can determine both the seasonality in production/ supply and the seasonality in demand/consumption.

When defining seasonality, some specialists have in mind only the tourist demand. Thus, Biedermann considers that seasonality's permanent feature is represented by the sudden change in demand, according to a certain period of the year. In his turn, Allcock points out that the tourist flows (representing tourist demand) tend to focus on a short period of the year (Biedermann, 2008; Allcock, 1989). We consider that, in order to study tourism seasonality, as a mode of activity evolution, it is appropriate to take into account the action of all the factors that can act on demand and supply, but also other specific aspects, such as the rigidity of the offer and the unstorable nature of tourism services (Minciu, 2004).

3. Research methodology

Our study, which is focused on the seasonality in the tourism activity from Constanta, is based on a series of statistical data on the number of overnight stays, in calendar months, between 2010 and 2016, provided by NIS. In order to highlight the seasonality nature, but also in order to analyze the evolution of the indicator for the period 2010-2016, we used the 12-monthly moving averages method, and for the trend projection and the seasonal forecast, we used the extrapolation by analytical methods (linear function).

We consider that the original aspect of this study consists in the way in which we analyzed the seasonality, by combining quantitative and qualitative research, but also by comparing the real, actual evolution with the one resulting from the adjustment and forecasting calculations performed for the indicator "number overnight stays".

4. Data, results and discussions

In order to characterize the seasonality in the tourism activities from Constanta, we have selected one of the most used indicators of tourist traffic, i.e. the number of overnight stays (Table 1). The database represents the registered values of this indicator in Constanta County Statistics Department, per each month, between 2010 and 2016.

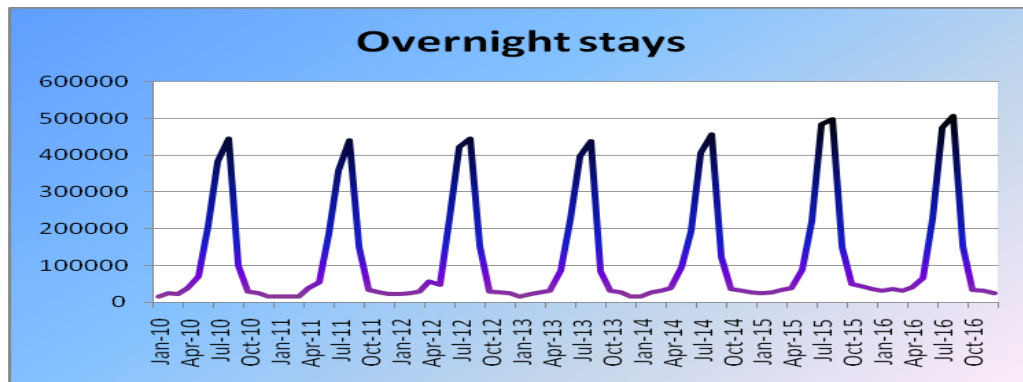
Table no. 1 Number of overnight stays in Constanta municipality, 2010-2016

Month	2010	2011	2012	2013	2014	2015	2016
January	20240	15920	22813	21056	21012	26129	32221
February	24786	18989	24378	22270	27577	26984	37372
March	23821	20322	29831	26759	31192	33955	32830
April	38496	37875	57255	32848	39245	39040	39921
May	70417	55227	48084	86430	94803	88844	66200
June	207847	188299	229681	226356	194745	221013	227716
July	383317	358732	421697	397119	405834	485207	475752
August	445265	441421	445671	438786	456783	499090	508437
September	101257	151004	151864	85105	123268	150092	154000
October	29398	34211	29578	31206	36853	49460	34527
November	24472	26672	27135	27630	31615	42838	32710
December	17217	21755	24591	20838	26658	36938	25016

Source: NIS

Figure 1 highlights the evolution of the number of overnight stays in Constanta. The analyzed phenomenon shows a pronounced seasonal evolution, with a peak in August and a minimum point in February.

Figure no. 1. Evolution of the number of overnight stays in Constanta municipality, per months, between 2010 and 2016



Source: Authors' own processing of NIS data

Also, in order to take into account the objective trend of the evolution of this phenomenon, independent of the seasonal wave, in statistical theory and practice, first, there are adjusted the terms based on mobile environments or on regression equations. This procedure is used especially where the variation of terms has a cyclical nature. By calculating the moving averages, this cyclic variation is removed and the data series with a smooth, continuous variation is presented. Since the analyzed data series (number of overnight stays) has a monthly periodicity, the mobile environments have been calculated based on 12 terms.

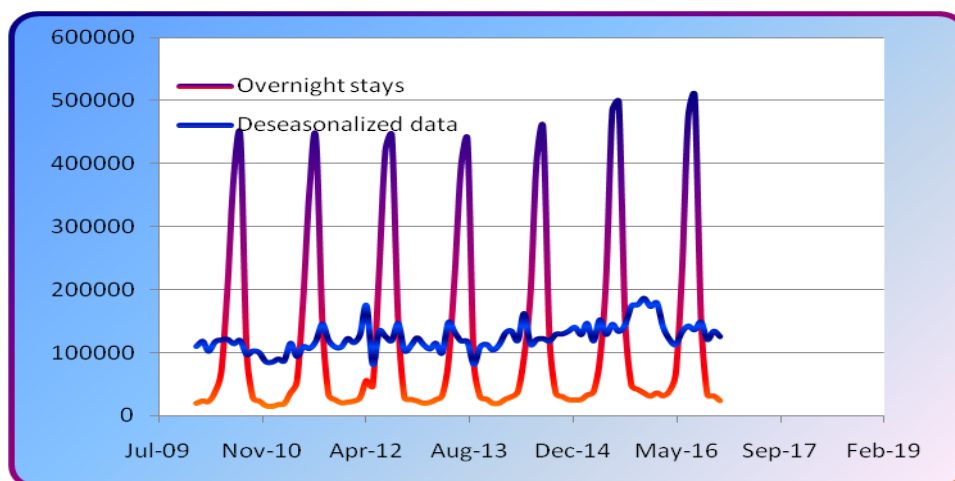
Table no.2 Monthly seasonality indices are calculated as the ratio between the monthly and the annual average.

MONTH	Seasonality indices (coefficients)
January	0.184224235
February	0.207274778
March	0.229325493
April	0.3246211
May	0.578509645
June	1.693570744
July	3.308568798
August	3.688944652
September	1.025883828
October	0.281828195
November	0.24097967
December	0.196731821

Source: Authors' own processing of NIS data

The closer the value of these coefficients is to 1(100), the more attenuated the seasonality is and vice versa, i.e. the more it deviates from 1(100), the more pronounced the seasonal nature of the number of overnight stays is.

Figure no. 2 Comparative evolution of the number of overnight stays in Constanta municipality and of deseasonalized data, in the period 2010-2016



Source: Authors' own processing of NIS data

One of the objectives of our study is to find out, based on the interpretation of the recorded data, the level of overnight stays for the next 12 months. The problem of extrapolating statistical data series is difficult because the social and the economic phenomena are particularly dynamic and they are influenced by a large number of causes; this influence may vary depending on the conditions in which they occur. The extrapolation is based on the methods and procedures used in the adjustment process. In the following lines, we opted for an analytical procedure, using the linear function. Table 3 shows the projected trend values using the straight-line equation, without taking into account the seasonal variations (column 2) and the projected values, having in view the seasonal variations (column 3) for 2017.

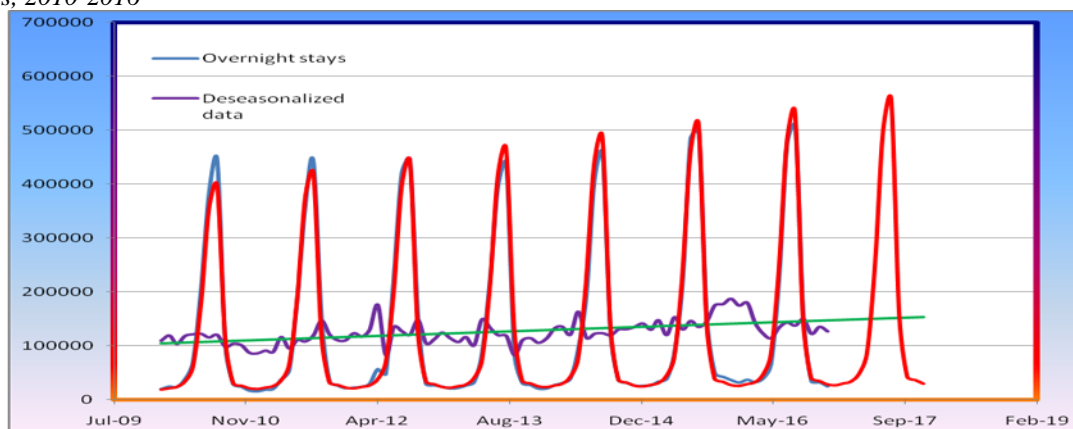
Table no. 3 Trend projection and seasonal forecast, per months, for 2017

Date	Trend projection	Seasonal forecast
Jan-17	147337.6624	27143.16819
Feb-17	147851.2504	30645.83511
Mar-17	148364.8384	34023.83974
Apr-17	148878.4265	48329.07852
May-17	149392.0145	86424.72131
Jun-17	149905.6025	253875.7427
Jul-17	150419.1905	497672.2404
Aug-17	150932.7786	556782.6662
Sep-17	151446.3666	155366.3783
Oct-17	151959.9546	42826.59965
Nov-17	152473.5426	36743.02398
Dec-17	152987.1307	30097.43674

Source: Authors' own processing of NIS data

By analyzing Figure 3, there is revealed a slow increase in the number of overnight stays in the studied period, the trend indicating a very small inclination, as the indicator is strongly affected by seasonality (the series of deseasonalized data is very different from the real data). In fact, only 2 months, i.e. July and August, account for about 60% of the number of overnight stays.

Figure no. 3 Projection of the trend and of seasonal data and seasonal forecast of the number of overnight stays, 2010-2016



Source: Authors' own processing of NIS data

5. Conclusions

The quantitative research carried out in this study (by processing the database on the number of overnight stays registered in the period 2010-2016, using the most popular statistical-mathematical tools recommended by the literature) allowed us to:

- demonstrate that seasonality is a specific feature of the tourism activity from Constanta;
- establish/ measure/ quantify the length of the tourist season;
- analyze the evolution of the season length over the analyzed period;
- predict the evolution of the number of overnight stays, per months, for 2017.

The qualitative marketing research highlights the fact that seasonality is not at all a new phenomenon. In this study, we used this type of research precisely because it is considered the most appropriate method in order to acquire objective knowledge of a situation or reality. The analysis of some texts and documents from the end of the nineteenth century and the beginning of the twentieth

century provided us with some interesting information, and by processing it, we obtained the following main aspects in terms of seasonality:

- the season and the length of the tourist season;
- concluding that natural factors were of the highest importance, both in terms of tourist demand and offer;
- spending a summer holiday on the beach, in Constanta, started to become "fashionable", which shows that other factors (especially sociological and economic factors) were acting on seasonality;
- manifesting concerns about increasing season length (promotion actions, but also the adoption of decisions/ normative acts in this respect).

The results obtained in this study point out that seasonality (analyzed in terms of the "number of overnight stays") had a constant evolution over the period 2010-2016 and this feature will be maintained in 2017 (according to the predicted values).

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Social Networks and Social Revolution. Evidence from Romania

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Abstract

During recent years, social networks have changed the paradigm in mass communication, introducing speed and interactivity that were not possible by using traditional mobilization resources. In a few years, social networks have become the voice of society, as they represent a new source of information and expression that provides resourceful means to mobilize the citizens. No other means of communication have had such a rapid development as the Internet, a medium that is undoubtedly changing the rules of the political game. In this article, we take a look at the use of social networks during social and political movements, with particular focus on the 2014, 2015 and 2017 Romanian protests. We conclude that social networks alone do not instigate revolutions, but they are valuable tools for citizens to organize free protests, recruit and train participants, which can lead to further collective action and social change.

Key words: Social networks; Social revolution; Romanian protests

J.E.L. Classification: L1

1. Introduction

The XXI century has been defined by a series of concepts specific to the evolution of society, such as stability, peace, integrity, tolerance and interculturality (Brownlee, 2002) (Hegre, H., Ellingsen, T., Gates, S., & Gleditsch, N., 2001) (Howard & Parks, 2012). These are the features of a developed, globalized and, of course, democratic state. Throughout the years, living in democracy has become people's ultimate aspiration, especially if they had been living in nondemocratic regime (Gilley, 2006) (Castells, 2007) (Wolfsfeld, G, Segev, E, & Sheaffer, T, 2013).

According to Sakbani (Sakbani, 2011) and Segev (Segev, 2011), social organization becomes a public sphere when people act politically in common and when participatory democracy is encouraged. The 2011 protests were movements which created public spheres of political communication and controlled the public spaces in a self-directed manner: Tahrir Square in Cairo; Syntagma Square in Athens; Puerta del Sol in Madrid; Plaça Catalunya in Barcelona; Zuccotti Park in New York; Cathedral of St. Paul and Finsbury Square in London (Epstein, Nisbet, & Gillespie, 2011) (Groshek, 2009).

As social networks are becoming increasingly integrated into everyday life, a massive amount of research has been dedicated to the role of social networks in enabling new forms of civic engagement and political participation. During the last years, Facebook and Twitter have begun to play a major role worldwide. With more than a billion monthly active users, Facebook qualifies as the most popular social network around the world, even if there are countries where local social networks are still the most popular (in China and Russia, for instance). Even if Twitter is less more popular than Facebook, it provides specific features that appear effective in information sharing and in supporting activism and mobilization (Best & Wade, 2009).

The popularity of social networks did not pass unnoticed by the people who were searching for new ways of sharing information around the world. As a result, social networks started to be used in political campaigns, protests, demonstrations, in an attempt to reach out to new activists (Mattes & Bratton, 2007) (Welzel, 2007). But using social networks is not always as simple as it may seem,

as the authorities have access to information posted on Facebook, including private messages, and can use the internet to collect information about the protests. Governments and secret services can easily monitor information about protesters by searching their Facebook or Google profile, where they can find personal information that facilitates the discovery of the person. The authorities have the power to shut down web pages, or can create fake events to lure protesters to places where intervention forces can capture them (Xenos & Moy, 2007) (Rahat & Sheaffer, 2007) (van Zomeren, Spears, & Leach, 2008) (Wilson & Dunn, 2011).

One of the concerns that are presented in various studies refers to the role that social networks play in the ability of challengers to mobilize collective action (Hussain & Howard, 2013) (Goldstone, 2011). Although social media's ubiquity made it easier for people to mobilize for collective action, sceptics (the so called "cyber-sceptics) claim that their role was exaggerated, arguing that using the Internet gives people a false sense of participation and keeps them from actual physical protesting (Bruns, Highfield, & Burgess, 2013) (Hussain & Howard, 2013). On the other hand, the "cyber-enthusiasts" consider that social networks are essential tools, as they empower citizens living in nondemocratic countries (Wilson & Dunn, 2011).

In addition, critics argue whether social networks offer real support to the protesters or their impact was misunderstood due to the massive word of mouth generated. Eltantay and Wiest consider that social networks should be considered important tools for protest if and when there is sufficient access and motivation (Eltantawy & Wiest, 2011). Social networks' rapidity and ubiquity allow groups to organize and mobilize much more efficiently than in the past; protesters can post real time information that motivates other protesters and send messages without any geographic limitations (Castells M. 2., 2008). All of these features have the potential to mobilize third parties into the conflict. Segerberg and Bennett consider that Social media should be seen as facilitators of protest rather than causes (Segerberg & Bennett, 2011).

Overall, scholars agree that the contribution of the new networks was essential in performing two overlapping functions: organizing the protests and disseminating information about them, including publicizing protesters' demands internationally (for instance, Facebook reportedly outmatched Al Jazeera in at least the speed of news dissemination).

2. Using social networks in Romania

2.1. The 2014 protests

In Romania, social networks appeared in 2008, with the rise of Facebook and Twitter. The most popular online platforms among Romanian users are Facebook, YouTube, Twitter, Instagram, Google, Flickr, and LinkedIn. Facebook has experienced impressive growth in the recent years, more than 9.200.0000 users being registered on the Romanian territory in at the beginning of 2017 (Facebrands, 2017).

Social Media represented one of the most prolific channels of spreading information during the Romanian protests in 2014, 2015 and 2017. Social networks proved to be a proper medium for propaganda, as well as relevant tools for organizing and coordinating protests.

The presidential elections of 2014 are the first example of how social networks lead to mass mobilisation. The 2014 presidential elections in Romania were held in two rounds on November 2nd and November 16th 2014. In the second round the battle was between the candidates Victor Ponta (Romanian prime-minister) with 40.44 % of votes, and Klaus Johannis (mayor of Sibiu) with 30.37%, respectively. Due to the number of polling stations abroad (294 sections) and the deficient process of voting outside the country, thousands of Romanians were not able to vote until polls closed, although they had been waiting for several hours in various European cities. The Federation of Romanian Associations in Europe has asked the Central Electoral Bureau to extend the program of polling stations abroad where tens of thousands of people were unable to vote until the polls closed. The Romanian Government refused to increase the number of voting units, even though The Central Elections Office gave its permission. Some candidates, as well as the incumbent Romanian president, Traian Basescu, asked for the resignation of the Government due to poor organization of the elections.

As a result of the organization of the elections, thousands of Romanians started demonstrations against both in the country and in other European cities. The protests gathered more than 5 000 people in Timisoara, 10 000 in Cluj, 4 000 in Bucharest and 2 000 in Iasi, as well as in other cities (Realitatea, 2014). The protesters asked for fair elections in Romania and Diaspora, so that people can express their right to vote. Also, the Romanians protested against Prime Minister Ponta and the Minister of Foreign Affairs.

The social platforms have hosted several pages of events where Romanians were invited to take part to the demonstrations, were encouraged to exercise their right to vote, and show their support for the Romanians from the Diaspora who had difficulties in expressing their vote in the first round. On the Facebook event page "On November 14, we choose freely in the street! (Romania)" 48.000 people announced their participation in the protests.

In the second round, the election process in Diaspora continued to be a problem. Romanians all around the world posted messages on their social platforms complaining about the poor organization of elections and encouraged their family and friends in the country to go to vote. In the end, with a turnout of over 10% higher than the first round, Iohannis has obtained 6,288,769 votes, representing 54.43% of options. Iohannis' victory was decisive in Diaspora, with 88% of the votes (Mediafax, 2014).

2.2. The 2015 protests

Another example of mass mobilization throughout Social Media is represented by the 2015 protests generated by a massive fire in a Bucharest club who led to 64 people dead and 186 injured.

The fire at the club Colectiv in Bucharest took place on October 30, 2015, inside a club located in Sector 4 of Bucharest in a former factory hall. The fire started during a concert of the band Goodbye to Gravity. According to existing data, the fire was caused by the fireworks used during the concert, which ignited the polyurethane sponge used for soundproofing on a pillar of the building. The flames quickly spread throughout the club causing injuries - in some cases even death to a significant number of participants. The fire in the club Collective led to the 64 people dead and 186 injured. The magnitude of the event prompted the Ministry of Interior to establish the red intervention plan and the Romanian Government decreed three days of national mourning.

The investigations revealed that the club was functioning without the approval of the Fire department. The pyrotechnic demonstrations were not allowed and the polyurethane sponge used for soundproofing was highly inflammable and should not have been used. In addition, the club allowed more than 400 people, when its legal capacity was 100. The terrible event generated 10 days of protests, people asking for the resignation of Prime Minister Victor Ponta, Minister of Defence, Gabriel Oprea, and the mayor of District 4 of Bucharest, Cristian Popescu (Mediafax, 2015).

The revolution on Facebook generation started in the same place where the 1989 Revolution began 26 years ago: in University Square. The massive amount of posts on Social Media led to 25 000 Romanians who protested in the street. President Klaus Iohannis published a post on his Facebook page, supporting the manifestations and saying that this event cannot be ignored by the political class (Gandul, 2015).

As a result of the massive protests that followed the fire, The Government and the mayor of Sector 4 resigned. One of the demands of the protesters was the abolition of the current Government and the instauration of a technocratic Government. President Iohannis invited members of the civil society to discuss about the election of a new Government and, in the end, a technocratic Government was appointed.

2.3. The 2017 protests

One month after the Parliamentary elections on December 11th, 2016, the newly sworn in cabinet of prime minister Sorin Grindeanu gave an emergency ordinance to approve a law modifying the Penal Code and Penal Procedure Code (especially concerning the power abuse). The law had been debated before and it was considered controversial, as it raised accusations that the ordinance was encouraging corruption and would help hundreds of current and former politicians

to escape ongoing criminal investigations or prison sentences. Despite the negative reactions from both the judicial institutions and the public, the ordinance was approved on January, 31st 2017, during a night session.

The news of the newly approved ordinance led to more than 25 000 people who protested that night in various cities of Romania. The protests continued daily for the next days, reaching their peak on February 5th, with over 500 000 people protesting in the capital and other Romanian cities (Aljazeera, 2017). The 2017 protests became the largest protests in the history of Romania, overcoming the ones in 1989, when the communist regime fell and the dictator Nicolae Ceaușescu was executed. During the protests, the president of Romania and also members of the opposition took part of the events, expressing their opinion against Government's act.

During the protests, users have started to massively use hashtags across all social networks, such as #rezist, #neamsaturat, #vavedem, #neamunit, #noaptecatehotii etc. in order to expand the notoriety and visibility of the protests. Social networks contributed to the rapid dissemination of messages and real-time information, as well as spreading not just the ideological message but also the training program and the operational plan. People were able to call for a protest in seconds without preparing a demonstration for a given date (Official Facebook page, 2017).

After five days of protesting the government announced it would withdraw the contested ordinance. Three days later the minister of Justice, Florin Iordache, responsible for putting forward the ordinance, presented his resignation.

The protests in Romania, attended by thousands of demonstrators, have attracted the attention of the international press, so journalists from important televisions or foreign publications came to the country to broadcast live the protests. What is more, Romania became the European country with the highest number of live videos on Facebook during the protests. According to the Facebook map, most of the filming took place in Bucharest, some of them being in the top of world's most viewed movies, with over 40 000 real-time views (Facebrands, 2017).

3. Conclusions

Even though social networks are not powerful enough to generate revolutions by themselves, they can be effective tools for training, recruitment and organization. Social networks' impact is influenced by numerous contextual factors and the role of Social Media should be related to fair accessibility for the population. The purpose of any protest is to inspire and motivate people to leave the comfort of their homes in exchange for direct participation in the demonstrations. Social networks allow organizers to virtually protest. But a group created on Facebook will not be able to motivate people to go out in the streets. Many people prefer to become virtual fans of a group, rather than actual riot participants. Thus, the primary purpose of any virtual protest is to turn virtual actions into real events.

What is more, social networks' effects will not be as strong if people's access to internet is limited or denied. Also, if we take into consideration the setting of neo patrimonial states, it can be rather hard for people to protest against the dictatorship, and in this case Social Media are not enough to make them act. Even if social networks can be effective in organizing movements, they cannot provide the inner motivation. What is more, we cannot disregard the cyber sceptics' claims pointing out that security forces can also use social media to monitor the population and to thwart protesters. All in all, social networks are powerful tools and during last years have proved that no region, state, or form of government can remain immune to the impact of new information and communication technologies.

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Tourists' Perception Of Tourism Activities Offered In Suceava County

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Abstract

Taking into account that Suceava County represents one of the most endowed administrative-territorial units from the touristic point of view, we intend to highlight the tourism resources available to the county and their capacity to meet the needs of the tourists. Underlining the importance of tourism development in Suceava County, the objective of this paper is to identify the perception of tourists about practicing various forms of tourism and the level of knowledge of tourist offer. The specific objectives of the research were: to determine the degree of participation of the tourist in Suceava in various forms of tourism, respectively the degree of appreciation of the tourists regarding the way recreational and recreational activities act on the level of life. To achieve the objectives we carried out a quantitative research, based on a statistical survey, by applying a questionnaire in the months: December (2016) and April (2017).

Key words: forms of tourism, business tourism, recreation tourism, extreme tourism, equitation tourism.

J.E.L. Classification: L83, D60, M30.

1. Introduction

The massive penetration of technical progress in tourism has led over the last half century to the economic development of some countries and, implicitly, to the quality of life of the population in those areas.

Regarding Suceava County, we are pleased to note that the tourism activity is in a continuous dynamism, materialized by the presence of amusement parks, recreational parks, the existence of natural reserves, accommodation units, public catering establishments, treatment and relaxation centers and many other attractions and tourist attractions.

All these enumerations are an integral part of the structure of Suceava County and offer to the population of this county as well as tourists benefits translated through recreation, relaxation, rest and treatment.

The accumulation of tourist offer is an essential element for tourism and a major asset in the development of tourism in Suceava.

The presence of tourist information centers, the presence of tourist sites, the existence of recreational parks and leisure events confirm that the Suceava tourist market has a complex content, explained by the fact that both the offer and the demand are aimed both at the services, As well as the goods requested by tourists. Therefore, we find that during the course of the stay, the tourist consumes various goods and services necessary for the satisfaction of his spiritual, physiological and social novels.

This information confirms both the complexity of tourist services and the differentiated role in combining them to become components of the tourist products offered in the various forms of tourism. There are various ways of structuring the main activities integrated into the touristic ensemble (Cosmescu I., 1998, pp.148-152). Regarding the structure of the main activities and the number of integrated services, there are *integrated* tourism products (consisting of all basic and auxiliary services), *composed* (of which correspondence is missing some basic services - example: transport for tourists traveling with their own Cars), or *simple* (which assume the performance of a

single service). (www.qreferat.com/referate/turism/CLASIFICAREA-PRODUSELOR-TURIST214.php)

In the same context, we mention that tourist products can be classified according to: the duration of the stay, the way in which the activity is carried out, the number of persons involved, etc. In this situation, system analysts (Troquer G., Zins M., 1987, pag.161) identify five major categories of tourism products: *geographical entities* (product produced at region level - South East Europe, etc.), *flat products* (includes all types of products - information, booking, transportation, accommodation, meal, recreation - necessary to meet the needs of a person or community), *event type products* (it is presented on the market as a holiday center - sports and leisure base, spa resort, conference center), *tourist resort type products* (for practicing sports - equitation, gliding, paragliding, mountaineering, gastronomy, hunting, fishing - conducting congresses, seminars, organizing courses - yoga, handicraft, music).

According to this information we find that the development of tourism is closely in line with the satisfaction of the needs of the consumers of tourist services / products and that their diversification still has a special importance both for the competent institutions and for the economic agents offering tourist services / products.

2. Forms of Suceava tourism

Pertinent questions about how to spend time highlight the increased appetite of the population for the consumption of tourist services and the benefits they receive. In the same context, we mention that the tourist offer contributes to the increase of the quality of life of the population as well as to the growth and development of the respective region.

As far as the Suceava County is concerned, we find that it has a variety of forms of tourism that can be practiced throughout the year and / or forms of seasonal tourism. Thus among the most popular forms of tourism encountered in Suceava County are:

- religious cultural tourism (rich in tourist attractions such as fortresses, museums, memorial houses, traditions and ancient customs preserved due to the talent and attraction to the beauties of the population and the monasteries forming the Bucovina necklace);

- hunting and fishing tourism (Suceava County has important hunting resources distributed on 435.482 ha of forests, well 49,2% of the county's surface and the fishery resources offered by flowing waters - rivers, rivers wholly belonging to the river basin of the Siret river - and Stagnant ones represented by small natural lakes and anthropic lakes arranged for complex purposes along the Șomuzul cel Mare river);

- tourism for winter sports - ski (practiced at Mălini, Gura Humorului, Sucevita, Câmpulung Moldovenesc and Vatra Dornei);

- Extreme tourism "(it is synonymous with adventure tourism, including specific activities: practicing aeronautical sports such as *paragliding*, *deltaplan*, (practiced in the Suhard mountains), *sailing*, *motorized trips*, *extreme snowboarding*, *caving*, *mountain biking*, *mountaineering* (practiced in the mountains Calimani, Rarău-Giumalău, Suhard both in the summer and winter), *sports climbing* (starts in May and ending in October), *the ice-climbing season* (ice climbing, practicing in the Zugreni waterfall and the lanes neighboring, begins in December and ends in March), *crossing with tyrol* (the assured launch on a chord stretched between 2 fixed points - rock walls, trees, banks, etc.) followed by a booster (controlled downhill ride alongside a wall rock climbing), *rafting* (descending into an inflatable boat of a fast water stream) and *whitewater kayaking* (*creeks kayaking* going through mountain rivers with marginal flows; *rodeo kayaking* is statically apogee) can be spotted on the rivers in the Dornelor Depression area; *orientation* (using maps, compasses, meteorological and astrological phenomena, natural landmarks, etc.), *paintball* (simulated combat between two teams equipped with special weapons that launch balls with paint), *survival* (in the wild, under hostile conditions), *in the cave*, (orientation and overcoming various obstacles)" (www.adevarul.ro/locale/suceava/centrueleconomic-bucovina-investitie-cinci-milioane-transformat-interterminal-aeroport-pasageri-1_56c1b03d5ab6550cb8d29c51/index.html);

- Recreational, leisure and recreational tourism (as a result of the development of recreation and leisure facilities in tourist resorts: Campulung Moldovenesc, Gura Humorului, Vatra Dornei, etc.);

- Business tourism - The Bucovina Business and Business Center (www.adevarul.ro/locale/suceava/centruleconomic-bucovina-investitie-cinci-milioane-transformat-interminal-aeroport-pasageri-1_56c1b03d5ab6550cb8d29c51/index.html) is located next to the International Airport «Ștefan cel Mare» and includes exhibition grounds, a technology park, a business incubator, several conference rooms and a restaurant, and other locations;

- balneary tourism practiced in the spa resort of Vatra Dornei and balneal treatment offers in the village of Cacica near the former "Solca balneo-climatic resort";

- the ecotourism that can be practiced inside the Călimani National Park, the Bogdăneasa Natural Park and the Radauti arboretum park, as well as in the natural reserves: Calafindesti - Siret secular meadows, Cheile Lucavei - Moldovenesc Reserve, "12 Apostoli" Reservation - Dorna, Tinovul Mare - Dorna Reserve etc .;

- Equestrian tourism (Stud and Forest Equestrian Sports Club in Sucevita (www.equitana.ro/echitatie-la-complexul-turistic-forest-ecvestru-park-sucevita-jud-suceava/), Home Pension in Bucovina, Gura Humorului, offers walking and riding school for beginners and advanced with coach (www.equitana.ro/echitatie-la-pensiunea-acasa-in-bucovina-gura-humorului-jud-suceava/), Horse riding centers Călimani Mountain Ranger, Neagra Șarului, Dorna Arini and Saru Dornei Center (www.turism-suceava.ro/index.php/agrement/turismul-ecvestru), Lucina Stud located in Moldova Sulița commune, Rădăuți Stud located in Rădăuți municipality (www.adrnordest.ro/user/file/pdr/aes/v3/8.turismul.pdf, pag 15));

- congress and meeting tourism (using the improved tourist infrastructure of cities such as Suceava, Gura Humorului, Câmpulung Moldovenesc, Vatra Dornei etc.).

The practice of these forms of tourism is made using tourist routes made by travel agencies, tourism organizations and economic agents providing tourist services.

These tourist routes are made according to the tourists' options and according to the demand of the tourist market. Thus, adventure tourists benefit from a number of about 40 mountain trails that can be practiced throughout the year or only during certain times of the year. These trails are complemented by over 20 cycling trails during which tourists meet old households and special traditional cultural landscapes. The trail continues with *hiking / hiking trails and routes for equestrian sports* (the routes have different degrees of difficulty: light - with a duration of between two and four hours and more complex - one and up to five days). Regarding tourists who want "strong sensations", the guide of the tourist routes offers rafting, climbing, mountaineering, paragliding, navigation, motorized trips, extreme snowboarding, caving, etc.

It is important to note that the natural and anthropic resources available to Suceava County have contributed to the various forms of tourism. Increasing leisure time, increasing income, increasing the birth rate, etc., increase the demand for tourist services / forms of tourism.

3. Tourists and their needs

An analysis of the tourism in Suceava highlights the fact that cultural-religious tourism is outweighed by niche tourism characterized by extreme sports (42 outdoor sports, water and ground) (Gherțoiu D.M., 1990, pag.16), attracting more and more lovers adrenaline, recreational tourism and kinetic therapeutic spa treatment. These results were recorded as a result of a research on the willingness of tourists to practice various forms of tourism. The survey used the questionnaire as a tool for gathering information and took place during December (2016) and April (2017).

A quantitative direct research was carried out, based on a statistical survey using the self-administered questionnaire. The correctness of the responses was based on the formation of a concise idea on the topic investigated and imposed a preliminary preparation of each interviewed person (the interviewees had to understand the questions asked from the questionnaire) (Hapenciu C.V., (2004), pag.15).

The questionnaire consists of 10 basic questions related to the topic of the survey and 7 questions for identification. Research is defined as exploratory. The total number of respondents who completed the questionnaire was 100 and the results are considered indicative of future research.

Presentation of the researched collectivity:

- 68% of the respondents are female, and 32% of the respondents are male;
- with regard to age groups, 35% of respondents are aged 25 years, 24% are between 25 and 35 years of age, 22% of respondents are aged 35 to 45, and a percentage 9% are aged over 45;
- 35% of those who answered the questionnaire have a monthly income of less than 1500 lei, 21% have a monthly income ranging from 1500 to 2000 lei, 19% of the interviewees have a monthly income ranging from 2000 to 3000 lei, and A percentage of 25% has revenues of over 3000 lei.
- more than half of respondents have university studies (62% undergraduate, master and doctorate), 33% have high school and 5% professional studies;
- as regards the status on the labor market, we find that: 35% of those who answered the questions are students, 20% are employed in the public system; 10% are business owners, 25% are private employees and 10% are freelancers.

Concerning the preference for practicing different forms of tourism, the results show that:

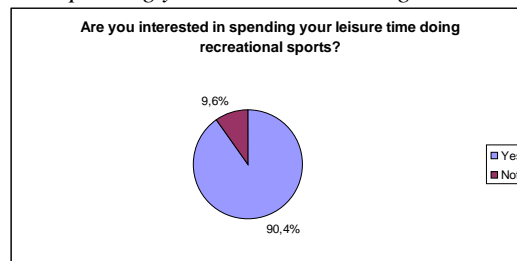
- over 90% of respondents are interested in spending leisure time doing recreational sports while 8% of respondents are not interested in such sports;
- 48% of the respondents do not know the tourist locations where they can perform sports-recreational activities;

Results and comments

The purpose of this research is to analyze the willingness of tourists to practice various forms of tourism and whether the tourist offer is known at the level of the collectivity studied.

To the question: Are you interested in spending your leisure time doing recreational sports? (Figure no. 1)

Figure no.1. Are you interested in spending your leisure time doing recreation sports?

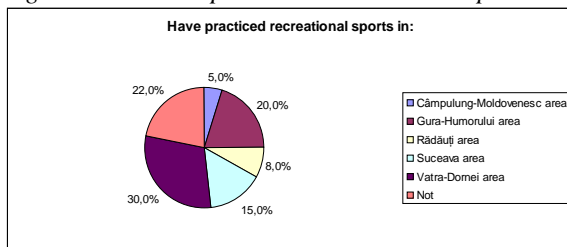


Source: Own research

Respondents responded to an overwhelming proportion that they are interested in recreational leisure activities. Only 9,8% of those interviewed do not want to practice sports in their spare time.

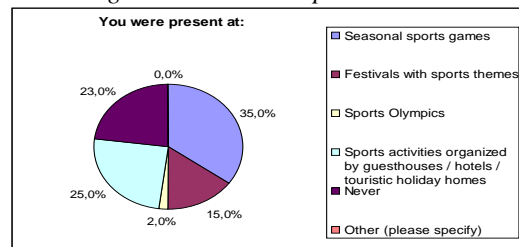
Asking if you have been practicing recreational sports in various areas of the county and have been present at various sports games, competitions, sports Olympics, sports-related festivals, etc. respondents responded as follows: (Figure no.2, Figure no.3)

Figure no.2. Have practiced recreational sport in:



Source: Own research

Figure no.3. You are present at:

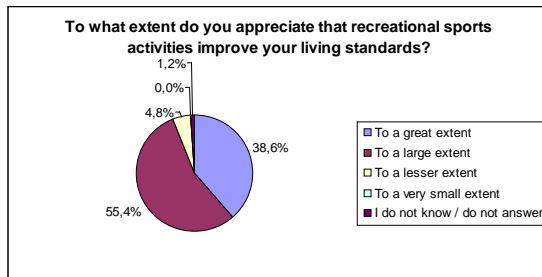


Source: Own research

Two thirds of those interviewed practiced various recreational sports in Vatra-Dornei, Gura-Humorului, Suceava, Rădăuți and Cîmpulung-Moldovenesc, while 22% of respondents responded that they did not practice recreational sports Mentioned areas. At the same time, we find that a significant percentage of the participants in the study were present at sports games, competitions, sports Olympiads, sports-related festivals, etc., while 23% of those interviewed did not participate in such activities.

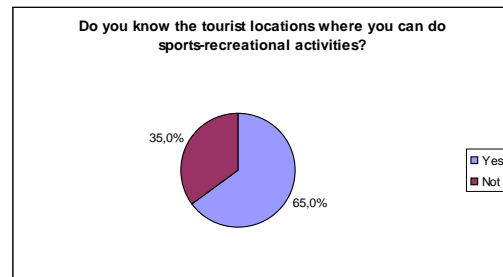
To the questions: To what extent do you appreciate that recreational sports activities improve your living standards? And do you know the tourist locations where you can do sports-recreational activities? The following responses were recorded: (Figure no.4, Figure no.5)

Figure no.4. To what extent do you appreciate that recreational sports activities improve your living standards?



Source: Own research

Figure no.5. Do you know the tourist location where you can do sports-recreational activities?

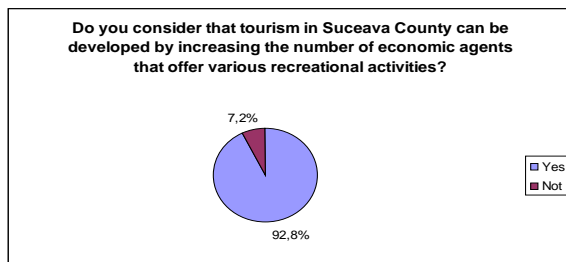


Source: Own research

A percentage of over 90% of respondents consider that recreational sports activities improve their living standards, while only 6% do not know or believe to a very small extent that these activities can improve their lives. It is important to note that a fairly high percentage of 35% of respondents do not know the tourist locations where various sports-recreational activities take place.

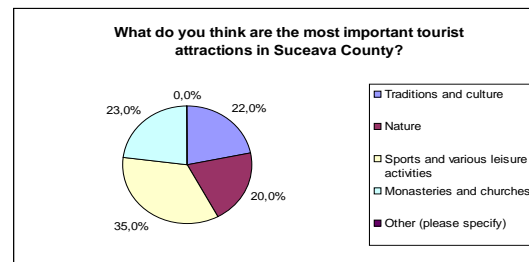
To the questions: Do you consider that the tourism in Suceava County can be developed by increasing the number of economic agents that offer various recreational activities? And what do you think are the most important tourist attractions in Suceava County? The following responses were offered: (Figure no.6, Figure no.7)

Figure no.6. Do you consider that tourism in Suceava County can be developed by increasing the number of economic agents that offer various recreational activities?



Source: Own research

Figure no.7. What do you think the most important tourist attraction in Suceava County?



Source: Own research

92,8% of those surveyed think that tourism in Suceava County can grow by increasing the number of economic agents that offer various recreational activities and only 7,2% do not think this is possible. Regarding the most important tourist attractions, we can see that the tourist attractions represented by the monasteries were surpassed by the sports and relaxation activities. An important percentage is also offered for spending free time in nature as well as for knowledge / practice of traditions and culture.

The results of identification questions highlight the fact that over half of the respondents are feminine and are up to 35 years of age and a monthly income of up to 2000 lei. Also, more than half of respondents have university studies and believes that more aggressive promotion of landmarks and tourist attractions is needed.

The answers given by the respondents to the questionnaire questions highlight their desire to spend their free time by practicing sports and the belief that this improves their lives.

4. Conclusions

According to this information, I consider that the insufficient representation of the active and recreational tourist potential corroborates this region between the gates of hope and the better faith. The attraction to this area of Bucovina is due primarily to the architecture of tourism, to the presence of culture in the spirit of time and true stories of traditional folklore.

The promotion and sale of the tourist product of Suceava County is a necessity on the agenda of each institution empowered to do so. The results of the study confirm that Suceava County must have its own tourist programs that will allow the tourists to be detained for a longer period of time.

In the same context, I would like to point out that it is important to send information on the development of tourist events and the locations where they will take place.

The fulfillment of these requirements meets the needs of the tourists and represents a breath of oxygen that helps to complete a perfect stay. The most active participation in sports competitions in the area, at festivals, at various sporting and recreational activities organized on various occasions, are strong points for local tourism.

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Research on the Decision-Making Process for the Selection of Managers in Branch "CREIR CF" Constanta

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Abstract

Nowadays economical context led to a significant decrease of vacant positions on the labour market, as opposed to restructuring which many organisations had to deal with. Consequences did not stop to arise up to this moment when there are many experienced candidates previously in managerial positions in different companies who are now looking for a job. Some organisations blocked any hiring, as it happens with CFR SA, and others still having vacant positions for recruitment focus on multiple skills and competencies as well as expertise only in a particular field. In order to provide a solution scientifically fundamental and objectively determined for this problem, we used the hierarchic system based on merit order, as an appreciation method of professional performances and global utility method used for making the decision for selecting railroad managers in reliable conditions.

Key words: decision, selection, human resources, transport
J.E.L. Classification: M12

1. Introduction

Increasing the interoperability of railway infrastructure and connection to the main railway routes in Europe are current Agency goals the European railway, AFE, and to achieve these objectives, were already established a series of measures, resulting in the adoption of a directive of the European Commission, which our country, through the Ministry of transportation and infrastructure, it has transposed into national legislation. A measure of uniformity among European Union countries, practices aimed at controlling access to rail infrastructure for all railway vehicles, has been adopted by AFE, which organized in Brussels in March 2017, a refresher course, where they held experience exchange between railway management specialists from all European Union countries. At this show Romania was represented by eight engineer's railway infrastructure manager to publish the CFR, one from each geographical center. In order to determine the appropriate persons to participate in this course, direction of Traffic within CN CFR SA has requested each of the eight Divisions of Regional Traffic, finding a manager, specialist in the control and operation of the railway infrastructure.

At the branch level "CREIR CF", which was the subject of the study, the problem identified was the decision of selecting the most appropriate manager, who holds the qualities necessary to participate in this event. In this sense, regional Director Chief Traffic along Division Manager decided the choice of the organizational structure of the Division, best placed in terms of professional and managerial performance evaluation in the year 2016. Decision on the appointment of candidates belonged to the head of the Traffic Division, consisting of direct subordinated all organizational structures and was approved by the regional director.

Branch "CREIR CF" Constanta is organized in a central structure which co-ordinates all activity and subunits, on local branches of activity, namely, lines, traffic, which is located in the four counties in the southeast of the country where it has competence of regional activity centre: Constanța, Tulcea, Calarasi and Ialomița.

CFR Branch administers the public railway infrastructure Constanca and organizes trains and passengers on cargo traffic related stations eight bus Bucharest-Constanta. Most of the research in human resources management from rail transport has been conducted concerning the activities of the Traffic Division within the branch "CREIR CF", because it is the largest organizational structure in terms of the number of staff and posts, functions and powers of the various railway operating in the activity, which allow performing analysis and synthesis of human resource management with a high degree of generalization of the regional level and at the national level.

The list of candidates included Heads of services and Traffic Division, underlying compartments with responsibilities in organizing, directing, controlling movement on railway infrastructure, and a rich experience in the field. The six managers select the purpose of taking the decision to choose the optimal variant, specialists in rail technology were: head of the Access Control infrastructure; Head of Infrastructure Access Regulations; Head of circulation; the head of the Regulator movement Constanta; the station chief and Inspector General of CFR Constance sector movement.

Considering the method of choice of the most appropriate manager, established by the regional director in conjunction with Traffic Division Chief, have initiated research office, through the collection and structuring of the information derived from Traffic reports and records Division. In this sense, the forms have been studied for evaluating the performance of employees, Traffic Division, supplemented annually by his immediate superior. This form is processed after the model of a specialist in the field provided (Pitariu, 2006, p. 237) and applies to all employees, regardless of the position held. The form contains evaluation criteria, scaled numerical and quantified in scores, and total score value allows every employee ranking, in terms of performance.

From the study and interpretation of the results of the evaluation forms of activity of the six managers in the year 2016, it was not possible to decide, in order to identify the best candidate, because two of them have obtained the same score, others recording lower values, as shown in table 1.

Table No. 1 Scores obtained by the candidates, railway managers

Candidate	Score
Chief Service Access Control Infrastructure	34
Chief Infrastructure Access Rules	34
Chief Circulation	28
Chief Regulator Movement Constanta	25
Chief Station Konstanz	24
Retail Sector Movement	20

Source: performance appraisal forms for managers since 2016 Traffic Division

In the case of equal scores record breaker, subjectivity is involved, both the evaluator that can treat jaundiced candidates and dissident, in the case of the selection decision.

Therefore, this method of selecting the appropriate Manager, carried out only on the basis of the consultation form annual assessment of performance, as usual in the branch, I considered it inefficient and inconclusive for the problem identified.

Research hypotheses were formulated based on the findings from the research and documentation of the author's experience gained in exercising the function of swimming motion for five years. They were:

I1. Evaluation of human resources for the purpose of selection is inadequate, reinforcing the global and no category of employees.

I2. Methodology for selection of personnel by rail is overcome and does not take into account the new requirements of the human resources management in railway transport.

Because the management of the branch was not dealt so far with such a request and taking into account the need for a strong scientific strictly, appreciate as appropriate to our proposal concerning the use of a methodology was the selection of railway managers, namely: ranking system based on the order of merit and overall utility method in decision making. Through the comparative analysis of the results obtained, and based on the experience of the head of Division and regional director, who know very well the candidates, the final decision was taken.

2. Selection decision Methodology

This stage initially started as soon as the decision-making problem relating to the selection of the appropriate Manager to attend the refresher course and was regarded as difficult and important enough to require a systematic approach, using a standard modeling decision-making problems. Problem identified have certain properties that are specific to such an approach, because:

- refers to the comparison of alternative options i.e. Managers, specialists in rail transport.
- the target was choosing the best options or choices for the purpose of evaluation scale in a preferential order;
- the problem could be broken down into smaller problems and less complex, each option being described through the qualifications of basic criteria, in correspondence with the decomposition of the problem;
- evaluation of options was conducted by comparing the options, after one or more criteria, using the utility functions in obtaining interim and final grades.

To provide a solution to the problem identified scientifically and objectively determined, I used the system of ranking of juridical persons based on the order of merit, as a method of assessing the performance and the utility method used for global selection decision making under certainty.

Ranking system based on the order of merit, also known as the comparison across the group, consists in writing the name of the persons assessed on one scribble each, and then the set shall be provided according to the appraiser to prioritize a given criterion, the best individual to the weakest. The remaining subjects are graded again, one by one, through the comparison shown-not suitable while the lot. The result of the application of the system of evaluation by comparison is a ranking in which the best individual receives one rank, the next tier two and so on. Ranks are converted to scalar values normalized or categorized into several groups according to a given criterion gradations.

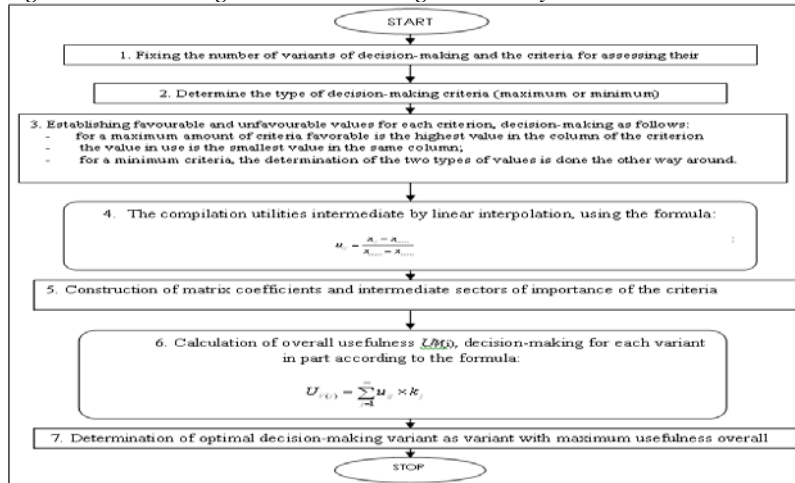
Global utility method, developed by researchers I. Von Neuman and O. Morgestern in 1947, used in optimizing economic decision under certainty by determining the optimum variant of several possible variants. The concept of utility measured the importance, for the decider, a specific variant of decision that belongs to a set of variations (Ipate, 2007, p. 212). Processing and adaptation, of literature, of the overall usefulness of the method steps allowed us to obtain a proper calculation algorithm composed of seven steps, as described in the logical schema in Figure 1.

3. Presentation of results

Establishing the criteria for the assessment of candidates was performed using various research opinions of literature about this subject (Rosca et al., 2005, p. 207, Manolescu et al, 2004, p. 150), consultation of the information in the records of the human resources Service and the criteria used in the forms of performance appraisal in the Traffic Division archive. Synthesizing the information obtained allowed us to determine the three criteria for evaluating the performance of managers, namely: professional knowledge, skills and personal skills and managerial efficiency.

To determine the scores of candidates needed in the construction of the matrix from the utility method algorithm we used global ranking system based on the order of merit for each of the three criteria, and then I granted a score corresponding to each level of rank obtained. The ranking of the candidates after each criterion was carried out by three assessors, I know very well on the six candidates, namely: regional director, head of the Traffic Division and head of human resources. They've been handed a set of six notes with names of candidates and their managers asked them to rank them according to each criterion.

Figure no. 1. The algorithm to use the global utility method



Source : Author

According to the ranking system based on the order of merit, each candidate has received a rank from one to six for each criterion, the rank that we've turned the score, using the conversion scheme in table 2.

Table no. 2 Conversion Scheme in scores of ranks

Tier 1, the most important	100 points
Order 2	80 points
Order 3	60 points
Rank 4	40 points
Rank 5	20 deck
Rank 6 least important	0 points

Source : Author

The method of calculation results in ranking candidates based on the three criteria, are presented in table 3.

Table no. 3 Ranking candidates Scores using the method based on the order of merit

Criteria	Evaluators	Regional director E1	Traffic Division Chief E2	Chief RU E3	Computing ranking	Rank	Candidate score
	Candidates						
Criterion I Professional knowledge	Chief Regulator Movement	4	4	3	4 + 4 + 3 = 11:3 = 3,66	4	40
	Chief RAI	3	1	2	3 + 1 + 2 = 6:3 = 2	2	80
	Chief Circulation	2	3	4	2 + 3 + 4 = 9:3 = 3	3	60
	Head Station	5	6	5	5 + 6 + 5 = 16:3 = 5,33	5	20
	Chief HORSE	1	2	1	1 + 2 + 1 = 4:3 = 1,33	1	100
	Retail Sector Movement	6	5	6	6 + 5 + 6 = 17:3 = 5,66	6	0
Criterion II Skills and personal skills	Chief Regulator Movement	5	6	6	5 + 6 + 6 = 17:3 = 5,66	6	0
	Chief RAI	1	2	3	1 + 2 + 3 = 6:3 = 2	2	80
	Chief Circulation	3	3	2	3 + 3 + 2 = 8:3 = 2	3	60
	Head Station	6	4	5	6 + 4 + 5 = 15:3 = 5	5	20
	Chief HORSE	2	1	1	2 + 1 + 1 = 4:3 = 1,33	1	100
	Retail Sector Movement	4	5	4	4 + 5 + 4 = 13:3 = 4,33	4	40
Criterion III Managerial Effectiveness	Chief Regulator Movement	4	3	6	4 + 3 + 6 = 13:3 = 4,33	4	40
	Chief RAI	1	1	1	1 + 1 + 1 = 3:1=3	1	100
	Chief Circulation	3	4	2	3 + 4 + 2 = 9:3=3	3	60
	Head Station	5	5	5	5 + 5 + 5 = 15:3 = 5	5	20
	Chief HORSE	2	2	3	2 + 2 + 3 = 7:3 = 2,33	2	80
	Retail Sector Movement	6	6	5	6 + 6 + 5 = 17:3 = 5,66	6	0

Source : Author

In order to establish coefficient importance of each criterion, I interviewed the three evaluators, managers, asking them to answer questions from a questionnaire devised for this research, we then centralized responses and we have calculated the weight of each criterion in the aggregate score.

Coefficient of importance of each criterion, k_j , was decisive as the amount of each weights so that $k_1 = k_2 = 0.35, 0.40$, and $k_3 = 0.25$, as it appears from calculations made and presented in table 4.

Table no. 4 Calculation of coefficients of importance of the criteria of assessment

Criteria	Assessor 1	Assessor 2	3 evaluator	Total score	Share K (j)
C I	5	4	3	12	$K_1 = 12/35 = 0.35$
C II	4	5	5	14	$K_2 = 14/35 = 0.4$
C III	2	3	4	9	$K_3 = 9/35 = 0.25$
Total				35	1.00

Source: Author

Having calculated the scores of candidates, in accordance with the ranking based on the order of merit for each principle of appreciation of the importance and values of the coefficients, resulting from the questioning of the three managers evaluators, the next step was the construction of the matrix which has been applied to the global utility method algorithm. This matrix, which has seven lines, corresponding to the six variants of decision-making and a line represented by coefficients of importance you have criteria, with three columns corresponding to the criteria of assessment, is shown in table 5.

Table no. 5 Variant Array of decision-making and evaluation criteria

Criteria C (j)	C (I) maximum	C (II) maximum	C III maximum
Variants of decision-making, V_i	Professional knowledge	Personal skills	Managerial effectiveness
Chief Regulator Movement V1	40	0	40
V2 Chief RAI	80	80	100
V3 Chief Movement	60	60	60
V4 Head Station Constantza	20	20	20
V5 Chief HORSES	100	100	80
V6 Business Sector Movement	0	40	0
The importance of the criterion K_j	0.35	0.4	0.25

Source: Author

All the three assessment criteria are the maximum criteria because the scores for these criteria grow, the more it is reflected the increased level of professional and managerial performance. In these circumstances, for the purpose of calculating intermediate utilities by linear interpolation, the value in the column for each criterion is the maximum and the minimum value is negative. Further interim facilities were calculated, whose values form the matrix intermediate utilities.

Calculating intermediate utilities was achieved through linear interpolation, using the formula:

$$u_{ij} = \frac{x_{ij} - x_{\min}}{x_{\max} - x_{\min}} \quad (1)$$

where: u_{ij} is calculated for an intermediate variant $i=1.. n$ criterion and $j = 1, \dots, m$, with the property that $0 \leq u_{ij} \leq 1$; x_{ij} is the value in the economic consequences of lying on line i and column j ; x_{\min} is the consequence of unfavorable economic the criterion column j ; x_{\max} is the consequence of the favorable economic the criterion column j . The consequence of the favorable economic criterion j of the array of consequences is the maximum value in the column, if that criterion criterion is a criterion for high-turnover, profit, revenue or the minimum value in the column, if the criterion is a criterion for low-costs, expenses, losses, expenses (Dăneci-Pătrău d., 2013, p. 337).

Using the data from the array utilities, calculating intermediate values for each variant utilities global decision-making, values presented in table 6.

Table no. 6 Matrix utilities intermediate and global utilities

Criteria $C (j)$	C (I) maximum	C(II) maximum	CIII maximum	
Variations V_i decision-making	Professional knowledge	Personal skills	Managerial effectiveness	Global utilities $U V_i$
Chief Regulator Movement V1	0.4	0	0.4	0.24
V2 Chief RAI	0.8	0.8	1	0.85
V3 Chief Movement	0.6	0.6	0.6	0.60
V4 Head Station Constantza	0.2	0.2	0.2	0.20
V5 Chief HORSES	1	1	0.8	0.95
V6 Business Sector Movement	0	0.4	0	0.16
<i>The importance of the criterion K_j</i>	0.35	0.4	0.25	

Source: Author

According to the last step of the algorithm utility method overall, it was determined the optimal variant as Variant with maximum usefulness overall. Because $U (V5) = 0.95$ I settled head of Access Control infrastructure, as Branch Manager "CREIR CF", best suited to attend the refresher course organized abroad.

4. Conclusions

After completion of the research, we presented the regional director and the head of the Traffic Division, our solution, obtained through the use of ranking system managers based on the order of merit and overall utility, and the method they have approved a decision to taking him nominate head of HORSES for attending refresher course.

Final validation of the model proposed, we believe it was done by the fact that, at the end of refresher course were assessed through practical and theoretical test participants, and the head of horse Branch "CREIR CF" Constance has obtained the best score among those eight Romanian managers, finishing fifth out of over one hundred and fifty participants.

Results of the tests relating to human resources management in the branch "CREIR CF", led us to an appreciation that in the near horizon, employee performance management will develop progressively, and offset mechanisms depending on performance will hold strategic importance. Based on their organizational structure will reshape the company to align better rail transport needs with available resources.

Thus, the compensation scheme and the financial results, which are closely related to the personal profile of each manager, will form the basis of the analysis of the performance of employees, becoming the key indicator for the further development of human resources in the company.

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Staff Motivation: Functions, Principles and Sources

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Abstract

Motivation is the reason to do something, it represents the totality of all the reasons that lead employees to take a specific action, to strive for a particular goal or objective. Also, it represents all the internal factors that lead employees to behave in different ways. The financial rewards (the fixed salary and the variable income or various advantages that form, together, the total remuneration) should provide its employees with a decent living, but in order to achieve performance, they must be motivated according to their expectations. But to motivate just for motivation's sake is an idea with negative implications on the efficiency with which workforce is used. The fundamental element that helps to define motivation is the interest, as it causes the basis of the employee activity and reflects an objective social requirement, immediate or future, ergo appearing the ideal and the aspiration.

Key words: functions, principles and sources of staff motivation.

J.E.L. Classification: O15

1. Introduction

Speaking of *motivation* assumes that work is a value for most of people (Vagu and Stegăroiu, 2007, p.11). The term „*motivation*” is rooted from the latin word „*movere*” which translates in „*to move*”, „*to act*” and „*to be in progress*” and represents „*those psychological processes that determine inciting, directing, persistence of voluntary actions toward goals to be achieved*” (Mitchell, 1981, p.81). Staff *motivation* was the subject of study for numerous specialists in the theory and practice of management. Some of them believe that „*motivation means, narrowly, to correlate the needs, aspirations and interests of the staff within the organization*” (Nicolescu and Verboncu, 1999, p.491) while others consider *motivation* as „*a behavioral force that energizes, directs and maintains a certain behavior*” (Candea and Candea, 2005, p.181). According to various areas in which *motivation* is addressed, this concept has three different meanings (Montserrat, 2004, p.14), namely: in *economy* (it represents all the factors that determine the behavior of an organization), in *consumption area* (it refers to psychological factors that explain the act of sale-buy of the offered product or service, the prescription or their refusal) and in *psychology* (it corresponds to the psychological and physiological processes responsible for starting, maintaining and terminating a behavior).

2. The functions of personnel motivation

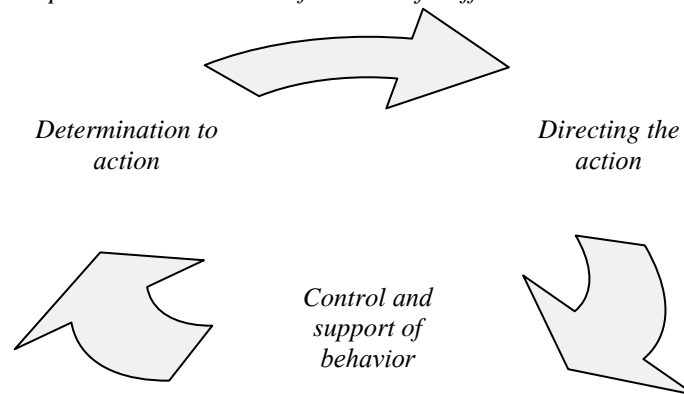
*The main functions of staff motivation are (*** 2006, pp.459-460):*

- *Determination to action* – the reasons causing an individual to act or stimulating him to act. In this respect, the individual acting consciously in order to achieve an objective that will allow him to satisfy a particular need will be considered as *motivated* and the one who is indifferent - passive or inactive - as *unmotivated* or having a *low level of motivation* (Vagu and Stegăroiu, 2007, p.39).
- *Directing the action* – the individual always takes decisions on the way to achieve his objectives. For example, the employees who feel incompetence, uselessness and loneliness can choose to communicate with employees from different teams. Also, those who tend to make a good impression on the manager can choose different ways of performing the assigned tasks. All these actions have something in common - they are choices which direct the individual

efforts to achieving a particular objective that allows his to satisfy a specific need (Vagu and Stegăroiu, 2007, p.39).

- *Control and support of behavior* – oriented in order to achieve a goal, they express certain persistence in achieving it. *Motivation* is the instinctive and rational process that makes the employee more interested. Thus, the individual whose behavior is determined by monetary *motivation*, who tends to earn money in any situation and under any circumstances, will act in accordance with this dominant (Vagu and Stegăroiu, 2007, p.39). Both the assigned tasks and responsibilities and the offered opportunities will be seen mainly in terms of material gains.

Figure no. 1. The interdependences between the functions of staff motivation



Source: Research initiatives, n. d.

In „*Motivation Theory and Industrial and Organizational Psychology*”, Ruth Kanfer considers *determination to action*, *directing the action* and *control and support of behavior* as defining elements of *motivation* (Kanfer, 1990, pp.78-79). Getting the best performance from employees is possible not only when they are interested in the final result, but also when they have a positive and free attitude to the task to achieve. This is possible only if the work process and the final results allow the individual to satisfy his most important needs, i.e. when he has a high level of *motivation* (Vagu and Stegăroiu, 2007, p.40).

2. Principles of staff motivation

The following *principles* stand at the base of *staff motivation* (***) 2006, pp.469-470, 516-518):

- *the employee wants to establish equitable relations with the organization and with other people and to change the work relationships that he/she deems to be unfair* – any infringement of balance - both for the organization and for the employee - will generate tensions that can be expressed in actions from his part and will result in *demotivation* at work;
- *the reasons are hierarchically organized* – whether at the employment in an organization, for the individual the priority *reasons* are related to guidance and integration at the new job, after establishing relationships with peers and learning requirements of that place, in the foreground there can be the *reasons* related to the need for personal and professional development, career promotion;
- *multimotivating of behavior at work* – understanding this principle can help the managers, on the one hand, to organize the work process for subordinates to work more efficiently and with desire and, on the other hand, to avoid conflict of reasons, when various reasons require from the individual different lines of behavior, different decisions, different actions (Vagu and Stegăroiu, 2007, p.41);
- *the managers' behavior to subordinates should be the same as to personalities* – when the manager listens to their opinions, most employees appreciate the opportunity to express their ideas, which increases the feelings of their own importance, of their involvement in achieving objectives and of self-esteem;

- *the praise for employees must comply with the actual facts* – all employees appreciate sincere praise and the recognition of well done job, making them a powerful means of increasing the level of *motivation*;
- *attracting employees to participate actively in solving the organization's issues* – the employees, who participate at setting goals or developing programs to improve the organization of production and labor, work more intensive trying to achieve the expected success;
- *tasks should be designed to be interesting* – loss of interest caused by uniform and boring work can generate different problems (Vagu and Stegăroiu, 2007, p.42);
- *fostering the cooperation and teamwork* – participation in a *team* causes the individual to do his very best, both at personal and professional level (Vagu and Stegăroiu, 2007, p.42);
- *creating opportunities for development, for professional advance of employees* – whether an employee advances professionally, usually he/she is more *motivated* and satisfied with his work;
- *setting of goals which are realistic, interesting, quite complex, but not excessively difficult, i.e. achievable* – if the individual thinks that the objective is excessively complex or even impossible, his *motivation* will greatly diminish or even disappear;
- *providing reverse connections to employees on the way how they achieve their objectives, the gained progress and the problems that arise* – reverse connection results in increasing the level of *motivation* of employees to improve their work (Vagu and Stegăroiu, 2007, p.42);
- *more frequent communication with employees* – open communication strengthens mutual trust and understanding between managers and employees;
- *supporting the employees when necessary* – thereby increasing both the level of collaboration between managers and employees, and the *motivation* to achieve the objectives set by the organization;
- *belief that employees understand how their work correlates with satisfaction of their needs, with achievement of their personal objectives* – *motivation* of subordinates increases if they see that the achievement of objectives of the organizational subdivision and the organization helps them in achieving their own objectives (Vagu and Stegăroiu, 2007, p.43);
- *establishment of rewards with value for each employee* – if the managers know what the rewards are more attractive to employees, it will be easier for them to act on their *motivation* at work;
- *ensuring an appropriate match between rewards and results in work* – *motivation* of an employee in achieving planned objectives is greater if previously he/she had been informed of what to do to get some reward, coordinated with the results;
- *organizations usually obtained, what they stimulate* – the stimulation system must be designed so as to initiate, to generate the types of desired behaviors (Vagu and Stegăroiu, 2007, p.43);
- *all employees must not be stimulated in the same way* – equal *stimulation* of employees will *motivate* the mediocre and/or weak ones and will *demotivate* the effective ones;
- *lack of reactions can influence employees' motivation* – e.g., the lack of manager's praise to an employee who obtained outstanding results in his work leads to the possibility that the next time to show an interest limited to the performed work and its importance.

Knowing the employees and understanding their needs means to know how they all can be *motivated* to performance and how everyone can be satisfied gradually and equally. From this perspective, *motivation* opposes to inertia (Vagu and Stegăroiu, 2007, p.45). In each of the employees there is an internal force, an inner tension that leads them to seek to satisfy the felt needs. Alan Downs considers *manifestation, reciprocity, honesty, forgiveness, passion, respect* and *overcoming the past* being the coordinates of this the internal force that determine the *motivation* and the appropriate behaviors in "*Seven Miracles of Management*" calling them "*Miracles of Management*".

Table no. 1. Miracles of Management

Manifestation coordinates	
Miracle I: Manifestation	<ul style="list-style-type: none"> ✓ I have everything I need for having success tomorrow. I will not encounter any problem that I can not solve. My ideas give rise to right solutions. ✓ I will provide necessary space and freedom for ideas. I will provide employees the space and freedom to think and create. Together, we imagine the future, our most valuable asset. ✓ I will feed and cultivate what I know is right. In mannered and respectful way, I will support the best ideas of the employees until they become reality.
Miracle II: Reciprocity	<ul style="list-style-type: none"> ✓ All I give will come back to me. I will endeavor to get what is best for me. ✓ It matters how I treat the others. I will say only words of encouragement.
	<ul style="list-style-type: none"> ✓ I will offer help as I can. I will work for the success of others. ✓ I refuse to participate in handling and retaliation. On the contrary, I will not support these actions by refusing to react. I will interrupt the negative chain. ✓ My situation is simply a mirror of my own actions. By choosing my own behavior, I will gain the best job I ever had.
Miracle III: Honesty	<ul style="list-style-type: none"> ✓ I will be very honest. I will refuse to change the truth in favor of my personal interests, making everything honestly. I will take care to create confidence in my abilities and my quality as manager, and the group members will be convinced of the authenticity and will base on it. ✓ My words will be simple and direct. I will not hide the truth saying much talk and playing theater. Instead, I will speak as simply as I can. ✓ I have the necessary courage to say, in a mannered way, truths that would otherwise remain untold. I will not allow partial truths. On the contrary, I will be honest and direct.
Miracle IV: Forgiveness	<ul style="list-style-type: none"> ✓ From today, I begin to forgive. I will forgive the weak achievements of the organization and I will allow me to see the best aspects of the work from here. ✓ I will relieve myself of rancor toward those who have hurt me. ✓ I will forgive the boss and I will treat him like a human being in development. ✓ I will try to reconcile with a disrespectful employee. Instead of punishing him, I will support and train him. I will see all employees as at present and I will get over shortcomings from the past. I will give a helping hand to each employee instead to condemn or to judge him severely.
Miracle V: Passion	<ul style="list-style-type: none"> ✓ Today I will focus on things that I love in my job. I will spend time doing things I like. Passing over my frustrations, I will rekindle the passion for my work. ✓ Employees are gifts to me. I will help them to provide what is best for them and for the organization. ✓ Love is my strength. I aim to use my power to its full potential.
Miracle VI: Respect	<ul style="list-style-type: none"> ✓ I grant respect and honor to each of the employees. Each one has something unique to give. I will see the best in everyone. ✓ Punishment does not exist for me; it has no place in me. I will carefully train and direct the employees who error. ✓ My relations with employees are made in the most important part of my business. I will respect and encourage each (business) relationship.
Miracle VII: Overcoming the past	<ul style="list-style-type: none"> ✓ I will appreciate the past. I will not ignore it and I will use it to honor the present. ✓ I will accept the past as a link in a long chain that extends from the present into the future. ✓ I will celebrate the past victories. I will honor those who have won. I will find the way that leads from past victories at the bigger present ones.

Source: Downs, 1990, pp.31, 46, 70, 84

3. Sources of staff motivation

The results obtained from scientific research in psychology management have permitted to identify three areas for sources of *motivation* which are able to influence individual behavior at work (Vagu and Stegăroiu, 2007, pp.48-49), namely: *external forces* (they provide the greatest opportunities to influence the *motivation*), *internal forces* (they can not be manipulated so easily) and *early forces* (they are identified in the early years of life and are solidly fixed in the systems of values and beliefs). From these, the *work environment* (the nature and characteristics of professional activity encompassing the complexity, variety and responsibility of work tasks, the degree of autonomy of the executant and the performance of those tasks) and the *situational factors* (working conditions, organizational culture, level of professional training and stimulation system) play a particularly important role.

Table no. 2. Sources of motivation and their possible level of influence

Sources of motivation	Possible level of influence
External forces – management style; – organizational culture; – objectives and structure of the organization; – type of work; – recognition of merit; – environment.	High
Internal forces – will; – desire; – values; – personal goals; – ambitions.	Medium
Early forces – genetic influence; – family size; – experience of childhood; – prophecies; – parents.	Low

Source: Massie and Douglas, 1985, pp.31, 46, 70, 84

To *motivate* just for *motivation's* sake is an idea with negative implications on the efficiency with which workforce is used. *Motivation* is not optimal in all situations. Because above a certain level of *motivation* the productivity gain does not justify the effort required, *demotivation* appears and to reduce it a manager must know very well its sources. These are (Vagu and Stegăroiu, 2007, pp.49-51):

- *The very nature of work to do* – there are situations when the work does not meet the expectations of those who provide it, becoming uninteresting, ingrate and useless. It results the need for an adequacy between these expectations and the characteristics of work to do (Jaques, 1970, pp.156-158). To achieve adequacy is necessary to intervene on two parts: *restructuring work tasks* and *assigning tasks*. *Motivation* begins with the work organization and the staff selection.
- *Lack of objectives or of precise and clear objectives* – the objectives should be as clear, precisely formulated (Locke, 1968, p.157-189), in accordance with the company's strategy and in relation with the skills of individuals who carry them out (Dessler, 1980, pp.202-231). Ambiguous and vague objectives may create a sense of ease to achieve them, which may conflict with the expectations of the individual in case of completion (Rizzo *et al*, 1970, pp.150-163). The too low and non-stimulating objectives do not *motivate* the executant, being easily performed; the excessively high objectives *demotivate* him, meaning that he could not perform them. To avoid such situations, it is recommended the participation of executant in goal setting (Latham and Yukl, 1975, pp.299-302).
- *Lack of supervision of work* – when employees have too much independence, they are likely to lose enthusiasm; that is why systematic meetings are recommended with the staff of the

organization (Vagu and Stegăroiu, 2007, p.50). The *feedback* should exist not only after a great effort, but also when it comes to common tasks (Nadler, 1979, pp.309-338). This *feedback* must be precise because vague assessments, in good or bad terms, only produce little *motivation* at work (Beer and Ruth, 1976, pp.59-66). Also, this *feedback* must be positive (Pavett, 1983, pp.641-645) in the sense of renouncing the idea of systematically find what goes wrong (Vagu and Stegăroiu, 2007, p.50). On the contrary, what is well done must be revealed and recognized, which is not an easy thing to achieve (Farson, 1963, pp.111-116). Since there is the irreducible conflict between the role of performance assessor and of support in attracting this performance (Meyer *et al*, 1965, pp.123-129), the manager should not make assessments that could undermine the executant's confidence in him, *motivation* depending to a large extent also on that (Atkinson and Feather, 1966, pp.327-370).

- *Feeling of working in vain* – is the *feeling of injustice* on *motivation*. Even if an employee loves his work and gets some intrinsic rewards, he/she loses enthusiasm if he observes that another individual does not make the same efforts, but benefits of the same treatment (recognition, salary, promotion etc.). Therefore every employee should be rewarded by the efforts he makes, any gratification and advantage should depend on the results.
- *Insufficient means necessary to accomplish assigned tasks* – if not given enough time, information, training, support and assistance, material authority resources necessary to do serious work, the absence of one or other of these factors will be assessed with low indicators (notes) on the scale for evaluating a job well done (Vagu and Stegăroiu, 2007, p.51).
- *Annoying and unnecessary constraints and irritations* – these make even harder the work and the relationship between employee and manager.
- *The general climate, where security, trust, natural respect, cooperation and enthusiasm are missing* – an unfavorable professional climate has repercussions on productivity by not respecting rules, by inadequate quality and quantity (Pitariu, 2000, p.27).

4. Conclusions

The approach of the complex issue of *motivation* domain by managers focuses on two aspects, namely: *competence of employees to perform specific tasks and motivating them to work effectively*. These goals can be achieved by both a strong and reliable selection, recruitment and promotion system and through personal and professional development programs for employees, considering their results reflected in the final performance of organizations.

The success of substantiation, development and implementation of the strategy depends on adequate *motivation* of the involved factors. Thereby, the decisive conditioning of the strategy of human dimension of the *company* or the *autonomous administration* (Nicolescu and Verboncu, 1999, p.188) is considered.

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The Leadership's Role in Motivating Employees

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Abstract

In an enterprise, the leader's role changed decisively in comparison to the traditional leadership approach, encouraging teamwork, openness, equality, creativity, interconnection between people, creation and innovation, and a flexible and changing organizational culture.

It is impossible to neglect motivation, since it represents the source of team productivity. The individual's availability and willingness to perform tasks represents one of the key factors in the company's efficient operation. The leader understands the need to motivate employees and to see them as resources within the company; thus, the increased focus on motivating and promoting the staff is required

Key words: leadership, motivation, employees, equity, job satisfaction

J.E.L. Classification: D22

1. Introduction

The definition of "leadership" – the process whereby the leader influences his/her subordinates and redirects their efforts in order to achieve organizational goals – reveals that the adherent is a person, a subordinate who is influenced by the leader, who takes into account the leader's directions and teachings. In other words, the relationship with the adherent lies in the leader's ability to influence him/her through his/her personal power, inspiration, motivation and accountability within the organization, which is essential. Leadership is the process of targeting a group people through non-coercive means by motivation. (Kotter, 2009, pg.25)

Motivation is represented by "those psychological processes that cause incitement, direction, and persistence in the voluntary actions performed in order to attain certain goals". (Vagu, Stegaroiu, 2007, pg.32). It is impossible to neglect motivation, since it is represents the source of team productivity (Vagu, Stegaroiu, 2007, pg.45). The individual's availability and willingness to perform tasks represents one of the key factors in the company's efficient operation.

The engagement and involvement function incorporates all the work processes whereby the leader determines the staff of the organization to contribute to the setting and achievement of the established objectives, based on the factors that motivate him/her (Nicolescu, Verboncu, 2007). Engagement is underlain by motivation, which consists in correlating the satisfaction of the personnel's needs and interests with the achievement of the assigned objectives and tasks (Nicolescu, Verboncu, 2007).

The leader understands the need to motivate employees and to see them as resources within the company; thus, the increased focus on motivating and promoting the staff is required.

2. Research methodology

After having questioned the members of economic organizations, I investigated whether the Romanian leaders succeed or not to inspire their employees in order to voluntarily fulfill their objectives, whether the Romanian leaders motivate their adherents, whether they have a high morality and whether they are satisfied at the workplace and are loyal to the organization.

Practically, this research aims at measuring the leader's impact on employee motivation by two components, i.e. equity and employee satisfaction the workplace. Thus, it assesses the extent to which the leader influences, inspires and motivates his/her adherents towards the achievement of goals and has an impact on the organization's performance and efficiency.

The research methodology was represented by the quantitative investigation and it was carried out based on an assessment questionnaire, addressed to the employees of Romanian companies. The total number of subjects investigated in this research is 185. The number of organizations surveyed is over 50.

What have I measured?

Employee Motivation - Determining a behavior oriented towards, and dedicated to, the achievement of organizational objectives, by two categories of motivational factors: **equity and employee satisfaction within the organization** (Sirota, Mischkind, Meltzer, 2010, pg. 15).

An important aspect of employee motivation is represented by **equity**, which involves fair treatment, based on respect, providing safe physical work conditions, job security and a performance-based pay level.

Table no. 1 – Assessing the leadership manifestation forms in terms of equity within the organization

	Statements	Average	Usable Average Score
A8 regarding the leader	Within the organization, you deal with frequent layoffs.	2.164	3.836
A9 regarding the leader	Dismissal is often used as a punitive measure.	2.005	3.995
A10 regarding the leader	Employees are fired as soon as they are not needed anymore, without trying to avoid dismissal, by retraining them for other activities within the company.	2.093	3.907
A11 regarding the leader	The company uses part-time or temporary employees.	2.464	3.536
A12 regarding the leader	The selection of new employees is based on professional criteria.	4.180	4.180
A13 regarding the leader	The organization ensures the best safety conditions at work.	4.180	4.180
A14 regarding the leader	The salary and the other material benefits for the work performed are above the market level.	3.219	3.219
A15 regarding the leader	You would not leave the company for a job better paid elsewhere.	3.262	3.262
A16 regarding the leader	Leaders treat employees with consideration and respect.	4.115	4.115
A17 regarding the leader	Company leaders know you, invite you to discussions and communicate with each employee.	3.852	3.852
A18 regarding the leader	The management pays importance to the employees' individual wishes and needs.	3.710	3.710
	Equity		3.800

Source: own processing

The statements from the above table contributed to the calculation of the variable "equity.

The variable regarding job satisfaction studies the extent to which employees are professionally satisfied in terms of their task performance autonomy, reward system, labor challenge, the guidance they receive from their leader.

Table no. 2 – Assessing the leadership manifestation forms in terms of the employees' job satisfaction

	Statements	Average	Usable Average Score
A36 regarding the leader	You have the freedom to implement your ideas.	3,809	3,809
A37 regarding the leader	You can decide how to perform your tasks.	3,913	3,913
A38 regarding the leader	You are not afraid to express your disagreement with the leader.	3,825	3,825
A39 regarding the leader	You are accused and criticized if things go wrong.	3,350	2,650
A40 regarding the leader	The leader gives clear instructions and supervises carefully the employees when delegating tasks.	4,191	1,809
A42 regarding the leader	The reward system in the organization is correct and it is known by all employees.	3,071	3,071
A43 regarding the leader	There are organized dialogue sessions for activity assessments after the performance of tasks.	3,355	3,355
A44 regarding the leader	Your merits within the team are acknowledged.	3,705	3,705
A45 regarding the leader	Everything that matters to your superiors is represented by material results.	3,322	2,678
A46 regarding the leader	The company focuses on work quality, and the standards are ambitious and challenging.	4,005	4,005
A47 regarding the leader	Reward criteria are based on both qualitative and quantitative results.	3,574	3,574
A48 regarding the leader	Your boss praises you when you successfully accomplish your goals.	3,814	3,814
A49 regarding the leader	You feel rewarded for your effort and for the well-performed work.	3,443	3,443
A50 regarding the leader	You involve in task performance because you feel that your work matters.	4,339	4,339
A51 regarding the leader	You involve in task performance because it is mandatory.	3,399	2,601
A52 regarding the leader	The leader prefers promoting the people inside the organization rather than hiring people outside the organization on higher positions.	3,803	3,803
A53 regarding the leader	Your family is happy with your professional achievements within the organization.	3,995	3,995
Satisfaction			3,435

Source: own processing

The summative score for the studied variable, i.e. **the employee's job satisfaction**, is calculated by applying the methodology for the calculation of the answers given by the 183 respondents to the statements from table no. 2.

3. Research results

Assessing the employees' motivation by the leader through fair and equitable treatment

The equity score is above the neutral level (i.e. 3.800); however, it requires the leaders' intervention because equity refers to the employee's core job needs and, in the absence of fair and equitable treatment, his/her morale is deeply affected. People want to be paid fairly for their efforts and they also want job stability. In this regard, neither learning nor teamwork or satisfaction matter if these needs are not met. When analyzing the variable "equity", several leadership manifestation forms in terms of equity are dealt with. Equity refers primarily to the compliance with the basic employment conditions, i.e. those elements that employees expect mandatorily from the person who leads them: remuneration, job security, job conditions and being treated respectfully by their superiors.

According to the data from table no. 1, between statements A8, A9, A10, we observe very strong dependencies, explained by the fact that it refers to the analysis of the same aspect, i.e. job security.

The score for A13, i.e. 3.536, indicates the Romanian leaders' trend to use temporary or part-time employees. Temporary employment contracts or partial (part-time) work rules do not offer career security and become equity constraints that Romanian leaders should eliminate.

Statement A12 refers to the correctness of recruitment policies. The score of this statement, i.e. 4.180, shows that many surveyed employees believe that their employment is based on professional criteria within the organizations they are part of.

Statement A13 assesses the physical working conditions in which employees perform their activities. The high score achieved by this statement (i.e. 4.180) shows that a large part of Romanian employers provide safe working conditions for their employees without endangering their lives. Smaller scores in terms of this statement were noticed in industrial or construction sectors. Employees expect decent physical work conditions, which also show the management's respect towards people, as indicated by the correlations between the statements, of high intensity between statement A13 and statements A16, A17, A18, with $r > 0.45$.

If job security is a major component in equity analysis, remuneration is equally important, being one of the employees' major goals and decisively influencing productivity, as shown by the correlative analyses. Statements A14 and A15 assess the remuneration issue among the 183 respondents surveyed. The employees rarely feel that they are too well paid, thus explaining the rather low score (slightly above the neutral level) obtained for the two statements, i.e. 3.219 and 3.262 respectively. The low score obtained by statement A14, i.e. 3.219, highlights the employees' perception of the salary offered by the organization they work for, in relation to what salaries they think that other organizations offer for the same position.

The score obtained for A15, i.e. 3.262 out of a maximum of 5, shows that many of the surveyed employees would be willing to leave their current job for a higher salary, indicating that remuneration is an important motivation aspect, but also that Romanian employees are dissatisfied with their current remuneration level in relation to the work performed.

Statements A16, A17, A18 assess various ways whereby the leader shows his/her respect towards employees. Statement A16 analyzes the extent to which Romanian employees consider that they are treated with dignity, consideration and respect, with a high score of 4.115. According to our research, a minimum score for this statement, which denotes humiliation and contempt towards subordinates, is rarely met.

What we encounter more often is the management's indifference towards employees and their needs. Therefore, through statements A17 and A18, we have analyzed the extent to which Romanian leaders know their subordinates, pay attention to them and take their requirements into account. Mostly, the scores obtained by the above-mentioned statements, i.e. 3.852 and 3.710 of a desired maximum of 5, reveal that Romanian employees receive the respect they expect at the workplace, but that there is room for improvement in terms of the respect that the leader should manifest towards his/her adherents.

The indifference towards employees and their demands is seen as lack of respect, as they assume that they do not deserve the leaders' time and attention. There is nothing more disappointing for employees than a leader who does not know their name and who has never talked

to them. Therefore, it is very important for Romanian leaders to treat their people as individuals, with opinions, problems and personal requirements, because their need for attention is fundamental.

The members of the organization think that their leader must treat their requirements and their work challenges and problems with commitment and consideration. Employees appreciate open-door policy leaders who listen to them and who discuss with them. This aspect is illustrated by the strong correlation between equity and statement A18 regarding the importance that leadership pays to the employees' demands.

Assessing the employees' motivation by the leader, in terms of job satisfaction

Statements A36, A37, A38 assess the employees' autonomy to implement their ideas, to express their opinions and to decide how they want to perform their tasks. The relatively balanced scores reveal that there is a tendency of the Romanian leadership to empower and raise the personnel's responsibility at work, taking into account their ideas. The empowerment and freedom given to employees in order to carry out their work are absolutely necessary to their job satisfaction, as revealed by the very strong correlations calculated between statements.

The major negative aspect of the Romanian leadership in terms of the employee's autonomy is represented the extremely low score obtained (i.e. only 1.809) in the analysis of statement A40, which assesses the extent to which leaders give clear instructions to employees and carefully control their task performance. Although people are employed for their professionalism and experience, this score indicates that Romanian leaders are monitoring them step by step, closely, ensuring that everything is done according to the instructions received when delegating an activity. The micromanagement, which is strongly present in Romanian organizations, is an unnecessary intervention by leaders at the expense of the employees' autonomy and accountability, a waste of qualified human resources, with a negative effect on the employees' motivation to implement their own ideas.

Another important aspect, with a great impact on employee satisfaction, is the provision of constructive feedback by the leadership, which involves assessing the employees' outcomes, guiding them and correcting their mistakes. Feedback is very important to employees, in terms of their performance. Within Romanian organizations, a score of 3.355 was obtained on the statement analyzing the organization of some activity evaluation sessions. Thus, Romanian leaders must understand the need to provide information to adherents about their work, to interpret performance in relation to expectations. Feedback must stem from the leader's intentions to guide his/her adherent, and his/her purpose should be learning by correcting weaknesses.

Many employees think that they are criticized as soon as they do something wrong or as soon as their initiatives fail and that they are not praised as quickly when they are successful. The score obtained for statement A39 (i.e. only 2.650) is below the neutral level, highlighting the above mentioned issues. Instead of providing constructive critique by discussing mistakes and establishing corrective methods, Romanian leaders blame their employees as soon as things go wrong and have a negative impact on their involvement, initiative, experimentation and creativity.

In order to influence the employees' pride and satisfaction, the leader has to take into account the challenges provided by their work. Ambitious standards, challenging tasks, new work items have a great impact on employee achievement, taking into account the strong correlation between A46 and satisfaction. In most cases, a repetitive, routine activity becomes demotivating and boring for employees. The relatively high score obtained by this statement (i.e. 4.005) points to the fact that Romanian employees believe that the companies surveyed focus on quality and that their work standards are ambitious, and their work is a challenge for them. The obtained score reveals a positive aspect of the organizations studied, for two reasons: firstly, because it reveals that emphasis is placed on work quality, not only on quantitative results, and secondly, because it shows that the employees' skills are exploited through demanding activities. Most employees become frustrated if they do not use their skills at work, being interested in improving themselves and in acquiring new knowledge and skills.

The quality of the work performed, as a pride reason for employees, is analyzed by statements A45 and A47, wherefore we obtained lower scores, compared to statement A46 (i.e. 2.678 compared to 3.574). This reveals that, although high work standards are imposed on Romanian

employees, the quantitative results prevail as far as superiors are concerned, and the reward criteria are largely based on quantitative criteria. Ideally, the reward system should be based on both quantitative and qualitative criteria, because the employees' pride and respect towards the organization comes from offering quality services, and customer satisfaction is also based on the quality of these services.

In order to be motivating, the reward system, analyzed through statements A42, A44, A48 and A49, must be perceived by employees as real; it must result from assessments whose criteria are known by everyone. The score obtained after analyzing the fairness of the rewards system, i.e. 3.771 (obtained for statement A42) is very close to the neutral level and it highlights that the assessment system is not known by all employees and it is not perceived as fair.

A reward system based on individual performance does not encourage teamwork, co-operation, or knowledge sharing among the members of the organization, in order to facilitate learning.

Thus, as far as statement A44 is concerned, a score of 3.705 was obtained, which shows the extent to which Romanian employees' merits are recognized and rewarded at team level.

Statement A50 assesses the extent to which employees consider their work and the performance of their work tasks important to the organization. In order to be satisfied, employees want to feel that their work matters, that they do important things for the organization. Within the organizations surveyed, a high score of 4.339 was obtained, which clearly shows that many of the employees surveyed consider that their work contributes significantly to the organization and to clients' satisfaction.

The score of only 2.601, obtained by statement A51, points out that many surveyed employees perform their tasks because they are mandatory, and not because they are committed to their leaders and organizations. By analyzing the answers to this statement, we deduced that the Romanian leaders' actions fail in terms of their purpose to obtain a high commitment level from their subordinates in accomplishing tasks and objectives.

4. Conclusions

Employees often start working enthusiastically, being devoted to the organization. Their detachment to the organization is due to the leadership style. People cannot feel satisfied in those organizations that treat their employees as costs, as resources needed in order to carry out their work, or as mere executors who should not have opinions, ideas or desires.

Employees often consider that the fundamental equity needs, such as job security or remuneration, are more important, and use them as consolation when their work tasks are not provocative, when they do not have autonomy and are seen as mere executors. However, in the long run, this leads only to frustrations, dissatisfactions, less involvement of the employees towards the achievement of their objectives, and a low commitment level to their leaders and organization. Thus, the employee's satisfaction at the workplace is an essential variable in the study of leadership, because it has a direct impact on employee performance, as demonstrated below.

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Website - Tool of Marketing Strategy?

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Abstract

One of the main features of globalization is the emergence of the Internet, the latter came to be a cornerstone of the information society by means simplifying its ways of transmitting information and collaboration.

New marketing as part of a new virtual world is present 24 hours from 24 hours and is very unique. The purpose of this paper is to highlight the role and importance of the website in a process of generating the virtual identity of the company. The advent of online marketing does not substantially change the management system of marketing, but marketing experts offer a new effective tool that can easily reach a large number of new customers. Thus, experts in marketing strategies must adapt to new technologies and media while marketing essentially unchanged.

Keywords: internet, website, marketing, strategy,

J.E.L. Classification: M30, M31

1. Introduction

The Internet has undergone a borderless development, this being done without a central plan. Internet technologies available, which we all use today, allow new services to appear and be used in addition to protocols that are already available. Internet users can enjoy all the facilities it offers, without other users of Internet networks to be affected in one way or another (Pascu & Iancu, 2016, p.10-15).

Internet is a particularly advantageous business environment. Characterized by fast (removing the barriers of space and time), interaction and flexibility, the Internet has now become an effective tool for implementing marketing strategies (Iancu *et al.*, 2014, p.187-193).

According to Schroeder (Schroeder, 1996, p.11-14) virtual environment or virtual reality is a display computer generated that shows the user a feeling of being present in an environment other than the one you are actually in, and interact with that environment.

Marketing experts agree that activities' occurring in the last decade has had a huge impact on the development of marketing to potential customers in the future purchase (Dobrača, 2012, p.81-85).

How will affect new technologies and new forms of business activities "corporate identity", "brand identity" and what kind of impact will it have on organizational behavior, organizational culture, and even human resources strategy? These are questions we try to answer in this work.

2. The main characteristics of the Internet

Computer network called the Internet consists of two types of technologies:

1. IT technologies, which give the power of the Internet as a complex system, perhaps the most complex, allowing user's daily access to different types of information.
2. Communication technologies that allow Internet connecting computers and networks that comprise it, thus the communication infrastructure in order to enable the exchange of data and information between users.

Among the advantages of the Internet as a new medium considered marketing can remember (Rosu, 2001, p.):

- Facilitate interaction and direct communication with current and potential customers, representing an ideal environment for the development of direct marketing;
- Allows precise targeting and direct marketing messages to specific individuals, especially individuals who have been identified and characterized based on their behavior on the Internet. It provides a real opportunity to implement individual marketing techniques (one-to-one-marketing);
- Internet users have the freedom to choose promotional messages or information they wish to access them; thus their involvement in transactional process is greatly enhanced;
- Offers the possibility of obtaining feedback from users, is highly effective in providing services with direct impact on consumer loyalty;
- Web sites provide more information on companies and products offered, compared with the standard tools of trade information (brochures, posters, advertisements, advertising). In addition, information on the Internet can be changed very easily and in a timely manner;
- Is a commercial environment privileged to direct the underlying commercial transaction. Digital products can be transmitted directly through the computer network, from the producer to the buyer, and many other natural products may be transported by postal services;
- Is par excellence a global market. National barriers have a direct relevance in cyberspace;
- It is cheaper than traditional channels of communication (eg using email service, reduce costs by mail or messaging).

Despite all these advantages, the Internet has a number of important limits (Radu et al., 2002, p.23-76):

- Tends to be used mainly for high-income consumers, and therefore, the electronics market is not yet sufficiently diversified;
- It is particularly suitable for dissemination to a wide audience standardized. Go to a website on the Internet is ultimately a very personal experience;
- Internet advertising effectiveness can not be measured just in terms of cost / benefit. The indicators used in direct marketing have some applicability, but I can not adequately describe the special features of user interaction with the information on the Internet;
- Accessing and searching information on the Internet is still difficult for many users, especially in terms of location information / specific sites;
- The limited availability of wavelength transmissions complex (which include audio, video or photographic image and text) drastically reduces virtual advertising effectiveness. Using virtual reality for promotion and marketing on the Internet is still unfeasible due to difficulties in transmitting large volumes of information, although the basic technology is already sufficiently developed.

3. Importance of the Internet as an economic phenomenon

Lack of security standards widely accepted users continues to adversely affect confidence in e-commerce, especially as regards payment via Internet or dissemination of confidential information.

Due technologies underlying the Internet and study what I always do, innovations and brightest minds, prosperous Internet world every day and grows increasingly more (Stoicescu, 2015, p.68-79).

Table 1 shows how the Internet has penetrated the global evidence on the importance of the Internet as an economic phenomenon as significant growth can be gauged in each of the seven regions.

The advantages of the Internet, determined, since its creation, a continued rapid increase in the number of connected computers. Continuous improvement tools for the automatic processing of information (personal computer PCV), reflected in the rapid reduction of production cost and increasing performance continues, allowed a significant number of companies to connect to the Internet.

Table no. 1 Internet globally

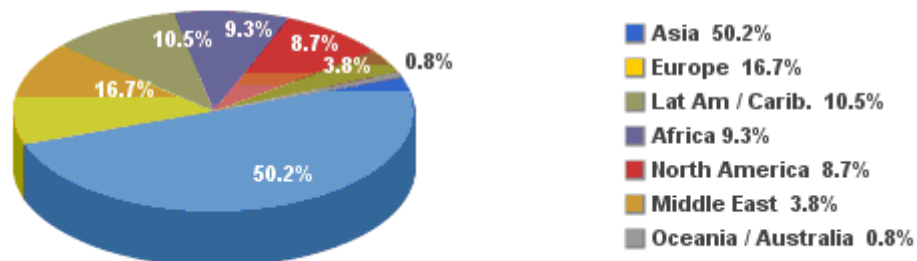
WORLD INTERNET USAGE AND POPULATION STATISTICS, JUNE, 2016						
World Regions	Population (2016 Est.)	Population % of World	Internet Users 30 June 2016	Penetration Rate (%)	Growth 2000-2016	Users %
Asia	4.052.652.889	55.2 %	1.846.212.654	45.6 %	1.515.2%	50.2 %
Europe	832.073.224	11.3 %	614.979.903	73.9 %	485.2%	16.7 %
Latin America/ Caribbean	626.054.392	8.5 %	384.751.302	61.5 %	2.029.4%	10.5 %
Africa	1.185.529.578	16.2 %	340.783.342	28.7 %	7.448.8%	9.3 %
North America	359.492.293	4.9 %	320.067.193	89.0 %	196.1%	8.7 %
Middle East	246.700.900	3.4 %	141.489.765	57.4 %	4.207.4%	3.8 %
Oceania/ Australia	37.590.820	0.5 %	27.540.654	73.3 %	261.4%	0.8 %
TOTAL	7.340.094.096	100.0 %	3.675.824.813	50.1 %	918.3%	100.0%

Source: <http://www.internetworldstats.com/stats.html>

From Figure 1 it is noted that Asia has the most Internet users (50,2%) at the opposite end is Australia which has the lowest number of internet users (0,8%).

Figure no. 1 Internet regions

Internet Users in the World by Regions



Source: <http://www.internetworldstats.com/stats.html>

Table 2 presents the evolution of the Internet at European level. Thus in Romania almost 2/3 of the population are Internet users..

Table no. 2. Internet in the European Union

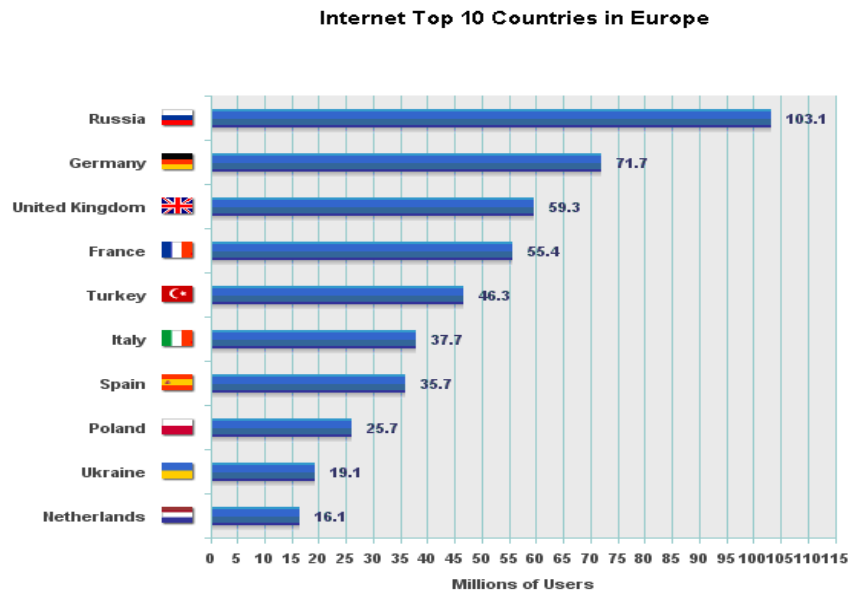
Internet Users in the European Union - 2015					
EUROPEAN UNION	Population	Internet Users	Penetration %	Users %	FACEBOOK
Austria	8.584.926	7.135.168	83.1 %	1.8 %	3.500.000
Belgium	11.258.434	9.569.669	85.0 %	2.4 %	5.900.000
Bulgaria	7.202.198	4.083.950	56.7 %	1.0 %	3.200.000
Croatia	4.225.316	3.167.838	75.0 %	0.8 %	1.800.000

Cyprus	847.008	804.306	95.0 %	0.2 %	590.000
Czech Republic	10.538.275	8.400.059	79.7 %	2.1 %	4.500.000
Denmark	5.659.715	5.432.760	96.0 %	1.3 %	3.500.000
Estonia	1.313.271	1.106.299	84.2 %	0.3 %	590.000
Finland	5.471.753	5.117.660	93.5 %	1.3 %	2.600.000
France	66.132.169	55.429.382	83.8 %	13.8 %	32.000.000
Germany	81.174.000	71.727.551	88.4 %	17.8 %	29.000.000
Greece	10.812.467	6.834.560	63.2 %	1.7 %	4.800.000
Hungary	9.849.000	7.498.044	76.1 %	1.9 %	5.100.000
Ireland	4.625.885	3.817.491	82.5 %	0.9 %	2.600.000
Italy	60.795.612	37.668.961	62.0 %	9.3 %	28.000.000
Latvia	1.986.096	1.628.854	82.0 %	0.4 %	650.000
Lithuania	2.921.262	2.399.678	82.1 %	0.6 %	1.400.000
Luxembourg	562.958	532.952	94.7 %	0.1 %	280.000
Malta	429.344	314.151	73.2 %	0.1 %	270.000
Netherlands	16.900.726	16.143.879	95.5 %	4.0 %	9.500.000
Poland	38.005.614	25.666.238	67.5 %	6.4 %	14.000.000
Portugal	10.374.822	7.015.519	67.6 %	1.7 %	5.600.000
Romania	19.861.408	11.178.477	56.3 %	2.8 %	8.100.000
Slovakia	5.421.349	4.507.849	83.1 %	1.1 %	2.300.000
Slovenia	2.062.874	1.501.039	72.8 %	0.4 %	850.000
Spain	46.439.864	35.705.960	76.9 %	8.9 %	22.000.000
Sweden	9.747.355	9.216.226	94.6 %	2.3 %	5.600.000
United Kingdom	64.767.115	59.333.154	91.6 %	14.7 %	38.000.000
Total European Union	507.970.816	402.937.674	79.3 %	100.0%	236.230.000

Source: <http://www.internetworldstats.com/stats4.html>

One can talk about a gap in Europe behind the United States, due to the more limited spread of the Internet in Europe, due to different buying habits. Regarding European Union members, it is necessary to point out differences between the various countries of EU infrastructure, especially between the Nordic countries and other countries, as shown in Figure 2.

Figure no. 2. Internet Top in Europe



Source: <http://www.internetworldstats.com/stats4.html>

4. Conclusions

The paper analyzes the impact of the Internet on mankind. This type of interaction has a significant impact in the process of creating goods, the relationships between companies and their customers, which highlights the role of marketing online as an important tool, not only in the marketing system and in a Customer Relationship Management system. Therefore, it is clear that effectively managing a marketing system in the new virtual environment is one of the central issues and opens a whole new paradigm of marketing and economic and socio-cultural environment.

Some authors consider the Internet as an ideal business environment in which small and medium businesses have the chance to successfully compete with large multinational companies. Research undertaken shows that these benefits are not so obvious for small and medium-sized or that, ultimately, they can be operated only by choosing and implementing a strategy optimal marketing.

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Analyzing the Concentration of Overnight Stays in Constanta City, over the Period 2010-2016

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Abstract

In tourism literature, seasonality is approached as an evolution mode of the activity and, in most cases, it is seen as a problem faced by tourist destinations/ units, but also by other economic and social agents connected to the tourism activity, including local government authorities. This paper aims to analyze the seasonality in terms of the concentration of the activity over a certain period. As a case study, we analyzed the concentration of the tourism activity in Constanta city, using as a database the evolution of the indicator "number of overnight stays", over the period 2010-2016.

It is important to know the concentration tendency of tourism activities, the consequences that may occur and the entities that may be more interested in or affected by the concentration phenomenon. The results of the study may be used in drafting a marketing strategy for the sustainable development of Constanta, as a tourist destination.

Key words: concentration, tourism overnight stays, Lorenz curve, Gini coefficient, Struck coefficient

J.E.L. Classification: C10, C15, C38,L83, M21, M31,R11

1. Introduction

The tourism demand and supply are constantly facing oscillations. When these oscillations are not accidental or conjunctural and become repeatable, like the calendar period, we can talk about seasonality. The repeatability aspect must be accompanied by activity concentrations in certain periods, but also by obvious discrepancies between maximum and minimum values, in order to establish correctly whether seasonality manifests itself (Grigorescu, 2003). When considering tourism seasonality, two important aspects are taken into consideration: the intensity and the dynamics of the seasonal concentration (Bigovic, 2011). This study addresses seasonality in both aspects. The used database represents the monthly values of the indicator "number of overnight stays" recorded in Constanta (including Mamaia resort) from 2010 to 2012; for adjustment, we used the method of arithmetic means and, for concentration, we used the Lorenz curve, the Gini coefficient and the Struck coefficient.

In order to understand the tourism activity in Constanta, we consider it appropriate to use qualitative research and to discuss some aspects of the history of this city. Since the sixth century BC, a Greek colony, called Tomis, was established on the Western shore of the Black Sea. Here, Greek ships were drawn to the shelter of a peninsula (in the shape of a trapeze, with a small base towards the sea, surrounded on three sides by water) and to the bay that formed a natural harbor (Păuleanu, 2006). Tomis city (as well as Histria and Callatis) was organized according to the urban civilization model of ancient Greece. The first port facilities were built in the fourth-third century BC and contributed to the intensification of the trade carried out by Tomis with important centers

such as Byzantium, Apollonia, Athens, Rhodes, Thasos, Cos. The whole history of the settlement is marked by exchanges (both commercial and also of influences, knowledge, mentalities, cultures and civilizations) and by the succession of different administrations (Greek, Roman, Byzantine, Ottoman, and ultimately Romanian). As far as Constanta city is concerned, it may be stated that it has demonstrated, over time, a real "survival vocation" (Păuleanu, 2006).

The modern history of Constanta begins around the second half of the nineteenth century, and since then it has been known as a city marked by port and tourism activities. In the documents of the time, it is noted that, in 1896, Constanta played important "port and balneary roles" (Constanta, 1897, p.3, in: Păuleanu, 2006). Then, in 1899, it was considered a "first-rate spa resort", and, in a report sent to King Carol I in 1903 by the Minister of the Interior, Constanta was regarded as "the country's first prime port and the most important spa resort" (Păuleanu, 2006, p.195). The exact date when the tourism activity began is unknown. However, it is recalled that, at Constanta, people have been taking sunbaths since the Ottoman administration. The documentation that we have performed (represented by the collection of information from various materials published in the late nineteenth and early twentieth centuries), revealed that the tourism activities in Constanta had, from the beginning, a seasonal nature. In the records of those times, it was mentioned that, since 1892, tourism activities had been concentrated between 15th June and 15th September (DJAN .1892, f.2-6, in: Păuleanu, p.188), and only a few years later (in 1899), the tourist season started earlier, namely on the 1st of June (DJAN,1899, f.3-5, in:Păuleanu, p.145).

2. Data, results and discussions

In order to characterize the concentration of the tourism activities in Constanta municipality, we selected one of the most used indicators of tourist traffic, i.e. the number of overnight stays. The database is represented by the values of this indicator registered by NIS, between 2010 and 2016 (Table 1).

Table no.1 Number of overnight stays in Constanta city, between 2010 and 2016

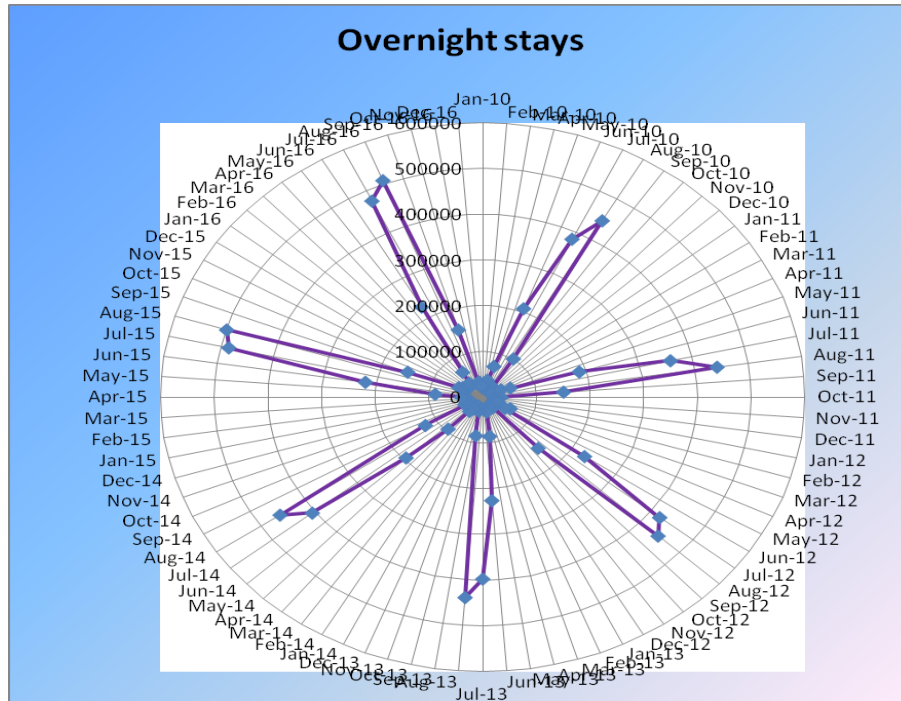
Month	2010	2011	2012	2013	2014	2015	2016
Jan	20240	15920	22813	21056	21012	26129	37372
Feb	24786	18989	24378	22270	27577	26984	32830
Mar	23821	20322	29831	26759	31192	33955	39921
Apr	38496	37875	57255	32848	39245	39040	66200
May	70417	55227	48084	86430	94803	88844	227716
Jun	207847	188299	229681	226356	194745	221013	475752
Jul	383317	358732	421697	397119	405834	485207	508437
Aug	445265	441421	445671	438786	456783	499090	154000
Sep	101257	151004	151864	85105	123268	150092	34527
Oct	29398	34211	29578	31206	36853	49460	32710
Nov	24472	26672	27135	27630	31615	42838	25016
Dec	17217	21755	24591	20838	26658	36938	37372

Source: National Institute of Statistics, Romania

In analyzing a distribution series, we were interested in determining the extent to which population units are concentrated around certain values, for example in certain months of the year. The statistician Corrado Gini formulated the problem of measuring the concentration phenomenon in 1912, in connection to the analysis of the distribution of a population's incomes. By this concentration, he highlighted the agglomeration of a population's units or the global values of a distribution around a value (e.g., the central value) of the grouping characteristic. The concentration assessment involves the comparative study of the structure of a population number and the global value structure on the same variation variant of the grouping characteristic. The concentration is applied to any phenomenon that possesses features susceptible to summation.

Figure 1 highlights the evolution of the number of overnight stays in Constanta. The analyzed phenomenon shows a seasonal evolution, with a peak in August and the lowest point in February.

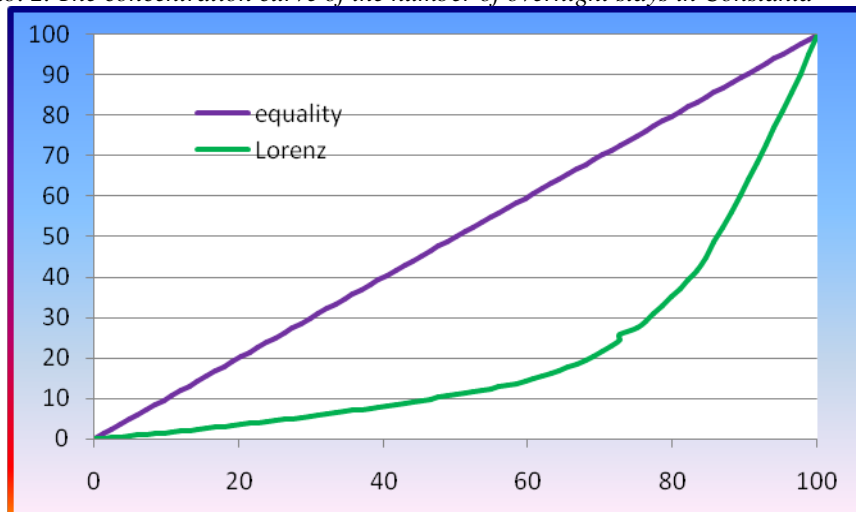
Figure no. 1. Concentration of the number of overnight stays in Constanta, per months, between 2010 and 2016



Source: Authors' own processing of NIS data

The statistical characterization of the concentration may be achieved by two categories of methods: numerical (by calculation) and graphical. Measuring the concentration degree by numerical methods implies calculating some concentration indicators.

Figure no. 2. The concentration curve of the number of overnight stays in Constanta



Source: Authors' own processing of NIS data

The graphical determination of the concentration involves the construction of the concentration curve (Lorenz-Gini curve), and in connection to this curve, the concentration index (Gini index) is calculated. If we see the concentration as an inequality in the evolution of the activity, it can be noticed that, by the Gini coefficient, the statistical measurement of inequality is performed (Black, 2002), and by the Lorenz curve, the graphical representation of this inequality is obtained (Lundtorp, 2001).

In order to create the concentration curve, the data must be systematized into groups, both for occurrence frequencies and for the overall level of the interest variable. The graphical representation of the cumulated shares gives us the image of the concentration curve. The analysis of the graph is performed comparatively, in connection to the main diagonal: the further away the curve lines from the baseline and the larger the area delimited by the curve and the baseline, the more accentuated the concentration phenomenon is. The closer the curve lines from the baseline and the smaller the area, the more equally spread the phenomenon is.

If the distribution of the number of overnight stays had been uniform throughout the months of the year, then the Lorenz curve would have coincided with the first bisectrix. As can be seen from the graph, the concentration curve is situated far from the first bisectrix, indicating a large concentration of the number of overnight stays in certain months of the year.

The Gini index or the Gini concentration coefficient takes values in the range [0,1], and the concentration degree of the number of overnight stays is directly proportional to the indicator value (Juganaru, 1998).

The Gini index, as a concentration measurement, may be calculated as follows:

$$G_I = \text{Concentration area} / \text{the area of the triangle under the baseline}$$

A coefficient value greater than 0,579956 indicates a high concentration, 57% of the number of overnight stays being recorded only in several months of the year (especially in July and August)

The seasonality indices have been calculated by directly applying the method of arithmetic means. First, an average was calculated for every month (\bar{y}_i), covering the period of the seven consecutive years; then, a general monthly average was calculated (\bar{y}).

Table 2 centralizes the results obtained for the monthly averages and the calculated seasonality indices.

Table no. 2 Monthly average values of overnight stays and seasonality indices

Month	Monthly average	Seasonality index
January	22770.14286	0,1814385
February	26050.85714	0,2075801
March	28387.14286	0,2261963
April	40668.57143	0,324058
May	72857.85714	0,5805507
June	213665.2857	1,702542
July	418236.8571	3,332622
August	462207.5714	3,682992
September	130941.4286	1,043376
October	35033.28571	0,2791545
November	30438.85714	0,2425449
December	24716.14286	0,1969448
Total	125497.8333	

Source: authors' own processing of NIS data

The general monthly average was obtained as an average of the monthly averages or by summing up all time series terms and by dividing this sum by the number of series terms (84 terms). It is noteworthy that, on average, between 2010 and 2016,125,497.8333 overnight stays were recorded in Constanta city.

By comparing each monthly average to the general monthly average, we obtained the seasonality indices that characterize the average deviation degree of each month, compared to the defining monthly average for the entire 7-year period. Thus, if in January the number of overnight stays averaged 18.14%, compared to the general monthly average, in August the average number of overnight stays was by 268.29% higher than the general monthly average. In June, July, August and September, the number of overnight stays exceeded the general average (the seasonality indices are supraunitary).

The calculation of seasonality indices revealed that the number of overnight stays in Constanta municipality has a seasonal evolution. If the number of overnight stays is below the general monthly average in the first five months of the year, starting with June, there follows a period of 4 months when the number of overnight stays exceeds the general monthly average, followed by another three months with values far below the average.

In order to characterize the seasonality intensity and tendency, the Struck concentration coefficient (Cs) was applied. This is, in fact, a corrected form of the Gini coefficient and it is calculated using the relationship (Minciu, 2004, p. 43):

$$C_s = \sqrt{\frac{n \sum g_i^2 - 1}{n - 1}}$$

where,

n – is the number of categories or variants (classes, groups)

g_i – is the share of each category in total

This concentration coefficient may take values in the range [0; 1]. The minimum possible value (C_s = 0) is independent from the number of the categories considered, which gives the coefficient the advantage of an easy and comparable interpretation. Value 1 is reached when the concentration is maximum (in a single group) and the value 0 is reached when there is a uniform distribution (Jaba, 2002, p. 198).

The calculations required in order to determine the concentration coefficient for the period 2010-2016 were centralized in the table below.

Table no. 3 Share of each category in total (g_i)

Month	2010	2011	2012	2013	2014	2015	2016
January	0.014598	0.011617	0.015082	0.014866	0.014106	0.015374	0.019332
February	0.017876	0.013856	0.016117	0.015723	0.018513	0.015877	0.022423
March	0.017180	0.014829	0.019722	0.018892	0.020940	0.019978	0.019698
April	0.027764	0.027637	0.037853	0.023191	0.026346	0.022970	0.023952
May	0.050786	0.040299	0.031789	0.061021	0.063644	0.052274	0.039719
June	0.149904	0.137402	0.151847	0.159810	0.130738	0.130039	0.136627
July	0.276457	0.261767	0.278794	0.280371	0.272448	0.285485	0.285445
August	0.321136	0.322105	0.294643	0.309789	0.306651	0.293653	0.305056
September	0.073029	0.110188	0.100401	0.060085	0.082753	0.088311	0.092398
October	0.021203	0.024964	0.019555	0.022032	0.024740	0.029101	0.020716
November	0.017650	0.019463	0.017940	0.019507	0.021224	0.025205	0.019626
December	0.012417	0.015875	0.016258	0.014712	0.017896	0.021733	0.015009
Total		1.000000	1.000000	1.000000	1.000000	1.000000	1.000000
Concentration Coef.	0.38	0.37	0.36	0.37	0.36	0.35	0.37

Source: authors' own processing of NIS data

The values obtained for the calculated concentration coefficients reveal a uniform monthly distribution of the number of overnight stays recorded in Constanta city, each year. As a trend, there is registered a stagnation of seasonality during 2010-2016, the levels of these coefficients being very similar (from 0.38 in 2010 to 0.37 in 2016).

3. Conclusions

The evolution of the tourism activity in Constanta municipality shows an important concentration between June and September, and the highest values are registered in July-August. This qualitative research brings to our attention that the concentration tendency has been present since the beginning of the tourism activity in Constanta. Our explanation is that the tourist offer is conditioned, largely, by climatic and temperature conditions, by natural resources (sea, beach, air), and the tourist demand is influenced by free time/holiday periods, income size, tourists' changing

behavior. At the same time, the change in demand and supply over time is the result of the combined action of a large number of factors.

The achieved quantitative research highlights the achievement of the research objective, i.e. concentration measurement and analysis of its evolution. Attracting a growing number of tourists to Constanta is a priority concern for tourism operators, but this may intensify the concentration of activities over a short time period. In this context, the negative consequences of concentration under different manifestation forms can affect the economic and social life of the city.

Taking into account the concerns about diminishing the concentration of tourism activities in Constanta, we consider that the achievement of a marketing research on the factors that influence tourism demand and supply could help to identify some action possibilities in this direction. The concentration phenomenon should be approached from both perspectives of the tourism market, i.e. the offer (with aspects related to the tourism product, its conception and realization/performance), the demand (with needs, wishes, motives, changes in buying and consumption behaviors) and also the meeting/ confrontation/ approach between supply and demand, in order to establish an effective marketing strategy.

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Influence of TQM Practices and Service Innovation Types on Performances of the IT Romanian Companies

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Abstract

This paper presents a mathematical model intended to investigate the influence of TQM and service innovation types on service companies performance. The company performance is regarded as the model output and is built out of the financial performance and the non-financial performance. The two performances are generating competitive advantage. The estimated non-financial performances are represented by the quality performance and the innovative performance. The data used to build the model were taken from the IT Romanian companies.

Key words: mathematical model, service innovation, TQM, competitive advantage

J.E.L. Classification: C50, C52, M10, O32

1. Introduction

Increasing competition in the global markets leads to a rapid decline in the added value of the products and the services.

So, in the new global context, the service companies are compelled to adopt, using limited resources, new methods to increase their competitiveness. Quality and innovation are the two key elements leading to these companies success (Li,L., 2000, p.299-315).

Innovation is an important component of the competitiveness, it is included both in the organizational structure of a company and in products and services of it. So, innovation provides a strategic orientation of the companies for winning customers and obtaining competitive advantages.

Total management quality is the best strategy recognized at the global level to achieve higher quality services and products and it leads to a high performance of the company.

The relationship between TQM and services innovation is complex. The literature suggests pros and cons arguments concerning a positive influence of the TQM on services innovation. The pros arguments are supported by Eg EgAbrunhosa&Moura E Sa (Karani, S. R., & Bichanga, W. O., 2012, p.59-76); Lopez-Mielgo, Montes-Peon, Vazquez-Ordas (Kuswatoro, F. et al., 2012, p50-60); Martinez-Costa & Martinez-Lorente (Leavengood, S., & Anderson, T. R., 2011); DI Prajogo & Hong (Marquez. R., 2009, p.1-13); Sarkees&Hulland (Martínez C, M., Martínez L., A.R., & Choi, T.Y., 2008, p.23-29), they affirm by adopting TQM principles, that the companies receive a platform for innovation and TQM practices are congruent with innovation. The principle focus on client stimulates the companies to innovate for new customer needs and so, this continuous improvement support the creative thinking on the labour organization. The arguments on TQM do not stimulate services innovation and are supported by Pekovic & Galia (McAdam, R., Keogh, K., 2004, p.126-141), Santos-Vijande & Alvarez-Gonzalez, Leavengood and Anderson (Pekovic, S., & Galia, F., 2009, p.829-842). However these researchers do not fully reject TQM practices help innovation.

Recent studies (Karani, S. R., & Bichanga, W. O., 2012, p.59-76) have investigated the relationship between innovation and company performance and they found the innovation strategy and culture are key performance factors.

Kuswanto, in his study "Impact of Distribution Channel Innovation on the Performance of Small and Medium Enterprises" showed the distribution of the innovation channels is positively related to the company performance.

Results of the researchers (Gunday G et Dutton J., 2011, p. 676) showed the process innovation and the product innovation have a strong positive influence on the company performances while the organizational innovation and the marketing do not influence them at all.

From the specific literature it can be observed the innovation is a key factor for long-term success of a company, helping it to survive in the dynamic markets and in critical situations created by the turbulences in the outside environment.

2. Relationship between innovation types and innovative performance

Specific literature leads us to the following issues regarding the relations between these four innovation types identified in OECD Oslo Manual, namely:

- A higher level of the organizational innovation involves a higher level of the process innovation and a higher level of the marketing innovation. Between the organizational innovation and the product innovation no significant correlation was observed.
- A higher level of the process innovation involves a higher level of the product innovation.
- A higher level of the process innovation leads to a higher level of the product innovation.
- A higher level of the marketing innovation involves a higher level of the product innovation.
- An improvement of the production performance involves an improvement of the market performance and no significant influence on the financial performance.
- An improvement of the market performance involves a real improvement of the financial performance (OECD, Oslo Manual, 2005).

The innovative performance is perceived in specific literature (Martínez C, M., Martínez L., A.R., & Choi, T.Y., 2008, p.23-29) as one of the most important factors influencing the issues of the organizational performance. It is the combination of the achievements such as: improvement of the organizational structure, new products, new processes, new projects, patents, and so on.

From the literature it can be noted as:

- If the marketing innovation and/or the product innovation and/or the organizational innovation increases then the innovative performance increases. The process innovation is not able to be influenced by the innovative performance improvement.
- The innovative performance positively influences the production performance (increases flexibility, quality, costs and rate of production operations) and the market performance (increases the existing customer satisfaction and the number of new customers) and the financial performance of the company, for a long time.
- An improvement of the innovative performance leads to the improvement of the production and the market performance.

3. Relationships between TQM dimensions, innovative performance and quality performance

Prajogo and Sohal (Marquez. R., 2009, p1-13) established a positive and significant relationship between the quality performance and the innovation, particularly the process innovation.

Specific literature (Juneja, D., Ahmad, S., & Kumar, S., 2011, p.93-98) allows the establishment of the following positive relationships between the TQM dimensions and the innovative performance:

- Market Orientation and Customer Focus significantly influence the innovative performance and the quality performance. These stimulates the companies to find new wishes of the customers and thus to guide the companies to be innovative discovering new products to meet these demands. The customer must be the attention center in all activities of a company, by bringing quality and innovation .

- Continuous Improvement has a significant positive influence on the innovative performance and the quality performance. Managers continuously obtain improvements from the research of new ways to improve the current processes, the use of the knowledge from the past experienced, the use of the experiences workers, and so on.
- Employee Management, teamwork, employee empowerment have a positive influence on the innovative performance by forecasting the production issues and by improving the quality of the current and future products and services. TQM practices create an environment and a culture influencing the employees in their work. In any company, satisfaction and motivation of the employees lead to the improvement of the processes and the services.
- Supplier Management has a positive effect on the innovative performance and the quality performance. The buyers and the sellers often work together to improve the product quality, to achieve new products and new services and to reduce the costs.
- The leadership is responsible for managing the organization's vision in relation to the customer satisfaction. The leadership urges the employees to responsibly participate with innovative ideas to improve the products, the processes and the services thus developing the company.
- The Process Management contains a set of production programs and work distribution to improve products quality.
- Factual Approach to Decision Making is another TQM activity with positive influence on the innovative performance. A relevant analysis of the data and the information is necessary for managers to achieve the strategic objectives of the company and to anticipate and respond to the internal and external disturbances of the company. Also, the managers time and again communicate information and data to all users, employees and providers to improve efficiency and innovation in the company.
- Organizational culture positively influences the Innovative Performance and the Quality Performance if its main objective is the positioning of the customer in the center of all organizational activities.

Three approaches of the companies may be observed from the point of view of the innovative performance and the quality performance, namely :

- Cost-conscious companies- are characterized by: low-level profit, relentless rival competition, low focus on innovation and average quality of products and services. To be competitive these companies are compelled to lower prices.
- Quality – oriented companies – have low-level focus on innovation, average costs. These companies are focused on high quality, providing competitive advantage until the rivals introduce a new product or a new service.
- Innovative companies - are characterized by developing new products and new services and therefore having a competitive advantage over their rivals. These companies support more time their competitive advantage by the quality and the cost control programs.

So the innovations give the competitive advantage and the quality and the costs control keep it.

4. Mathematical model regarding TQM influence and service innovation types on firm performances

This paper tried to assess the effects of the TQM and the service innovation types on financial and non financial performance of the IT service companies using available data from 40 Romanian companies during 2013-2016. The research was achieved at macroeconomic level and included the scores found in the questionnaires applied to the companies. The collected data ranged from 0 to 2.

The studied model consists of the following sub-models:

$$QP = f(TQM); IP = f(TQM, OI, PSI, PI, MI, QP); PP = f(OI, PSI, PI, MI, QP, IP) \\ MP = f(OI, PSI, PI, MI, QP, IP, PP); FP = f(OI, PSI, PI, MI, QP, IP, PP, MP)$$

where: *QP* – Quality Performance; *PI* – Product Innovation; *MI* – Market Innovation;

IP – Innovative Performance; *PP* – Production Performance; *MP* – Market Performance;

FP – Financial Performance; *OI* – Organizational Innovation; *PSI* – Process Innovation;

To calculate the input and output variables the indices based on the information sent by the 40 companies were used as follows:

- For the *Product Innovation* variable, an index of the components means: a) innovations lead to the improvement of the use of products and to the increase of customer satisfaction; b) development of new products.
- For the *Process Innovation* variable, an index of the components means: a) elimination of the activities without added value; b) lowering costs in the current processes; c) increasing quality of the outputs in the current processes; d) elimination of the activities without added value in the product delivery processes; e) lowering the delivery cost of the products; f) increase of the delivery speed of the products to the customers.
- For the *Market Innovation* variable, an index of the components means: a) design change of the current products without making any technical changes; b) change of the distribution channels without changing the logistic processes related to the delivering products; c) changing the promotion techniques of the products; d) changing the technique used to determine the product prices.
- For the *Organizational Innovation* variable, an index of the components means: a) changing in innovative ways both the procedures and the processes and the organizational structure of the company to facilitate team work; b) improving the supply management system; c) improving the management system of the human resources; d) improving the quality management system; d) improving the management system of the information exchanges from the company.
- For the *Quality Performance* variable, an index of the components means: a) time from product request to products delivery; b) customer satisfaction; c) number of customer complaints; d) number of services performed late.
- For the *Innovative Performance* variable, an index of the components means: a) ability to bring to the market the services ahead of the competitors; b) percentage of new products and new services their total; c) quality of new products and new services; d) innovations introduced for working procedures; e) number of innovations in intellectual property.
- For the *Production Performance* variable, an index of the components means: a) making products according to quality standards; b) production cost; c) products flexibility; d) production and delivery speed of the products.
- For the *Market Performance* variable, used an index of the components means: a) market sharing; b) all sales; c) customer satisfaction.
- For the *Financial Performance* variable, an index of the components means: a) overall profitability of the company; b) ratio of the profit and the total assets; c) ratio of the profit and the total sales.
- For the *TQM (Total Quality Management Principles)* variable used an index of the components: a) Market Orientation & Customer Focus; b) Continuous Improvement; c) Employee Management; d) Supplier Management; e) Leadership; f) Process Management; g) Factual Approach to Decision Making; h) Organizational Culture.

In these models were introduced the following control variables were introduced:

- *Business Uncertainty variable (IMA)* can take the following values: 0- small uncertainty; 1- average uncertainty; 2- high uncertainty.
- *Company Size variable (DM)* can take the following values: 0 – very small size; 1-average size; 2- large size.
- *Financial Resources variable (RF)* can take the following values: 0- no resources; 1- there are resources but not enough; 2- there are enough resources.
- *Company Culture variable (CF)* can take the following values: 0 – it does not exist; 1- there is an average level; 2- there is a high level.

The models equations are of the following form (1):

$$\lg y_i = a_{0i} + a_{1i} \cdot TQM + a_{2i} \cdot OI + a_{3i} \cdot PSI + a_{4i} \cdot PI + a_{5i} \cdot MI + a_{6i} \cdot QP + a_{7i} \cdot IP + a_{8i} \cdot PP + a_{9i} \cdot MP + \sum_{j=1}^4 b_{ji} x_{ji} \quad i = \overline{1,5} \quad (1)$$

where: y_i - submodels outputs, QP, IP, PP, MP, FP and a_{ki} , $k = \overline{0,9}$ are submodels coefficients, x_{ji} , $j = \overline{1,4}$ are control variables, b_{ji} - coefficients of the control variables.

The accuracy of each model is given by R^2 - the adequacy degree of the model. The model will be adjusted until its value has reached a value closer to 1. To show in the presented models some coefficients were insignificant, the T-test (Student) was performed for each coefficient of the model. Regression results are presented in the table 1.

Table no1 Regression results

	V1- lg(Quality Performance)	V2- lg(Innovative Performance)	V3- lg(Production Performance)	V4- lg(Market Performance)	V5- lg(Financial Performance)
TQM	0.104	0.098	0	0	0
OI	0	0.069	0.055	0.002	0.0022
PSI	0	0.054	0.09	0.104	0.0035
PI	0	0.0001	0.004	0.0071	0.12
MI	0	0.07	-0.003	0.09	0.002
QP	0	0.0017	0.0003	0.005	0.02
IP	0	0	0.2	0.22	0.14
PP	0	0.08	0	0.4	0.11
MP	0	0.061	0.33	0	0.11
IMA	0.024	0.002	0.0022	-0.021	0.3
DM	0.00018	0.045	0.0035	-0.067	0.00032
RF	0.08	0.005	0.00011	0.008	0.11
CF	0.09	0.0003	0.07	0.004	0.0001
Free term	1.93	3.02	1.7	7.4	2.03
Accuracy of the model	0.99	0.99	0.92	0.99	0.97

Source: Processing data modelling

From the results of the model some aspects are noted, namely:

- Quality Performance is influenced significantly positive by TQM, Financial Resources and Company Culture. There is no significant correlation between Quality Performance and the Company Size.
- There are no significant correlations between Innovative Performance and Product Innovation and between Innovative Performance and Company Culture. Also, Innovative Performance is influenced significantly positive by TQM, Organizational Innovation, Process Innovation and Size Company.
- Production Performance is influenced significantly positive by Innovative Performance, Market Performance, Process Innovation and Company Culture and it is influenced negatively by Market Innovation. There is no correlation between Production Performance, Financial Resources and Quality Performance.
- Market Performance is negatively influenced by Company Size and Business Uncertainty. Market Performance is significantly positive influenced by Product Performance, Innovative Performance and Process Innovation.
- Financial Performance is influenced significantly positive by Product Innovation, Innovative Performance, Market Performance, Business Uncertainty and Financial Resources. There are no significant correlations between Financial Performance and Size Company, Organizational Innovation and Company Culture.

This paper has some limitations, namely: the small size of the sample companies, the sample companies belong only the Romanian IT services. The low number of companies take into account in the model have limited opportunity to apply the advanced statistical techniques.

5. Conclusions

This paper is based on a study carried out during 2013-2016, on the 40 Romanian companies with a special focus on IT services. This approach does not provide the details regarding the trends about the quality management practices and the service innovation types, the future researches will approach a more comprehensive analysis.

Generally, one can observe a positive relationship between TQM practices, service innovation types and the financial and non-financial performances of the service companies. However, there is a number of disturbing factors such as: business uncertainty, company size, financial resources, culture company, these factors can sometimes lead to a negative relationship.

Also, we can draw the following conclusions:

- Innovation is a necessity resulting from the increased requirements regarding the quality of products;
- TQM has the deciding role in finding the ways to innovation;
- TQM implementation can hinder the creativity due to the compelling imposition of standards, the employees dealing more with the routine issues and less to produce innovative solutions;
- Focus on clients of the companies can lead the companies not be aware of the uncertainties occurring in a dynamic market with turbulences and so the companies are not prepared to deal with these situations;
- In order to avoid the financial risks, the companies applying TQM often become copycat companies and not innovative companies;
- To implement the innovation it takes time. The innovation process becomes unprofitable if it requires too much time to be applied. A long time to implement the innovation leads to increased costs.

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Decision Conceptual Model for Innovation Ways using the Competitive Intelligence System

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Abstract

This paper proposes a theoretical model that can be used in making decisions regarding the innovation ways. The innovation strategy is designed with the competitive intelligence system. This model will be implemented software and will be applied in a service company. The results of the present study will be communicated in a future paper.

Key words: competitive intelligence, decision making process, innovation

J.E.L. Classification: C89, M10, O32

1. Introduction

The development of new technologies and the globalization as well lead to a business environment disturbed both inside and outside a company. At company level, the managers have to make decisions under increasingly complex conditions. These conditions significantly affect the decisions by the available information, the organizational objectives, the individual decision maker objectives and the organizational culture.

Although the decision making is a dynamic and constantly evolving process, every decision must go through some basic steps. These steps are: identifying the problem, creating alternatives solutions, selecting the most beneficial alternative, implementing the chosen alternatives and obtaining feedback to assess the decision effectiveness.

Effective managers do not make many decisions. They think about the strategically important issues and do not focus on the speed of the decision making.

More and more companies recognize the need to become smart ones in order to be able to meet the current highly turbulent business environment. They also recognize that Competitive Intelligence is essential in strategic management and decision making (Breese, 2011), (Deng, Luo, 2010), (Patterson& Martzoukou, 2012, p. 44) to create and maintain the competitive advantage.

Competitive Intelligence is a managerial concept that any company can use to adapt both to the demands of its clients and the behaviour of its partners and competitors.

Competitive Intelligence allows to anticipate the market evolution by analyzing the competitors' moves and building the scenarios to understand the strengths and the weaknesses of the companies.

Beside its many benefits, the Competitive Intelligence presents several challenges, namely: building and developing a Competitive Intelligence program, being aware of the Competitive Intelligence work program, budgets constraints, lack of the qualified human resources, effective and timely collection of the relevant information and the optimal use of them.

Competitive Intelligence concept appeared since 1960 and was considered as a procedure to collect and to process the internal and external information of the companies in order to gain a strategic advantage.

In the last years, Competitive Intelligence is considered a valuable factor contributing both to the strategic decision-making and to facilitate and to promote the creativity, providing essential information for decision-making during the different stages of development of the new products and services.

2. Literature review

The last ten years, the companies have become increasingly interested in investing in the implementation and development of the Competitive Intelligence systems.

From the specific literature it was observed that in developed countries, the large companies often use the Competitive Intelligence techniques while the small companies use them occasionally. In developing countries, the companies use the information networks and the intelligence employees as main information sources to analyze the Competitive Intelligence. In transition countries, the companies use the Competitive Intelligence techniques similar to those practiced in developed countries but less complex.

In 2009, Erickson and Rothberg asserted that the Competitive Intelligence level is much higher than in the consumer industries (Patterson& Martzoukou, 2012, p. 44).

Many researchers have studied, how to use the Competitive Intelligence practices in the companies, such as: in Finland (Hannula and Pirttimaki, 2003, p.2), in France (Smith and Kossou, 2008), in Sweden (Hedin, 2004), in UK (Wright, 2005, p.3), in Germany (Michaeli, 2004), in China (Tao and Prescott, 2000, p.4), in USA (Bhardwaj and Prescott, 1995), in Belgium (De Pelsmacker, 2005) and so on. The authors of these studies have found large differences in the application of the Competitive Intelligence from one state to another.

Studies (Michaklysin, 1996), (Pierce *et al*, 1998), (Zangoueinezhad, Moshabaki, 2009) showed that all companies that have intelligent employees and use monitoring systems the competitors' activities, can gain the competitive advantage through innovation, enabling the manager to improve the business planning and the decision making.

Also, the specific literature points out that the companies use highly developed Competitive Intelligence systems. Yet these systems are used business information and cannot be used by managers to build strategies for obtaining long-range competitive advantage on the market.

3. Information and Competitive Intelligence

Competitive Intelligence is a compilation and an analysis of the data and the information provided by various human or technical sources. These analyzes predict or provide an overview of the intentions, capabilities or activities of an entity and the possible implications and consequences.

Competitive Intelligence is a specific concept, adapted to the business environment. It is understood as an economic, systematic and continuous process intended to ethically and legally collect information on chosen targets (customers, competitors, opponents, staff, technology, economic environment in general) and finished by the dissemination of the Competitive Intelligence products and services to the decision makers on all levels (strategic and tactical) in an efficient manner, safely and in due time.

A restrictive view of the Competitive Intelligence is that it is a distinct activity, it runs only for the decision makers and it ends when the intelligence products are delivered. This approach is based on the company's governance model in which intelligence is collected and analyzed by the intelligence community and disseminated to the decision makers. It is important to maintain the intelligence distinct from the decision-making process, so that it is never be politicized and does not influence the democratic process of decision making. The essence of the model considers the intelligence as "information provider acting in a decision-making".

The dictum "knowledge is power" has never been more true than now, in today's complex and quick business environment. Success of any business increasingly depends more and more on the knowledge of the rapidly changing events with impact on the organization. However, in many companies, managers still working with large amounts of raw data, little information with added value derived from the analysis and very little the intelligence properly applied in a company.

A preferable approach is to develop the decision-making process providing the decision makers, with a larger amount of intelligence and a smaller one of information and data.

Most managers make decisions using some knowledge and more "instinct". Intuition is required; in fact, in many cases, it is a determining factor for success. Leaders in many areas have acquired status, largely through intuitive abilities.

In a time of dynamic changes the past experience is not enough. It may not be the same frame of reference to judge the events and the circumstances. In such periods, the decision makers need more external support. They need an intelligence mechanism that can continuously produce the organizational knowledge.

When there are several sources of a product or service, the competition is a natural and inevitable consequence. Suppliers take action in order to isolate the activities from the aggressive competition but, invariably, they have to engage themselves in some form of fighting with the others in order to gain some market share.

On mature markets, the quality of the competitive strategy is now as important as the strategies related to the determination of the company performance.

All strategies require information and the competitive strategies are not excepted, so this situation has created an increased demand for Competitive Intelligence.

At present, the companies contain differentially the whole spectrum of the Competitive Intelligence activities.

At the lowest level there are companies contented with press reading and on-line searches. Internet has a profound propagation for Competitive Intelligence. At the upper level are the progressive companies which develop fully institutionalized Competitive Intelligence, with their own staff and a substantial budget, illustrating aggressive practices.

Experienced managers know that the effectiveness of a decision is determined by two criteria: the quality of decisions and the attachment to those who must implement it. Using Competitive Intelligence enhances the decision quality. The quality of decision is determined by the way the making decisions process is developed. A quality decision if not correctly implemented is ineffective. Decision implementation is determined by the attachment, which is why the involvement of those who will implement the decision is vital for the decision making.

Both the decision quality and the involvement of those who apply it must be taken into account when developing the decision-making procedures.

4. Short presentation of the theoretical model

Owing to the competitive environment specific to the market economy, the basic condition for the success of a company is the permanent search for solutions allowing one of the best possible positions on the market.

In this way two business attractive opportunities, namely the development of new services to attract new profits and the reduction of operation costs for existing services without a diminution of clients satisfaction.

There are three directions used by companies to develop business opportunities for services innovation:

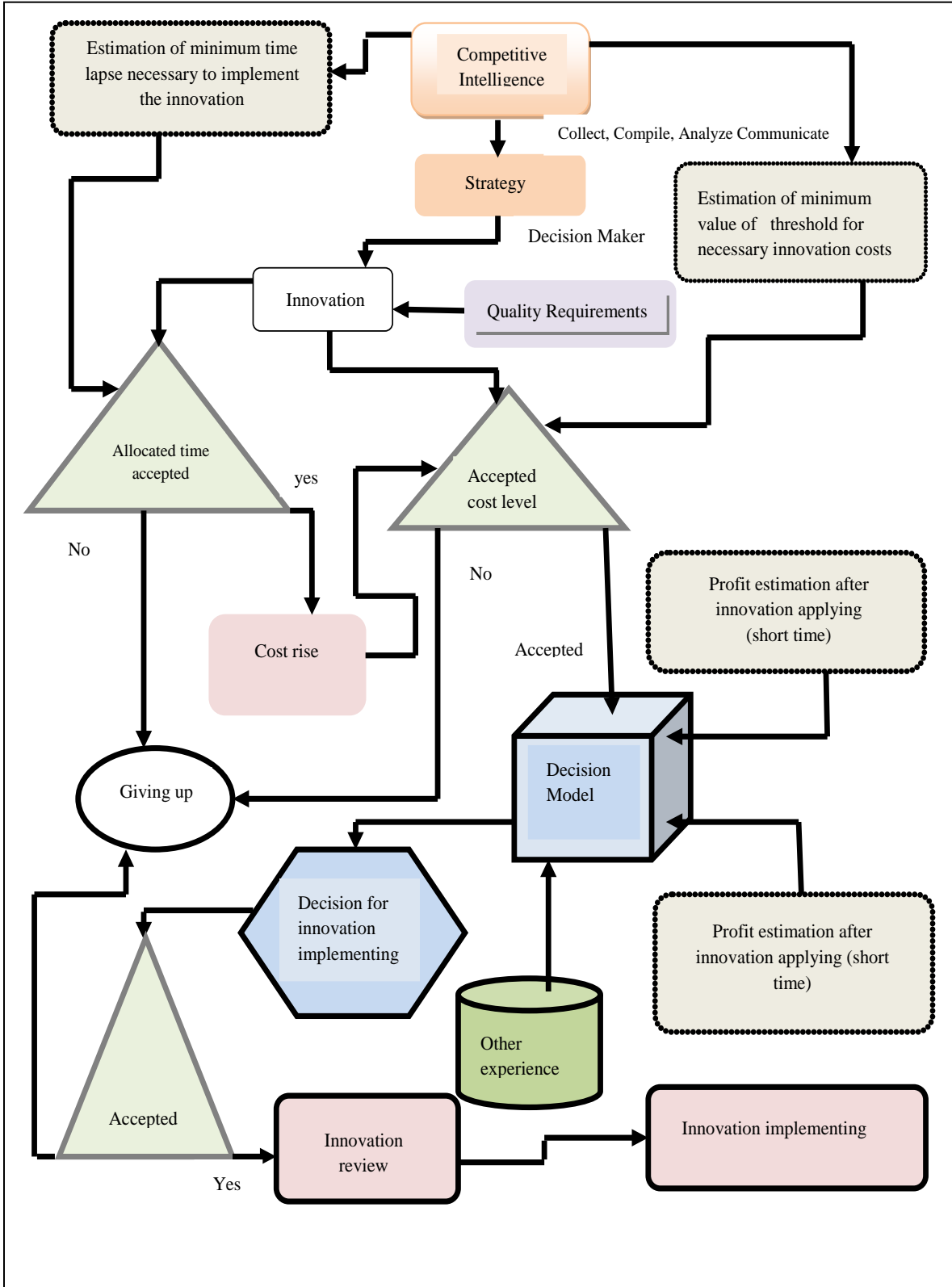
- Service model innovation – establishing the service strategy and the service business model for the company;
- Service operational innovation – severe reduction of existing services operation cost in the same time with the continuous improvement of services level at the client and of his experience;
- Innovation in services improvement –creation, development and delivery processes management keeping the same discipline and strictness as for the new products.
- Also, the innovation activity in the company is hindered by some factors like:
- Effort excessive concentration on products and/or on technologies existing in the company;
- The economic crisis;
- Exaggerate avoidance of risk factors at the level of company management;
- Uncertainty regarding the evolution of raw material prices/ demand for the new product;
- Tackling by the company of an activity field for which there is no experience;

- Communication and information difficulties.

Fig.1 presents the scheme of a model showing Competitive Intelligence influence on innovation in a service company.

In this model, the Competitive Intelligence has a deciding role in finding innovation possibilities.

Figure no.1 Conceptual model for the innovation ways using the competitive intelligence system



Source: Created by authors

Competitive Intelligence is a tool for generating the knowledge to implement the innovation. This tool facilitates the creation of the strategies and the solutions in critical stages of the innovation process.

To achieve the innovation strategies the Competitive Intelligence collects and analyzes perceptions and opinions of the customers about the specific products and services.

The implementation of the innovation takes time. A long time to implement the innovation leads to increase the costs and thus the innovation process becomes unprofitable.

Implementation of the innovation is influenced by several factors such as: costs, estimated profit, experience of other companies or other sources of the innovation. Thus, all these factors go into a decision support system. Once the decision is taken, the innovation must be reviewed and adapted according to the additional constraints due to all disturbing factors.

If the innovation can be implemented then it is a necessity result indirect by the company's strategic planning, process controlled by the Competitive Intelligence.

According to the data structure and the type of innovation it determined how to approach the model building and optimization.

5. Conclusions

The model presented in this paper will be used and improved in a service which develops innovative procedures, the results will be communicated in a future work.

The knowledge base of this system should be built on a distributed data base system because of the necessity of previous experience in innovation of other systems. It is preferable to store this information in NoSQL type data bases because the data structure is variable (e.g. as a function of innovation procedures type).

If this system is implemented and developed in companies, this will help to the construction of strong collecting and knowledge exchange cultures playing an important role in the stimulation of services innovation.

The use of Competitive Intelligence systems in service companies lead to lower costs in general procedures of the companies and creates durable innovation.

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Strategic Leadership

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Abstract

Leadership as a concept has been very useful in the last decades, but when it comes to defining and especially to applying strategic leadership theories into the day-to-day life of organizations, things become much more complicated. It is imperative that managers select their basic theoretical need in order to assess one organizations leadership. The following article aims to prove that it is necessary to choose more than one theoretical instrument before applying them into a specific plan, which combines more than one theoretical approach for evaluating and improving strategic leadership into an organization.

Key words: leader, leadership, organization, ability.

J.E.L. Classification: M10, M12, M21, L26

1. Introduction

As proven many times in theory leaders are different than managers. However, it is those who choose to take what's best and most importantly, what's efficient, from each one and combine it into on individuals character, that can end up being true and appreciated leaders. Leadership is therefore a complex process of influencing others with the purpose of achieving entity goals, or group goals through change. The main question that needs to be addresses is both *what/how do we want to influence?*

2. Knowledge assessment regarding strategic leadership

People have different behaviors on a daily basis. Some of them are daring, some of them shy, some of them noisy, quiet, some warm, some cold, some aggressive, some passive, hardworking or lazy. These behaviors are determined by the individual **traits** of a person.

The trait is the most important element or distinctive quality of a person, an essential aspect of the character of someone's personality. (Băileşteanu, 2008)

The personality is given by a combination of traits which characterizes the individual behavior. It's important to observe and understand the personality of an individual, because this is the thing that determines its behavior, perceptions and his/hers attitude. Knowing the aspects linked to the personality helps us explain but also to predict the behavior of an individual and also the efficiency obtained at the working place. (Țuțurea et al, 2010)

The personality is determined by genetic factors and also environmental ones. The genes and also family, friends, and working places influence personality traits. There are many methods of classifications of personalities.

The model of 5 traits is the widest accepted model because of its basis in research. Although it was initially advanced by Ernest Tupes and Raymond Christal in 1961, and then advanced by J.M. Digman, it was Lewis Goldberg who extended this model into organizational analysis. With the help of the 5 main personality traits one can determine, with a relatively high precision, the 5

personality traits that encompass one or more traits that can describe any given person. This model fits traits into the following 5 different categories: **1) dominance and extraversion; 2) responsibility (conscientiousness); 3) neuroticism (sensitivity); 4) openness (to change); 5) agreeability.**

1. The first category has two components of dominance and extraversion. The people who own this trait of dominance desire to assure him/her self-tasks and to move forward through competition and influence, as leaders. Those people that have within a weak presence of this trait mostly want to be supporters (contributors) and do not to compete or influence others.

Extraversion is one of the poles of a bipolar dimension, the other one being introversion. In the Jungian psychology, the way of thought of extroverts is that they are oriented toward the outside world, they are sociable, have many friends, they like to meet new people and they flourish in contact with them, they like confrontation and competition, while the introverts are shy, silent, cautious and reserved.

2. Another personality trait is **responsibility**. This trait includes those features related to task completion and the person is a continuum between being responsible – trust worthy – and irresponsible – who is not trust worthy. High responsibility presumes credibility, the ability to self-organize and conscientiousness. The people with this trait are hardworking, they put a lot of effort into achieving their objectives and obtaining high performance, often putting in a lot of overtime into their work. (Mardar, 2013).

3. The trait of **neuroticism** includes features to emotional stability, which is a continuum between the existence of stability and instability emotional wise. The stable ones have good self-control, they are calm, relaxed, sure of themselves, good under pressure, positive, appreciating and commending others for their work. The unstable ones control themselves less, are more anxious, angry, uncertain, pessimistic, weak under pressure, usually criticizing others.

4. The fourth trait is the **openness to change**. This includes sub-traits pertaining to the desire to change and do/create new things or have new experiences. People with high openness to change seek to change or do new things while the people at the opposite pole are very conservative, comfortable, and avoid change.

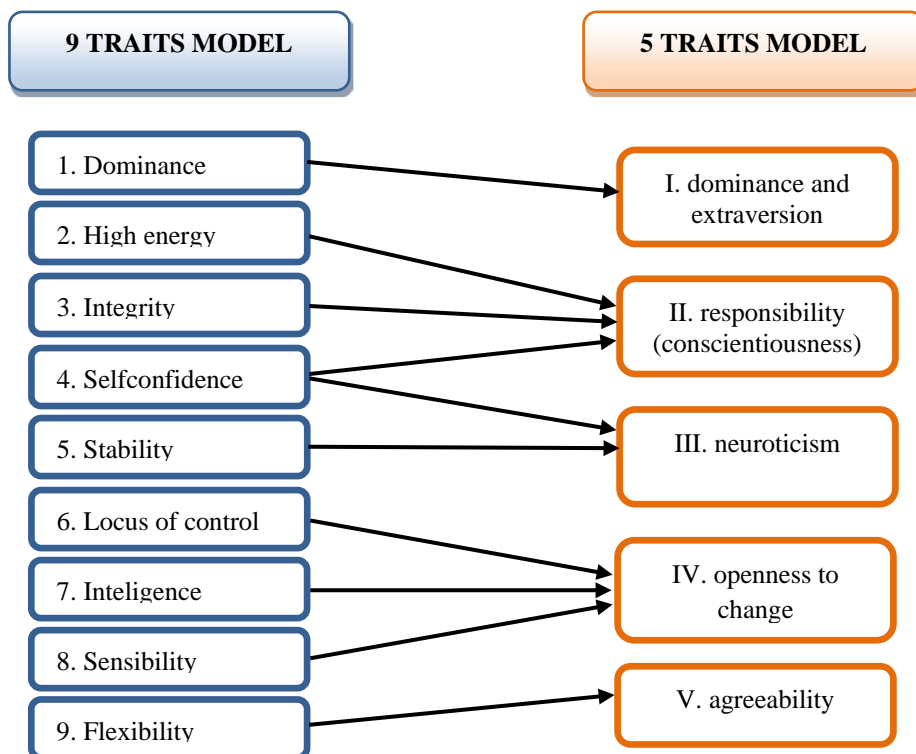
5. The fifth trait is **agreeability**. Unlike the trait of dominance, which entails being at the forefront of others, this trait is concerned more with having a good relationship with others and being more likeable. A person more is agreeable when they are warm, friendly, sociable, and show a lot of compassion and empathy. A person is non-agreeable when they are cold, unfriendly, unsociable and uncompassionate. High agreeability presumes consuming a lot of time spent with people but also the presence of many friends in one's life.

Charles Garcia ties the motivation to the leadership, in his book "Leadership Lessons of the White House Fellows", based on assessing a group of 600 remarkable leaders from all of the American society. He highlights that to the employees the most important thing is to have powerful leaders that motivates them into giving their best. He offers 8 methods by which the leaders could motivate their employees (Garcia, 2011):

- the leader must bring passion and positive energy in the environment in which he is active, on a daily basis;
- the people are the "engine of success", so to be a good leader one must concentrate upon the people in his/hers subordination;
- the leader must have always integrity and must act accordingly;
- leadership influences others and it cannot be achieved without an efficient communication;
- The most efficient leaders are those who invest time in listening not only to the things that a team is communicating, but also to the hidden meaning of those sayings;
- The leader solves the problems;
- The leader LEADS with experience and competence, not by titles and position.

There is also a "9 traits model" that define great leadership designed to achieve high level of performance (Mardar, 2013). They can be easily explained by correlating them with the 5 traits model explained above:

Figure no. 1. Traits model



Source (Tuturea, 2010, 29)

Strategic leadership, as a process, is therefore realized by strategic leaders. From this last category, it is considered that strategic leaders can be selected from the following types of managers: general managers, front line managers, board members, division managers etc. Strategic leadership involves conceiving and implementing successful strategies. (Stan, 2013).

Strategic management is a leading, comprehensive, continuously, process, which helps training and implementing effective strategies which ensure agreement between the organization and its environment, in order to achieve strategic objectives. (Ionescu et al, 2011).

Strategic efficient actions are the essential existential conditions in developing and obtaining competitive advantages. Also, strategic leadership involves using activities of general interest to help the growth of human interest when it comes to helping an organization face the challenges that are constantly rising. (Țuțurea et al, 2010).

A manager has to poses four main abilities in order to be able to apply efficient leadership strategies:

- intellect;
- abilities of self-evaluate;
- abilities of supervising and control;
- abilities of communicating;

There are two different leadership strategies when it comes to strategic leadership: task-oriented (T) or people-oriented (P) (Mardar, 2013).

Some (Warren & Bennis, 2000) state that strategic leadership has the following key elements:

- vision (aplied in a medium-long term plan)
- social arhitecture (which include elements that are defining, such as: the origin of the organization, the fundamental operating principles, the nature of his work, information management, power distribution and decision making abilities, impact and statute)
- the promotion of trust inside the organization
- the promotion of inovation and creativity and social development.
- There are also six ways in which strategic leadership can be translated:

- developing human capital – refers to the knowledge, professional abilities, level of specialization and qualifying , professional expertise of the labor force from an organization. Employees are viewed as a capital resource, with them being a major resource in obtaining competitive advantages.
- establishing a strategic direction– it refers to establishing strategic intentions and missions, long term visions (5 to 10 years). In establishing a strategic direction there need to be taken into consideration the strengths of a company. These strengths can make up as important elements of support into achieving major changes
- keeping and utilizing high standard performances - as strategic leaders, managers need to take decisions that help develop an organization, maintaining and enforcing high performances within the organization.
- developing an efficient organizational culture – organizational culture refers to a set of complex ideologies, myths, slogans, symbols and values within an organization, which influence the leadership and help regulate and control employer behavior. Also, an organizational culture that promotes initiative spirit must also promote risk taking, and rewards must take into consideration long term performances as being the opposite as short term performances. Reward systems are also decisive in ensuring the development and maintaining an organizational culture oriented in ensuring a high initiative spirit and ability of achieving strategic goals.
- requirements of an ethical behavior – strategic leaders are well known for insuring an ethical behavior within the organization. One way of promoting this kind of practice is to introduce ethics into the organizational culture of the organization, which then will guide the actions of employees inside and outside the organization, with the help of sanctions if necessary.
- existence of a strategic control system – within an organization there can be used, mainly, two control systems: financial and strategic control. In some situations, the two control systems are opposable, with strategic leadership trying to ensure a balance between strategic control and financial control.

3. Conceiving a strategic leadership plan

Before speaking of a strategic leadership plan or of evaluation of any of its results, there must first be conceived a diagnosis stage, a certain evaluation of the current state in which leadership is in an organization, because we do not refer to a completely new notion, thus a strategy of leadership could be set up from the following phases of action:

A. Assessment of the current state of leadership in the organization, in which the targeted manager must have his profile drawn based on his personality but even on the basis of his duties which it entails:

A1. Individual assessment based on the 5 traits model;

A2. Individual assessment based on the 9 traits of efficient managers;

A3. Attribution assessment of the manager, from the perspective of the features that their fulfillment implies;

Once established the data which entails the individual concerned and its attributions, the second part of the leadership strategy would suppose recognition for the organization and ways of manifestation of leadership within (as previously described).

B. Identifying ways of showing strategic leadership across the organization

The third stage of strategy would consist in the establishment of key elements which are not found in the organizational leadership

C. Identifying key elements that weren't found in the organizational leadership

C1. In terms of the manifestation of strategic leadership among the organization

C2. Key elements

D. Making action proposals regarding future directions to be followed from the strategic leadership point of view, setting up a temporal limit at which they will be evaluated to which extent they have been achieved.

E. Their assessment at a later date.

4. Conclusion

Managerial and leadership types determine the performance of individuals. Therefore any organization needs to adopt a certain strategy to assess what already has been done, identify both problems and solutions and make action proposals. It is impetuous that leaders sometimes have psychological approaches towards improving their subordinates, as it has been proven that subordinates value their leader above anything else.

The 5 traits model has therefore a decisive role into assessing each individual and knowing how to motivate him towards the desired direction.

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Few Marketing Tools to Communicate and Promote the Vaccination Campaigns

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Abstract

A health system that is, in its turn, healthfully conceived, implemented and managed, and that is mainly focused on preventing themedical conditions that may alter the population's health, can have a major contribution to reducing the costs involved in treating and curing various diseases. In order to achieve this, the health decision makers need to initiate and conduct information campaigns for the population, on the subject of knowing and applying the most suitable illness prevention methods. In this paper, we aim to present briefly a few of the marketing tools through which the responsible health actors can communicate to various audiences about the advantages of illness prevention through vaccination campaigns.

Key words: marketing, communication, tools, vaccine, campaigns

J.E.L. Classification: M31

1. Introduction

As part of the tertiary sector, the health services provided within a country are aimed towards ensuring the physical and mental health of both an individual, or a community, and its entire population. Through the measures taken, these services can create the premise of a healthy life and can contribute to the harmonious development of the young generation and to a fulfilling life led by the adult population; they can also ease the elderly care process.

Due to globalization, enhanced international relations, increased human circulation etc., a closer and tighter cooperation and collaboration is necessary between the health representatives and decision makers from different states, so that through combined efforts, and often with the support of global health organizations, it is possible to maintain or improve the health status of the population from increasingly extended areas.

Depending on the level of economic development, each country can approach in a different manner illness prevention and ensuring a proper health status, both at an individual and at society level.

One of the means used by the decision makers from high level positions within the national health systems is represented by initiating and conducting national vaccination campaigns, aimed at both the young population (comprised of children of various ages, from newborns to adolescents) and the adult population (from young adults to elders), depending on the type of disease for which immunization is sought, on the severity of the consequences of an epidemic, as well as on other specific factors. In order to ensure a proper health status for new generations, the decision makers from the health ministers or departments mainly aim to immunize children from the very first moments of birth, thus trying to prevent their illnesses, to reduce the risk of epidemics and to diminish, as much as possible, the unwanted, or even tragic, consequences of these diseases.

In general, vaccination is mandatory for certain diseases or age groups affected by them; however, in most cases, the decision to vaccinate is made by either the individual himself (if he is major and responsible) or by his parents, tutors or legal representatives. In order to obtain the expected reaction from the target audiences of the vaccination campaigns or from those that can decide in their name, decision makers need to properly inform all the actors involved.

This paper does not intend to be either for or against vaccination, but rather to illustrate how, through specific means of marketing communication, the decision makers can honestly inform the population, can influence the attitude of the individuals deciding their own vaccination or that of another individual in their care, can acknowledge the importance of the steps taken to reduce the number of illnesses and to reduce the risks posed by them and, thus, can increase the number of adherents to the cause of the vaccination campaigns.

2. Few Aspects Regarding the Marketing of Health Services

From a theoretical and also practical standpoint, marketing approaches have been adopted and applied not only in an economic environment, but also in non-profit organizations, so as to attract new members, funds and support, through a judicious use of marketing tools (Armstrong, Kotler, 2015, pp. 31-32). Due to interferences between the economic and social fields, many of the areas of marketing specialization, including the health area, are delimited with a certain degree of relativity (Balaure, et al., 2002, p. 73). At the border between services marketing and social marketing, the marketing of health services is characterized by a series of specific traits, which differentiate it from other types of services. Thus, the important decisions are mostly taken on high levels of decision (ministry, department of health etc.), and aim to set the framework for conceiving and implementing the state health politics. This framework is materialized mainly by the organizations providing health services to the population (family medicine offices, polyclinics, hospitals etc.). At the same time, the organization of the system and the operation of specific activities are subject to legal regulations and constraints, as they aim to satisfy the health needs at both individual and society level. The health services market does not always strictly follow economic rules. According to opinions from the specialized literature, the needs are stringent and spontaneous, which causes the triggering of demand simultaneously with the emergence of need, and syncing demand with supply is made under more difficult conditions, due to the high training of the medical staff (Olteanu, 2005, p. 126). Basically, the supply is predominantly established at government level (even in the sphere of private sanitary system, for instance, the number of pharmacies on a certain area or the activity of the private medical offices are determined in accordance with specific legal regulations), the demand (with the exception of the emergency services) is determined especially by the volume of insurances, and the prices, most often, are not influenced by the demand and supply. In general, the individual consumers of health services cannot properly appreciate the quality of the product received, because they do not have the necessary knowledge and skills. The medical staff, depending on the work field (family doctor, polyclinic, hospital etc.) and type of property of the organization it is part of (public or private), most often cannot act in accordance with the efficiency requirements of the activity. Naturally, in turn, the marketing mix has numerous particularities. The concept of product can be analyzed based on the approaches met in marketing literature (Kotler, et al, 1998, pp. 653-654; Balaure, et al, 2002, p. 339), and also in the services marketing literature (Lejeune, 1989, p. 24; Olteanu, 2005, pp. 167-170). In health services, the global product is the result of an entire set of activities, through which basic, auxiliary, supplementary and potential unitary products are generated, and through which utility is created. The basic product is an answer to the stringent health needs, the auxiliary product ensures the minimum basic conditions needed to realize the basic product, the supplementary product adds an extra utility to the basic product, thus allowing differentiation from the competition, and the potential product offers a higher level of customization of the health services. Setting the price depends on many important factors: the financing mode, the number of payers, the type and degree of health insurances, the type of services provided etc. The health services distribution is made directly (for example, family doctor – patient), as well as indirectly (for instance, when a specialist's consult is also required). Communication and promotion politics can be at a microeconomic level (organizations involved in providing medical services), as well as at a

macroeconomic level (depending on the manner of organization, it can be managed at a ministry or department level etc.), and can be targeted at both the internal public (its own staff) and at different categories of external public (patients, public institutions, mass-media etc.), depending on the specific objectives pursued.

3. Marketing Communications Used to Promote Vaccination Campaigns

As seen in the specialized literature, health services allow for the physical, mental and social welfare of their consumers, through specific functions, as follows: the function of promoting health (information about staying healthy and reducing illnesses); the function of preventing illnesses (through prevention services and periodical medical checks); the curative function (treating illnesses, the recovery or relief of the patient's sufferings); the health rehabilitation function (the recovery of the individual's health condition by providing specific services) (Rădulescu, 2008, p. 17). By their specifics, health services contribute to increasing the quality of people's lives, and the quality of health services also causes the growth of consumers' trust in the providers' actions. In accordance with specialists' opinion, trust is the essence in services' provision, and the service's credibility is appreciated by consumers after the provision process is over (Cetină, et al, 2009, p. 35).

In most cases, it is difficult for many health services providers to gain the patients' trust in the quality of the services to be received, for reasons related to the patient's personality (the level of training and understanding of the medical act, fear or mistrust in the medical personnel's competences to diagnose or treat correctly), to the personnel that is providing these services (attitude, level of training, reputation, communication with the patient etc.), to the elements that are part of the interior or exterior physical setting of the service provision (ambiance, facilities, equipment) etc.

Even though trust is gained after the service has been provided, there are numerous cases in which, through promotional actions performed in an organized, correct and balanced manner, the offer promised meets the offer delivered, whether the communication and promotion efforts were made at an organization level or higher. Depending on the situation, the goals and objectives, and the target audience, these communication and promotion campaigns can be initiated, implemented and managed by decision makers at high levels.

According to legal regulations covering the Romanian health system (Law 95/2006), the main functions of public health assistance refer to: epidemiological surveillance, illnesses prevention and control, preventing epidemics, including establishing the epidemiological health condition, informing, educating and communicating in order to promote health. Among the methods that can be used to accomplish these functions is population vaccination, both children and adults.

In our country, the national vaccination program is endorsed by *Comitetul National de Vaccinologie (The National Vaccination Committee)*, and *Institutul National de Sanatate Publica (The National Institute of Public Health)*, through *Centrul National de Supraveghere si Control al Bolilor Transmisibile (The National Center for Surveillance and Control of Transmissible Diseases)*, has the mission to materialize the program.

In accordance with the objectives of the national immunization plan, vaccination is realized not only to protect newborns and children of serious contagious diseases, but also to improve the health of the entire population. Regarding children, based on *Calendarul national de vaccinare (The National Vaccination Calendar)*, there are vaccines that can be administered from the very first moments of birth (such as the hepatitis B vaccine, in the first 24 hours), afterwards continuing with different immunizations up to the age of 14 years. Besides these vaccines, which are included in the national plan and funded by the state, there are a number of optional vaccines, aimed at different target audiences (pregnant women, adults, children, travelers in countries with epidemiological risk), made at doctors' recommendation (*Institutul National de Sanatate Publica Romania, 2017; Asociatia "Acces la Sanatate", Societatea Nationala de Medicina de Familie, 2017*).

With the goal of supporting the national vaccination program of the *Ministry of Health of Romania*, a series of studies and researches have been made over time, regarding some of the most important aspects related to vaccination. Thus, in 2013, *Asociatia Romana pentru Promovarea Sanatatii (The Romanian Association for Health Promotion)* conducted the study "Directii

Strategice pentru Dezvoltarea Programului de Vaccinare si Promovare a Vaccinarii”(Strategic Directions for Developing the Vaccination Program and Promoting Vaccination) (ARPS, 2012, pp. 13, 20-21, 40-41). The target audience was represented by 1162 family doctors from Romanian settlements with more than 50.000 inhabitants, and of these, 71% were vaccinators. According to the results of this study, over half of the vaccinator doctors considered that the main reasons which led to the parents' refusal to vaccinate their children were related to the lack of education and the poor level of information about the vaccines. Taking into consideration the results of the conducted research, a SWOT analysis was made within the same study; this analysis illustrated that even though there is a multi-sectoral interest in health and health promotion, the failure or confusion of certain preventive interventions have had a negative impact on the population's trust in vaccination.

Through specific marketing approaches, judiciously elaborated, the vaccination campaigns can be brought to the public's attention more easily, and the act of informing the public about the benefits of vaccination (by the responsible factors involved) can be more efficient, provided that it is realized in an honest and transparent manner.

Communicating with the various audiences is made differently, depending on the category of the target audience (medical services providers, for instance for the family doctor, the final patient or its tutor etc.), on the objectives pursued (prevention, eradication etc.), on the type of disease against which the vaccination is done, on the scale of the action (vaccination campaigns can run locally, regionally, nationally or even on wider areas, involving more countries). The action can be performed in several successive stages, through specific communication and promotion techniques.

In our country, pro-vaccination campaigns that run nationally are usually initiated by the *Ministry of Health* and can be aimed not only at family doctors, doctors from school offices or other categories of medical services providers that have the legal right to provide these services, but also at the final consumers of these services or their legal representatives. There could also be cases of vaccination campaigns running in Romania that are initiated at European or global level. For instance, for several years (since 2005), the European Region celebrates *European Immunization Week* in April, as part of the *World Health Organization's* campaign entitled *World Immunization Week* (*World Health Organization, European Immunization Week*, accessed on 28.05.2017). This campaign, that takes place in Romania as well, illustrates the importance of vaccination in preventing diseases and protecting people's lives.

The programs to promote vaccination campaigns can have various objectives, such as: raising people's level of information regarding a certain type of vaccine, the benefits of vaccination and the vaccination calendar, improving the patients' or their tutors' attitude towards vaccination, raising doctors' interest in performing vaccines, raising awareness or convincing the public opinion representatives about the benefits of vaccination etc. During the vaccination promotion campaigns, messages can be transmitted through certain specific marketing communication tools, means and techniques, through well organized and coordinated approaches. During these campaigns, direct communication channels (such as the direct communication between the doctor and the patient), as well as indirect communication channels can be used. Different promotion techniques can be used, based on the campaign initiator (national structure, global organization etc.), on the aimed objectives, on the scale of the campaign (local, regional, national etc.), on the target audience (medical services providers, intermediaries, patients, tutors or legal representatives of patients etc.); the effectiveness of the campaign will be higher if it takes place within an integrated marketing communication system.

One of the most recommended methods of communication in health marketing is represented by the **public relation** activity, especially for the government initiated campaigns. Interviews in written and audiovisual media, press communications and conferences led by the decision makers from the Ministry in a relatively accessible language can reach the attention of various categories of target audience (medical services providers, family doctors' patients, adolescents, parents of little children of vaccination age, elder people or people with a high risk of illness), and can also reveal the factors responsible for the vaccination campaigns, can emphasize the benefits of vaccination in a transparent manner, the risks involved with the refusal to vaccinate, the side effects of vaccines on the physical and mental health, indications and contraindications etc. The efficiency of these actions is increased especially if they supported by other communicational means, such as **advertising**. The goals of the vaccination campaigns are accomplished or even amplified through

advertising, which can be: mass-media advertising (messages broadcasted at public or private radio or television, with national, regional or local coverage), exterior advertising (posters, billboards, light signs etc. located inside medical units or near areas of public interest), printed advertising (leaflets, prospectuses, flyers etc.) that can be distributed in the family doctors' offices, clinics, polyclinics, medical analysis laboratories, pharmacies, educational units or other institutions frequented by children or their parents, adolescents (sports schools, scientific circles, fitness halls, beauty or piercing salons etc.).

Moreover, pro-vaccination campaigns can also be promoted through medical caravans, where teams of few doctors can travel to different areas of the country and approach the topic of vaccination **orally**, clearly and using an accessible language. During these trips, the audience can watch documentaries. These documentaries can educate and inform the public, especially from the rural areas or the less developed regions of the country, where there is limited the access to other communication media and the family medicine offices are very far. As a result of the technological evolution, one of the most used means of marketing promotion is **direct marketing**. Based on realizing a database as large as possible, direct marketing approaches can be made through the Internet, mobile phone and especially social networks. The messages can be sent to a large number of users, allowing for a quick informing of the targeted public.

Although there are many legal and moral issues that prevent from using the entire set of marketing promotion and communication tools and techniques within the medical services domain, the promotional approaches presented above, alongside other communicational activities, can help implement and run vaccination campaigns successfully.

4. Conclusions

Initiated for the purpose of preventing illnesses, of limiting the spread of certain diseases, of eradicating certain diseases, of improving people's health etc., the vaccination campaigns can be brought to the target audience's attention and can be promoted through specific marketing communication tools and techniques. Assimilated and applied properly, the marketing instruments can be used – customized accordingly, in the social sphere, in supporting humanitarian causes etc. If initiated and implemented objectively, in an honest and realist manner (by decision makers which usually involve central positions within the health system), and based on specific marketing communications (such as: public relations, direct marketing, oral communication or social-humanitarian advertising), the campaigns to promote vaccination can help inform in an appropriate manner the target audience about the specifics, running time and duration of the campaigns, the benefits of vaccination and the related risks, and can help raise the interest of various categories of public towards vaccination and improve people's attitude about how vaccination can contribute to maintaining a proper health status.

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Assessing Communication within Local Organizations

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Abstract

This work aims at disseminating the research findings on the extent to which Romanian companies encourage communication within organizations, at all hierarchical levels, both vertically and horizontally. In this direction we have conducted an extensive research based on questionnaire. The work instrument comprised a section of questions used to assess the communication within the organizations where the respondents work. We have questioned around 300 employees from all hierarchical levels. In a forthcoming paper, we will present the impact that the promotion and development of communication between employees and leaders have on organizational performance.

Key words: communication, inter-departmental communication, workplace, feedback, employees

J.E.L. Classification: D22

1. Introduction

A successful management of an organization requires a partnership between all the stakeholders of a company. This partnership is maintained within an environment dominated by a high level of respect and trust, characterized by low bureaucracy and by the decentralization of power, where the barriers between the management and the executive teams are eliminated. Also, the partnership should benefit from effective communication at all hierarchical levels, work teams with high autonomy, intense collaboration among team members for learning, research and innovation, a consistent and motivating rewards system and significant investments in resources, especially in intangible ones. This organization of the management system, based on partnership, leads to business performance – through dedicated employees, satisfied customers and financial performance. (Pfeffer, J., 2010, p.65)

Communication plays a crucial role within the organization, as it can prevent various problems and the dissatisfaction among employees. Poor communication, difficulties in carrying out one's duties and the low level of trust and cohesion between team members finally trigger a decrease in productivity.

The information flow within the organization provides several benefits: it increases people's sense of responsibility; the employee's trust in the organization's management is intensifying and the hierarchical structures are no longer seen as "barriers" between the executive and management structures (Collins J., 2007, p.86). These last two results will cause a sense of partnership and a desire for involvement among the employees, who will use this information in order to enhance organizational performance.

2. Research methodology

The table below reveals the section from the doctoral research that analyzes the communication process within Romanian organizations. In this part of the research we aimed at identifying the extent to which Romanian employees are respected by the management, the extent to which they

are involved in the decision making process and the extent to which they communicate and receive information, both from colleagues and bosses.

Table no. 1 Assessing communication within Romanian organizations

AFIRMATION	Average of the statements
3. Top managers respect employees and trust them, and the employees are involved in the process of decision-making within the organization.	0.886792
8. You are provided with information (brochures, posters, websites, etc.) that let you know what is happening within the organization.	0.886792
9. You communicate openly and honestly with both subordinates and hierarchical heads within the organization.	1.018868
10. Communication between departments within the organization is difficult. .	-0.16981
11. Within your organization, employees' opinions are heard and evaluated, regardless of their position in the organization hierarchy	0.320755
12. Employees receive feed-back for their performance	0.54717
THE SCORE OF THE COMMUNICATION VARIABLE	0.581761

Source: own processing

The statements from the above table contributed to the calculation of the variable "communication", which refers to the development of a behavior pattern within the organization focused on the communication at all hierarchical levels: i.e. upper, lower, interdepartmental.

3. Research results

The highest score was achieved by statement 9, which referred to the communication between subordinates and superiors, respectively 1.018; the lowest score was obtained by statement 10, referring to inter-departmental communication, i.e. 0.169. Although, at the first sight, these two scores would seem contradictory, a deeper analysis reveals that the two results actually indicate the obvious presence of a vertical hierarchical structure within the respondents' organizations. The management assigns tasks, the employees carry them out; however, because of this rigidity, the communication and collaboration between employees is hampered. The two results indicate communication problems within local organizations. The employees are more concerned to comply with their superiors' requests and they are also focused on fulfilling the assigned tasks than to involve themselves in inter-departmental collaboration, which would lead to the high functionality of their organizations. It is obvious that Romanian organizations are still far from the flat structure specific to the knowledge-based organization.

The positive scores obtained by statements 3 and 11 show that the employees feel respected at their workplace; it also reveals a shy but significant opening of Romanian leaders to listening to their employees. The management respects its employees, giving them the right to express an opinion, but their ideas are implemented to a small extent.

In a knowledge-based organization, the barriers between the executive and the management structures are removed and the two structures cooperate in order to achieve their targeted organizational performance (Glyn, W., 2010, e-books). We believe that the Romanian organization will progress towards the knowledge-based organization because the employees are informed about what is happening at their workplace and receive feedback, either by the recognition of their performant results or by constructive criticism, in order to overcome the problems and the obstacles encountered; these are supported by the positive scores obtained by statements 8 and 12.

The score of the variable "communication" is **0.581**, i.e. above the neutral level, and it represents the summarizing score of the investigated statements. The score obtained by Romanian companies is located at an acceptable level, but we realize that the Romanian leaders' intervention is required, especially in improving inter-departmental communication and removing the barriers between the management and the executive.

Table no.2 Descriptive statistical analysis of the variable "communication"

	Minimum	Maximum	Mean	Std. Deviation	Skewness	Kurtosis
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic
A3	-1	2	0.886792	0.966186	-0.53159	-0.66465
A8	-2	2	0.886792	1.225291	-0.71427	-0.71244
A9	-2	2	1.018868	1.09182	-1.09123	0.507326
A10	-2	2	-0.16981	1.195193	0.063673	-1.02674
A11	-2	2	0.320755	1.043657	-0.37071	-0.76377
A12	-2	2	0.54717	1.327687	-0.59053	-0.79533

Source: own processing

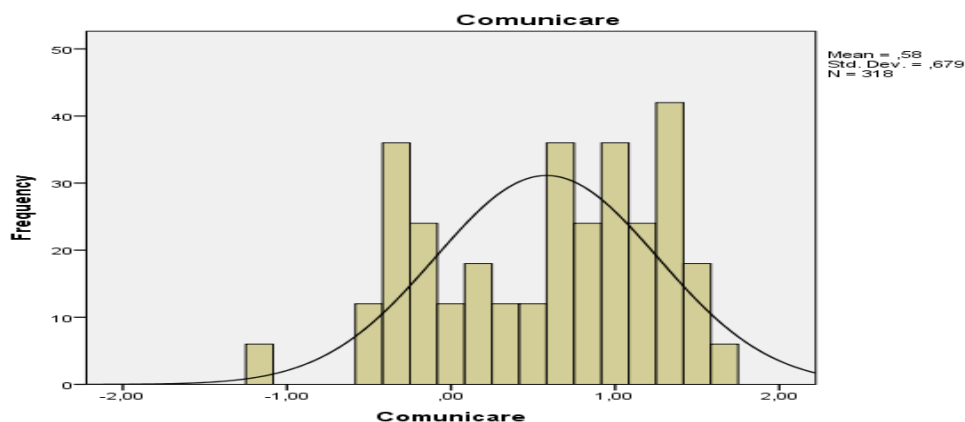
In the table above, we detailed the results of the descriptive statistical analysis of the variable "communication". The first two columns show the minimum or the maximum scores achieved by the statements on the analyzed variable. It is noteworthy that, except statement 3, which obtained values between -1 and +2, the remaining statements obtained both minimum and maximum scores from our respondents.

The third column of the table shows the average obtained by weighting the 318 responses to the score given by each respondent to the respective statement. This average contributed to the score of **0,581 obtained by the variable "communication"**.

All series present a negative asymmetry (or left), due to the skewness coefficient <0 , except the statement on inter-departmental communication, where the coefficient is positive. The left asymmetry occurs when the variable values lower than the average have high frequencies.

The data series present a platykurtic distribution, evidenced by the negative kurtosis coefficient, except the statement on hierarchical communication, where the kurtosis is positive, which means that the data series has a tail higher than that of a normal distribution.

Figure no. 1 Histogramm of the variable communication



Source: own processing

4. Conclusions

The statements on the variable "*communication*" indicate the extent to which the information is transmitted from management to subordinates, as well as the superiors' transparency and their openness to employees; moreover, it shows the extent to which the employees can transmit information to higher levels and to which the leaders listen to them; it also provides information on the status of inter-departmental communication.

The timely sharing of information is a key aspect in relation to the fast and efficient fulfillment of tasks by employees. If this information is not timely, the employees experience difficulties in their work and their morale is affected. However, when employees are briefed on what is happening within the organization, they realize faster their responsibility in connection to the success or failure of their company, thus being motivated to concentrate their efforts in a common direction, namely towards enhancing organizational performance.

Encouraging communication within the organization at all hierarchical levels, both vertically and horizontally, triggers benefits both for employers, employees and the organization. When the leaders of an organization communicate with their employees, they begin to earn their trust and the adherents feel included in the organization and realize that the management trust them.

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The Importance of Promoting a Rural Touristic Destination: The Case of Racoș Village

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Abstract

Rural tourism is one of the most promising tourism sectors for Romania's on medium and long-term development. Within this type of tourism, tourists enjoy relaxation and enjoy the simple life, with natural food, time spent together with family, excursions and interesting activities. Racoș village has a high touristic potential, but the degree of its valorization does not amount to its true value, requiring better promotion. In this paper, using a marketing research, it was highlighted how Racoș village is seen by the tourists and how they perceive the promoting activity of this area and the other Romanian rural areas in general.

Key words: rural tourism, promotion, touristic destination, marketing research

J.E.L. classification: M31, M37, Z32

1. Introduction

With over 19 million inhabitants, a good geo-strategic position, and a developing market economy, backed by EU accession, Romanian tourism has a healthy development potential in a strong regional destination on medium term and in a truly international long-term destination.

Rural tourism represents an attractive economic activity for many countries during the contemporary period, especially for Romania, being aware of its economic, social, cultural and natural benefits. Organizational and investment efforts should be directed towards this activity, resulting in an increase of touristic traffic and direct and indirect revenues (Blumer, 2002, pp. 28-34).

The agrotourism has been officially established in Romania for over two decades, through the promotion of rural settlements with ethnofolclorical, cultural and picturesque nature, as tourist villages. This activity is practiced by small landowners in rural areas, usually as a secondary activity. The activity carried out in the household or on their own farm remains the main occupation and source of income (Candrea, 2011, pp. 76-77).

The agrotourism, as a specific form of rural tourism, has some specific features, such as:

- ✓ tourism consumption is taking place in rural areas, avoiding the big tourist agglomerations that can be found on the seaside, in the spa and mountain resorts;
- ✓ requires much lower investment compared to other forms of tourism such as hotel tourism;
- ✓ it is carried out in peasant farms as complementary activity, generally providing few accommodation units (Băltărețu, 2007, pp. 54-62);
- ✓ it is an offer characterized by authenticity, being organized by farmers, by the inhabitants of the village, with their specific hospitality;
- ✓ it is not a business created by a large capital contribution from different people, but it is a small family business, whose income comes directly to the providers of these services, helping to raise their standard of living;

✓ it is an important consumer of natural and built environment but does not harm them too much, contributing and helping to conserve them (Nistoreanu, 2010, p. 115).

2. Presentation of the Racoș area

The Racoș village is located in the northeastern part of Brașov county and presents the geographical characteristics specific to a mountain area because forests and pastures are predominant.

The most important tourist attractions in the area are:

- Little Canyon;
- Sukosd-Bethlen Castle;
- The Unitarian Church;
- Basalt columns;
- Volcanic score career;
- The Mihai's Citadel;
- Dacian Castles;
- Olt Gorge;
- Brazi Lake;
- The Monument of the Heroes Fallen during the First World War in the village of Mateias.

Regrettably, none of the authorities are taking care to capitalize on the touristic potential of the area. Analyzed from the point of view of the number of tourist units and their accommodation capacity, Racoș is disadvantaged with no hotels, tourist complex, boarding house, cottage or villa. The only accommodation possibilities for a visiting tourist in Racos are the personal tent or home of a local people.

Although it would be a plus for the locality and would attract tourists, the commune does not benefit from facilities for recreation (skiing, skating, riding, cable cars, etc.).

3. Research method

Through a quantitative exploratory empirical research, 90 tourists were interviewed, the results obtained permitting the determination of how tourists were found out about the touristic destination of Racoș village, of their accommodation preferences and how they perceive the activity of promoting this rural area and rural areas in Romania in general.

Within the quantitative research, the questionnaire survey technique was used, as a tool for collecting the data. This marketing research considered tourists who visited the last 5 years the Racoș village as the sampling population.

The research focused on issues related to opinions, attitudes and intentions of tourists visiting Racoș village regarding how is promoted this area. The questionnaire included 16 questions on which 3 were identification questions.

The most important objectives of this research were:

- Identifying the information sources used by tourists to find out about rural areas in Romania and about Racoș village;
- Identifying the types of accommodation used by tourists in rural areas;
- Identifying the tourists' opinions about the touristic objectives in Racoș village;
- Identifying tourists' opinions about the promotion activity of the rural areas in Roamnia.

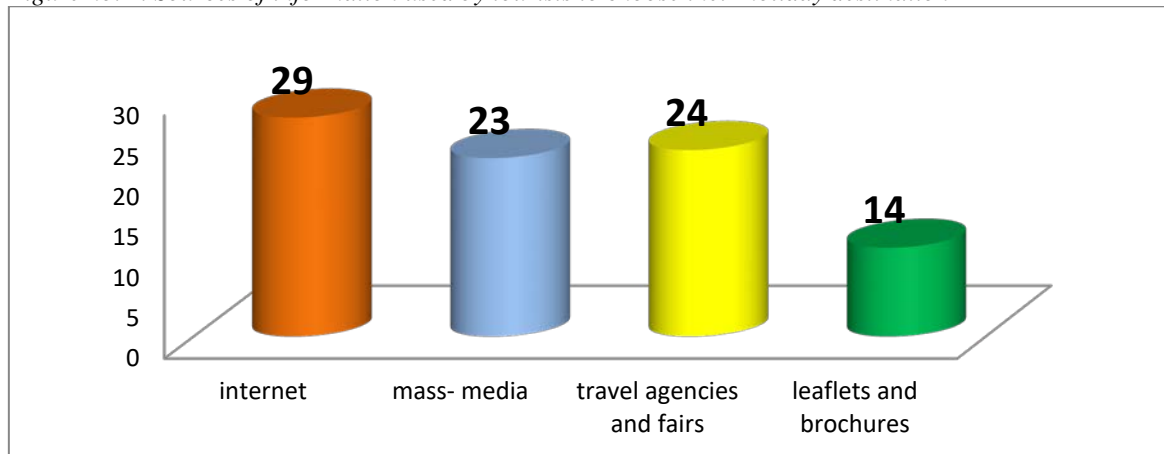
The processing and analysis of the data from the 90 interviews were conducted using the SPSS system (StatisticalPackage for Social Sciences). This system is used in data processing to obtain useful information for decision-makers. The most common outputs are tables and graphs. The multiple processing possibilities (data grouping, data analysis, statistical tests etc.) offered by this software made it very popular when analysing data for marketing or sociological research (Constantin, 2012, p. 98).

4. The results

A first element examined in this research was to identify the sources of information used by tourists when deciding in general to choose their holiday destination.

It is noted (Figure 1) that among the 90 subjects surveyed, the majority (29 of them) turned to the internet to document their touristic destination. Of the subjects, 23 have been documented from the media and 24 have contacted travel agents to find out more about their vacation destination. Leaflets and brochures occupy the last place as the source of information, so only 14 of the respondents turned to this means of information.

Figure no. 1. Sources of information used by tourists to choose their holiday destination

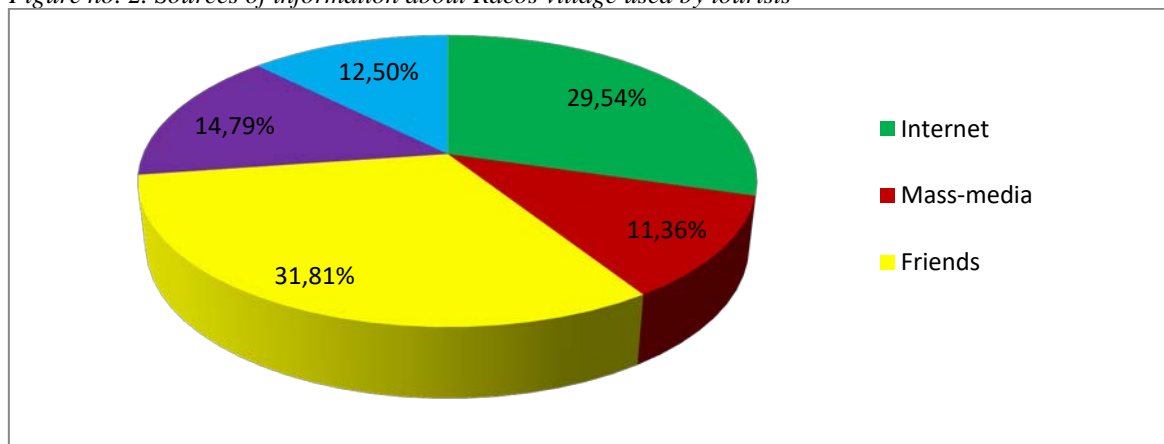


Source: Own research of the authors

An important aspect that has been researched referred to how tourists found out about Racoş village as a possible touristic destination. Thus, most of the questioned tourists found out about Racoş village from the internet (29.54%), but mostly from friends' accounts (31.81%). Much less found out from travel agencies and fairs (14.79%), leaflets and brochures (12.5%) and media (11.36%) (Figure 2).

These responses indicate that the activity of promoting Racoş village and especially agro-tourist areas in Romania at the level of tourism agencies and specialized fairs should be stepped up.

Figure no. 2. Sources of information about Racos village used by tourists



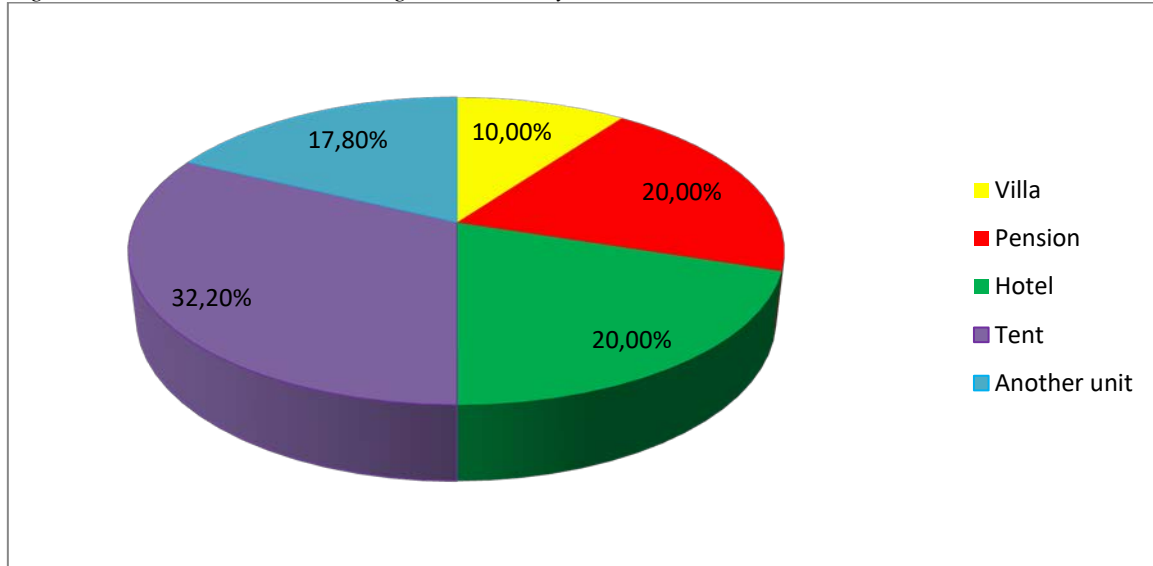
Source: Own research of the authors

Another question addressed to the subjects referred to the form of accommodation they generally choose when spending their holidays in a rural area. Of the surveyed tourists, 29 (32.2%) prefer the tent as a way of accommodation when spending their holidays in a rural area.

A high number of tourists, 36 of the 90 interviewed (40%), prefer accommodation in hotels and boarding houses, which is a problem for the touristic activity in the Racoş area because there is no accommodation unit of this type.

Only 9 (or 10%) of the 90 interviewed subjects prefer accommodation at a villa type (Figure 3).

Figure no. 3. Accommodation arrangements used by tourists

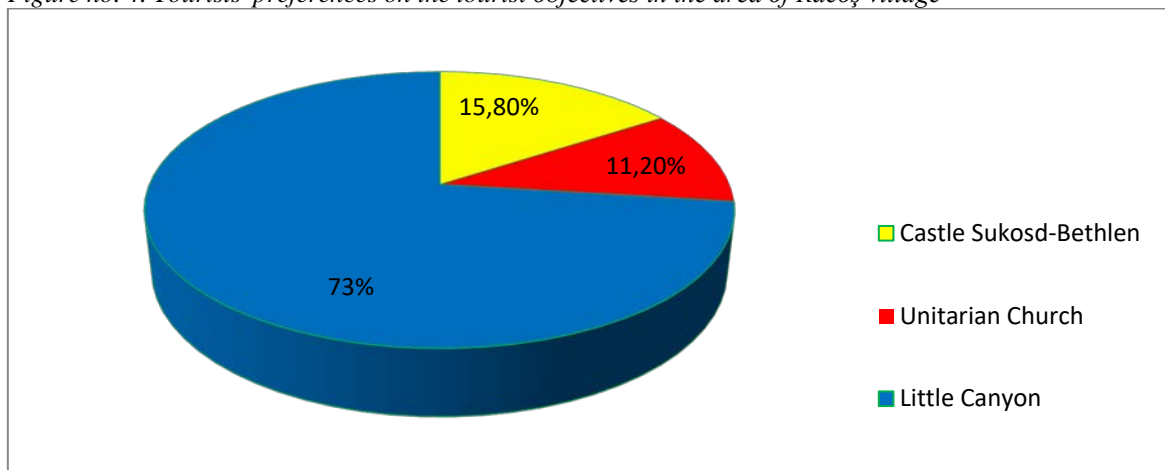


Source: Own research of the authors

Another important aspect that was pursued in the research was the touristic attractions in the rural area of Racoş known and preferred by tourists. The most important touristic attractions in this rural area are: Little Canyon, Sukosd-Bethlen Castle and Unitarian Church. The research looked at whether these objectives are known and the order in which they are preferred by tourists, so that in a future promotion campaign they will be used.

To this question from the 90 tourists surveyed only 89 responded and it can be seen that in the top of tourist preferences it is the Small Canyon, with 65 votes (73%), than Sukosd-Bethlen Castle 10 votes (11.2%) and The Unitarian Church received 14 votes (15.8%) (Figure 4).

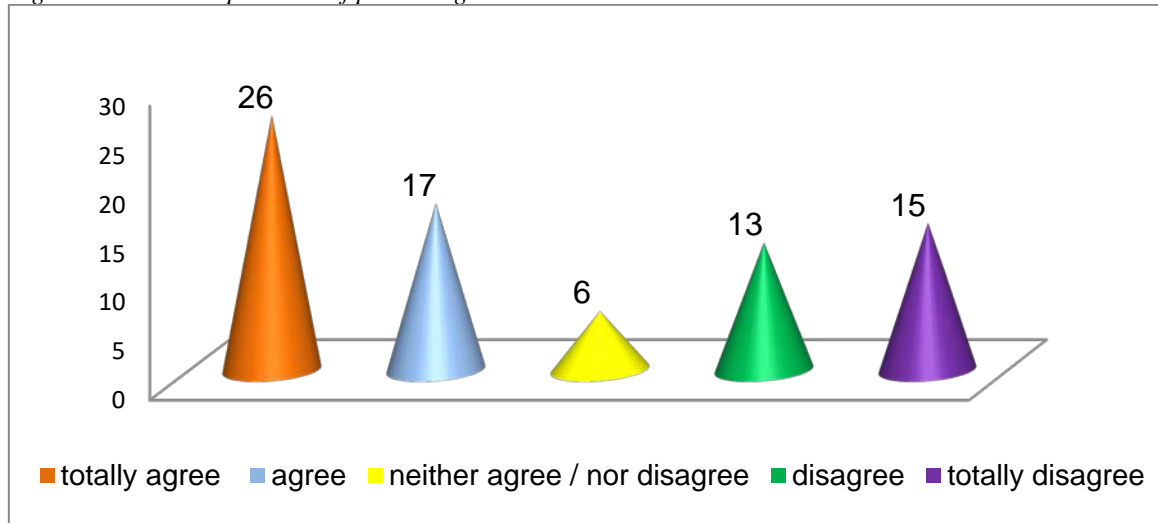
Figure no. 4. Tourists' preferences on the tourist objectives in the area of Racoş village



Source: Own research of the authors

Regarding the statement "Promoting a locality has a major importance in the decision of the tourists to visit it" most of the subjects surveyed chose the variant "total agreement" (26) and "agreement" (17), and a small number of them (6) opted for "neither agreement nor disagreement" (Figure 5).

Figure no. 5. The importance of promoting a tourist destination



Source: Own research of the authors

5. Conclusions

Romania has an essential advantage over other countries because, due to its rich and varied touristic potential, it can offer all the requested forms of tourism: spa resorts, mountain resorts, seaside stays, winter sports, hunting, fishing, cultural touristic circuits. The Romanian touristic potential - mountains, sea, beach, climate, folklore, culture, history - is insufficient to represent by itself a real and strong touristic attraction.

The non-existent promotion of Racoş and its touristic objectives make the area not perceived by tourists and tour operators as a touristic destination with its own image, clearly differentiated from other destinations.

Research from this article shows that the Racoş rural area is very poorly promoted among tourism agencies and specialized fairs (like most rural areas in Romania), so most tourists have not heard and know about this area.

The development of tourism in this area must be seen in direct relation to the protection of nature (protected natural areas), the preservation of authentic history and culture and the involvement of the authorities at all stages of this process. Local public administration is one of the promoters of tourism heritage management, having tools to initiate local tourism restructuring, as well as land-use planning.

Romania has many rural areas with high touristic potential, but unfortunately not capitalized due to poor promotion both in the local tourists and among foreign tourists.

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The Strategic Behavior of Companies in Romanian Competitive Environment

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Abstract

In the context of compliance to the requirements of local and regional sustainable development with due regard to the interests of harmonization territorial actors, it seems appropriate to address the institutional systems and the reconfiguration of local and regional unit of analysis of the interaction between companies and location of work. We believe that solutions to improve the strategic behavior is a constant theme relevance and the need for a scientific approach adds knowledge, especially by acknowledging errors strategic positioning and the strategic goal to develop recommendations to recover this gap. Our approach focuses on identifying organizational models that provide company management tool suitable methodological requirements of the current competitive environment, and we thought it was appropriate to analyze the evolution of concepts dominant areas interrelated research theoretical and methodological applicative: strategy, strategic management, and strategic behavior.

Key words: company, competition strategy

J.E.L. Classification: L21, L25, O32

1. Introduction

The literature contains a large number of interpretations of the term strategy so far there are no universal definition is acceptable. Schools of thought in the field were formed on the work of Alfred Chandler, Philip Selznick, Igor Ansoff and Peter Drucker.

A. D. Chandler (A. D. Chandler, 1997) defines strategy as "determining the long-term goals and objectives of an enterprise adoption rate action and allocate the necessary resources to achieve the objectives." He stressed the importance of coordinating the first function of management on a set of activities, processes and relationships within the company, to be integrated in a system that operate scheduled and planned, based on rules. P. Selznick (P. Selznick, 1948) introduced the idea of adapting the internal factors, specific to the company, external environmental factors, by entering the "cooptation". In reference works, which treat particular doctrine management organizations and economic enterprises, H. Fayol (H. Fayol, pp. 906-918) considers strategic planning as the most important function of management. Strategic SWOT Analysis concept comes from a survey conducted between 1960 and 1970 at Stanford Research Institute in the US. E. Chaffee (E. Chaffee, 1985) summarized the main elements of management stating that "strategic management means adapting the organization to its business environment", highlighting the multidimensional aspects and situational. Strategic management is essential in defining major difference between strategy and strategic planning. O. Nicolescu believes that the strategy can be defined as "all the major objectives of the organization in the long term, the main ways to achieve with the resources

allocated to achieve competitive advantage according to the organization's mission" (O. Nicolescu, și I. Verboncu, 1999).

Author of the novel, synthetic relevant contributions we find Ion Popa (I. Popa, 2004), where the change is interpreted as a threat, such "qualitative leap that is done from strategic planning to strategic management is a result and at the same time, a response increasing uncertainty and complexity in organizations currently operating. In the synthesis of strategic thinking schools and trends presented by I. Ciobanu (I. Ciobanu și R. Ciulu, p.25) we find the contribution of D. Schendel and C.W. Hofer (D. Schendel și C.W. Hofer, 1979) considered important by actionability "competitive strategy space," suggested fixing the market are focused four components: the field of action (in terms of appropriateness "Product-market" and geographies) distinctive competence and allocating resources, competitive advantage and synergy. The most important conclusion of evidence-based studies can be considered based on the theory explaining the behavior of resources companies. Firm integration of location sensitivity matrix, developed by C. A. Bartlett and S. Ghoshal (C. A. Bartlett. și S. Ghoshal, 1992), was adapted to study A. M. and A. Verbeke Rugman. These authors postulate that the benefits of integration, quantified using economies of scale, scope and benefits of the operation differences between market-places subject to possession by the firm competitive advantage regardless of location.

2. Objective of the study

In our research we aimed to achieve solutions to validate the relationship between knowledge management and strategic resources in order to achieve sustainable competitiveness. Thus, empirical research in the agrifood sector, the conceptual model of innovation for anchoring Romanian SMEs in cyberspace European to mitigate competitive imbalances are resolved by the network coverage deficit of knowledge and design strategic solutions and reconfiguring repositioning competitive performance space. Research aimed at highlighting the role of cultural learning environment responsiveness in adapting organizational strategic companies by assessing their current absorption competitive intelligence tools, to define a competitive profile of companies based on strategic knowledge resources. Both research knowledge is contributed by validating the current competitive environment Romanian concepts proposed by literature and adapted by us in order to fulfill the basic objectives and derivatives of this article.

3. Data base

Research hypotheses allow replying to issue scientifically formulated to target general-adaptation solutions to strategic behavior of companies by reconfiguring appropriate organizational development competitive environment Romanian, by building progressive research focused on identifying behavior patterns of organizations in competitive environment Romanian in accordance with the requirements of its alignment with the foreseeable developments. The general and specific formulation of hypotheses of our research is based on assessment of the following trends:

- Significant spread the unfavorable competitive position of firms in the food sector in Romania and their potential, which requires the formulation of viable solutions for strategic behavior, minimizing these differences, especially SMEs.

- Inability of firms to develop managerial skills of design and implementation of tools for strategic agility.

- Perpetuating a high degree of inadequacy of management companies to the requirements of integration in the knowledge society, Romanian companies being maximum in the use of information society tools, but still far from the potential of knowledge management as an organizational competitive advantage.

- Vulnerabilities Romanian institutional environment, due to lack of administrative expertise undermining the chances of success of strategic agility portfolio of Romanian and foreign companies.

Areas of specific contrasting empirical hypotheses are: agro-food, information and communications technology industry and the public sector, the role of regional communication.

Food sector by conceptual model of innovation management in the food industry, we followed the validity of general assumptions by testing specific hypotheses to adapt to changes in consumer behavior of fresh produce to validate strategic solutions reconfiguration of the distribution network and implementation of biotechnology innovative industry fish.

In order to elucidate the issues sufficiently revealed in the current stage of research and the belief that lack an integrated vision of the hierarchy and direction of action of factors influencing the strategic behavior of companies we have seen fit to design a conceptual model to increase the predictability environmental change and provide solutions for strategic agility from food on a few priority sub analyzed. The research was conducted on a sample of 108 companies with a relatively balanced structure in terms of socio-demographic characteristics different. The questionnaire asks companies to assess on a Likert scale of six stages (completely disagree completely agree), insofar as they are or disagree with the assertion 23 corresponding to the six dimensions descriptive innovation capacity of companies.

Information and communication technology sector, we have designed and tested an organizational audit tool designed to evaluate the companies to capture competitive knowledge based generation capacity assessment cultural environment for organizational learning. Study on environmental monitoring competitive behavior by firms Romanian ICT industry in order competitive positioning based on methods and techniques of competitive intelligence, it was sent to a sample of 108 companies (response rate was 33.33%). Data processing was done using SPSS processing system (Statistical Package for Social Sciences).

4. Methodology

The process of identification, selection, evaluation and implementation of appropriate methodological tools to achieve the objectives of this article meets the requirements of current and anticipated management competence area which is circumscribed. Thus, this article is based on the synthesis of conceptual development dynamics investigative tools of strategic behavior in the competitive space by critical analysis of the relevance of the results of their application predictability validated by the current economic context.

Regarding typology innovation objectives, the answers may specify, after the first election, the most important perceived, as follows: Improving business relations (20 companies); Quality and product strategy and marketing (24 companies); Traceability (24 companies); The safety of food (21 companies); Processing (19 companies). Testing conceptual model of innovation capacity in the agricultural sector was made by preliminary audit pilot applied online sample consists of companies in the food industry, then creating complete data base with complete information off line. In table 1. Assessment of expertise in innovation, analyzing audit results positioning processing record companies to the sector average.

Table no. 1. Assessment of expertise in innovation

Innovation capacity	Evaluation	Sector Average
International activity	4.20	3
Intellectual property rights	3.00	4
C&D	2.17	3
Innovation Strategy	3.25	3
Knowledge management	3.20	4
Customer orientation	3.25	2
intangible assets	3.00	4
Project management	3.75	4
Cooperation management	2.67	3
product innovation	3.38	3
process innovation	3.17	4
Non-technological innovations	2.50	4
Obstacles	Evaluation	Sector Average
Financial	3.00	2.8

Internal factors	2.75	2.5
Legislation	2.83	3
Market	3.00	2.8
Objectives	Evaluation	Sector Average
Improving business relations	3.00	3.5
Product and market strategy	3.17	4
processing	2.83	3.3
Quality	3.00	2.9
Other	3.00	3.1

Like demographic data relevant sector, illustrated by Figure 1. Sequence online Audit layout, note 10 of the companies main activity is the production of ready meals Food processing and the manufacture and processing of food for human consumption; 4 companies processing products for animal consumption; 3 companies consider the processing of raw materials as their core, and the other one includes the secondary activities; 9 companies are also its suppliers of equipment for the food industry and all companies are suppliers of packaging.

Figure no. 1. Sequence online Audit model

SMEs Virtual Platform On Agro-Food Sector

This is the first step.

What is your business activity?:

Enter your business activity. If you aren't sure select other within the agro-food industry.

What is your country?:

Enter your country.

Proceed

All firms realize the importance of improving business relations, to find new partners, but currently, it represents a priority for them: 10 companies not especially concerned no products are released on the market or the development of strategies judicious marketing the main obstacle is, as is apparent from the answers to the next question, lack or insufficiency of financial funds; the other 16 companies were awarded four points from six, although they consider the lack of resources a major obstacle. Perhaps they realize the importance of marketing strategy and its impact on sales or the future financial funds generated. In terms of manufacturing, all companies working to increase the flexibility of production and productivity growth (11 companies awarded 4 points out of 6 and 6 companies were given full marks), introducing innovation in the processes of the enterprise, as well as results from a previous question. All companies consider important food safety and improve food security both undertakings given a role in strategy development, probably due to standards imposed by the European Union, which are particularly acute, especially in regards to this issue.

The results of this survey confirm study findings presented above: indeed at small management style is confused and companies develops inconsistent, because do not realize and do not pursue a development strategy and long-term innovation, not programs marketing and product launch; difficulties in terms of providing logistics and IT services and while I am aware that a possible solution would be an ally, not especially concerned with creating and maintaining partnerships. All companies focus on processes, trying to liberalize and modernize.

But the larger firms tend to self-development is more pronounced. These companies focus on innovation: realize and implement innovative plans, are aware of the role of organizational culture and put first the values of quality and total customer satisfaction, guided by development strategies fine-tuned. And small firms are focusing their efforts on quality, but it more under the pressure of joining the European Union, wishing to resist market than from to make quality and total customer satisfaction lifestyles. In order to identify the main components, namely the grouping (clustering) on the basis of these companies, we used the cluster analysis. Applying the principal component analysis (PCA) of all variables that describe the innovativeness of valid audit questionnaire (23 questions), applied to the 108 respondent companies, resulted in the following ranking of companies, according to the first component (factor in PC1).

Remaining variables studied were grouped into three main components:

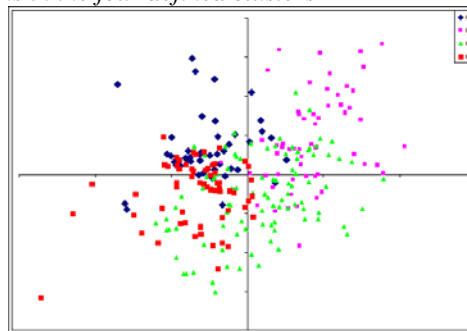
- PC1: Purpose global ideas and vocation RD versus Improve safety and productivity;
- PC2: Vulnerability versus Acționabilitatea obstacles;
- PC3: experience versus current conceptual approach based on strategic analysis.

These dimensions / axes group combinations cause at least 8 (or 4) of H-high and L score -low of companies; using two sizes, one cluster recorded high scores at both PC1 and PC2 as cluster 2 records the highest score to PC1, PC2, but the low score, etc., a table summarizing, clusters are defined as follows:

Cluster	score@PC1	score@PC2
Cluster 1	H	H
Cluster 2	H	L
Cluster 3	L	H
Cluster 4	L	L

Similarly, one can identify clusters using the three-dimensional 8. For the case of two dimensions, uneven distribution chart illustrating the PC1 & PC2 dials because the correlation shown in the figure no 2.

Figure no. 2. Distribution of firms in the four defined clusters



Policy recommendations based on cluster analysis:

- 47 companies were identified as globally oriented and focused research to development, cluster 1 being based European cooperation in research exploitation vocation. Indication appropriate policy is the qualification of these companies in their activity in Europe and employment in research and development cooperation.
- 95 companies, cluster 3 is characterized by national dimension and improve their products, with a high degree of autonomy actionability by national markets. The indication is focused on enhancing strategic anchoring of national programs of sectoral policies.

5. Conclusions

In this article I considered these issues and stressed the role of capability management not only within the company but also by creating a network in the state - as a stakeholder - to actively engage in the transformation of the business into a proper event firms' competitiveness. Furthermore, analysis of vulnerabilities state all empirical research by confusing and contradictory economic policies, which proves an obstacle in increasing the quality of the business environment has enabled us to formulate appropriate solutions. So we watched inefficient macroeconomic policies outlined in the analysis of research results and propose relevant institutional mechanisms of state intervention in stimulating and facilitating role for business.

From the analysis that Romania can be characterized still being driven economy factors, the low cost of these is mainly to create competitive advantage, both local companies to national and international ones which induces vulnerability competitive and has proven to be unsustainable with the economic crisis. In this stage of competitive development, companies have only a limited role in creating added value and try to preserve the advantages of cost, especially in conditions of market contraction. It appears that I went through imports of technology uptake phase, which does not make use innovation capacity significant business in Romania.

The solution proposed by our research is to design mechanisms and management tools based on the transfer of knowledge and learning network aimed at mobilizing companies for the move to an economy based on innovation, acceleration of state investment and private major infrastructure capabilities already owned and established, but insufficiently. The causes lie in the inability and unwillingness of the state prioritization of economic policies in general and ignoring Resources added value in the food industry in particular. Clustering the innovation needs of the study on the virtual platform to small and medium enterprises in the food industry and research in biotechnology innovative production and processing of fish to food with maximum safety to human health is evidence of the feasibility of solutions.

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Big Data - A Revolutionary "Space" that Changes the Way Business is Done

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Abstract

In the context of more and more digitized information flows and a growing amount of data, almost every action we perform is recorded. Especially, organizations register each activity what is happening within them, mostly on electronic support. The "explosion" of the data volume needed by a company and the ones it has access to, requires a permanent adaptation of the enterprise to the environment in which it operates. Starting from the principle of changing the way companies do business, Big Data has developed.

Since the collection of data expressed as a result of business activity is not a major issue, the challenge arises when it comes to analyzing, storing, transferring, querying and securing information-bearing data. Companies continuously seek to find software products that allow them to analyze these data and help in obtaining relevant information in decision-making.

Key words: Big Data, Predictive Analytics, Cognitive Computing

J.E.L. Classification: M1

1. Introduction

A field that many people do not talk about, but which has the greatest strategic importance in the future of all businesses is a space called "Big Data". After all, the ultimate goal of all companies is to have more customers, higher sales from each customer, higher profits. Here Big Data appears on the scene.

Viktor Mayer-Schönberger, professor at Oxford University, and Kenneth Cukier, a business writer from The Economist team, sum up this phenomenon in an original way: "Data stored and processed in huge quantities due to storage media Cheaper, faster processing methods and more performing algorithms. " The two of us put us in front of the image of a world almost completely quantified and recorded in colossal databases, in which there will be data about almost everything, with which almost everything can be done. Promising, thrilling and overwhelming, the phenomenon has many faces and, like all the human creations, is a mixture of good and bad. The way each human being operates - biologically, mentally, socially - can be translated into data. The same way - the way a device works, or a set of devices or an entire company (Russel, Stuart J.; Norvig, Peter, 2003).

The Big Data concept refers to a huge amount of data that results from a business activity, whether it's a business or not. What needs to be said about this concept is that although the amount of data is large, it does not mean that they also have relevant information content for those who own it (Hutter, Marcus, 2005).

Technology is therefore needed to collect, store, and process data through real-time analysis, and if we are considering a company's business, we should consider the behavior of our customers, the risk the company undergoes through the business, the performance, its productivity and its market value.

But one of the major difficulties in scientific research is to collect these data; Many times, the possibility of doing so is fatally limited drastically by the insufficient resources. A scientific study - in the field of health, say - must be based on samples of the largest participants, so that the results are valid, valid, statistically significant. In practice, however, limited resources often lead to the limitation of the sample; Researchers typically strive to make a representative sample of the group of people they are studying in order to obtain as much relevant data as possible (Luger, George; Stubblefield, William, 2004). But even with a sample of 1,000 people considered representative, the results thus obtained may differ from those that would have been achieved if 10,000 people were studied. The difference in size reveals shades that the study of only 1,000 people had no way to surprise them, and which might be important to outline a trend, to clearly establish a correlation, to confirm or to negate a hypothesis (Nilsson, Nils, 1998).

This is where Big Data intervenes. If we store everything we can in terms of data, we will have a huge amount of information that we can then research in a whole new and more efficient way. Instead of formulating a hypothesis and then testing it through experiments or small group surveys (a need), a classic but predisposing procedure, scientists will resort to the miraculous advantages offered by Big Data: performing algorithms With great precision and power, will "scatter" enormous amounts of data gathered and will quickly discover trends, correlations, etc (Hubert B. Keller, 2000).

2. Big Data has 4 main features

Volume

The volume of data is growing. Experts predict that the world's data volume will increase to 25 Zettabytes in 2020. The same phenomenon affects every company - data are rising at the same exponential rate. But it is not just the volume of data that is growing, the number of data sources is also growing.

Velocity

Data is created at increasing speeds. Companies move their applications from "batch" apps to real-time applications. And business requirements have grown the same - from answers next week or tomorrow to a response in a minute or a second. And the world is also increasingly instrumental and interconnected. The amount of streaming data on these instruments is exponentially higher than it was 2 years ago.

Variety

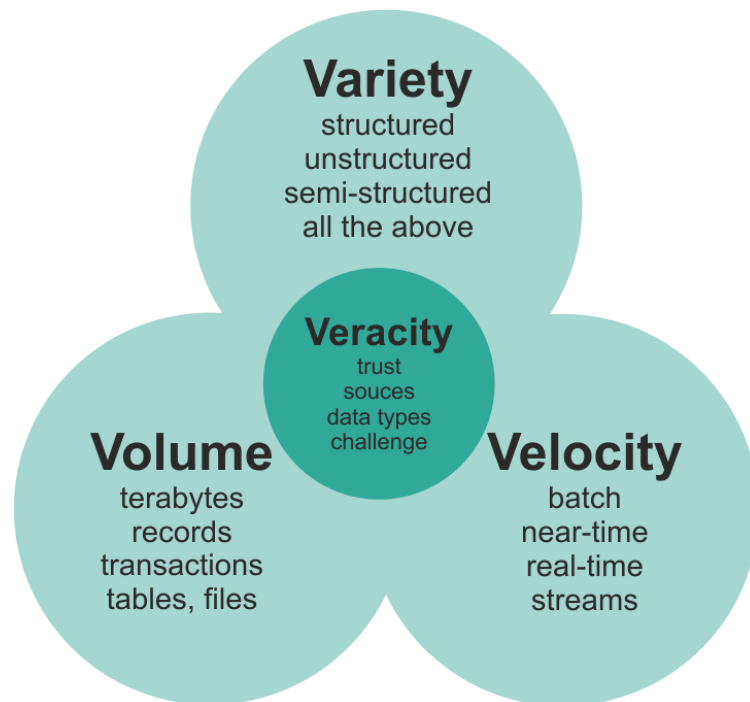
The variety of data presents an equally difficult challenge. Increasing data sources has also fueled the growth of data types. In fact, 80% of the data generated in the world is unstructured. However, traditional analysis methods only apply to structured information.

Veracity

How to act on this information if you are not trusted. Establishing confidence in the data that any company uses is a huge challenge with increasing data sources and types.

Another reason why Big Data is a hot topic today is the new technology that allows an organization to benefit from internal data resources. What's new is the technology to process and analyze this data at the desired volume and speed. The purpose of Big Data technology is to analyze all available cost-effective data. Any data, as it is. It can analyze structured data, video, audio, spatial data or any type of data.

Data can come from our traditional systems - billing systems, ERP systems, CRM systems. They also come from machines - from RFID tags, sensors, network switches. And the data comes from people - website, social media, etc. This makes it very difficult to analyze social data - extracting content ideas in the form of text in a very short time.



But to create a machine that "thinks" and "analyzes" all data, it is necessary to define the "intelligence" of such a machine. Machine intelligence is the result of several years of research, testing, success and failure. The machine was meant to learn, understand the user's language through countless interfaces, and refine its sensory perception. British researcher Alan Turing is of the opinion that a computer can be intelligently called if, in relation to a man, it causes him to believe he is in contact with a human being. To meet a human test, the computer has to store a huge amount of information from all fields.

Intelligence and information can not be separated from one another. People are able to provide useful information, show intelligence, competence, but are limited in knowledge. Computer systems built around databases embody this kind of competence but do not have the native reasoning of man. The difference lies in the properties of electronic equipment that multiply that skill thousands of times, providing implicitly multiplied intelligence. This intelligence, so created, is much cheaper and more accurate than the human one, and can be reproduced mechanically indefinitely (Hutter, Marcus, 2005).

In the beginning, the creation and research of artificial intelligence took place in the field of psychology, with emphasis on linguistic intelligence, such as the Turing test. This test consists of a conversation in natural human language with a machine (computer) that has been programmed specifically for this test. There is a human jury who talks with this computer, but also with a man, through a purely plain text channel (without seeing or hearing). If the jury can not figure out which computer is and which man then the artificial intelligence (computer program) passed the test (Ioan Georgescu, 1985).

Turing predicted in 1950 that by the year 2000 there would be machines (computers) with 10⁹ bytes (1 GB) of memory that could "trick" 30% of human juries into a 5-minute test. But while the technology even surpassed Turing's predictions, artificial intelligence is still far from being achieved.

3. The future of online commerce = Big Data + AI

How AI and Big Data can help us improve a business.

1. Products

When thinking about products we can consider the following optimization directions:

- Product offer

We do not always have a complete offer, and the larger the number of products we manage, the harder it is to figure out what's missing.

What is missing can be a permanent product or a seasonal product. Most of the time, until we realize what's missing, the competition already offers that product.

- Product Recommendations

There are multiple ways to recommend a product. We can talk about building a custom homepage for each customer, we can talk about a product page where we can bring forward different product recommendations for each visitor (accessories, supplies, supplies, etc.).

- Relationships produced

Product relationships can be built dynamically and differently depending on user behavior.

- Product Classification

Letting an AI handle the product classification, even at least partially, will save us a long time invested in this activity.

2. Prices

The entire pricing policy can be left to an AI that takes into account, in real time, the following:

- Base product price (purchase, storage, operation, etc.);
- Campaigns are active or not; Which is the cost per product;
- What is the state of stocks;
- What is the state of competition (availability, prices);
- What is the requirement for the product in question.

3. Customer support and logistics

An AI-based system can detect changes in the way activities work and may suggest changes or even make decisions such as:

- Proactive activation of a new call center during periods of many calls and deactivation when no longer needed;
- Providing relevant information to the operator when a customer appeals to support;
- Changing delivery priorities based on customer history and importance;

All these converge to a singular objective: **customer satisfaction**.

4. Conclusions

Technological developments, and especially business developments, marked by the growing need for real-time, real-world information from growing data volumes, have made such a segmentation on the business solutions market start to fade. Clear boundaries. Obviously, we can not speak at present about an integrative solution that includes all the sub-segments of this market. Such a fully integrated solution would be extremely expensive and perhaps too rigid to meet the needs of all market players.

The Future Big Data seems promising if we look at the big figures that appear in the study. The digital environment has become the most targeted environment for companies, representing a sector of the future. In 2014, Big Data was the most ambiguous number one and searched for the term between IT companies, according to Gardner.

In the future, Big Data is expected to create 4.4 million IT jobs globally. In addition, it expects \$ 220 billion Big Data projection and market size analysis by 2015.

By 2020, the digital universe is expected to grow to 9.5 trillion DVDs, equivalent to 40 zettabytes.

Besides many others, AI and Big Data, for example, create many jobs globally, a very good job, taking into account the demand for jobs.

In recent years, IT has become the most sought-after in the faculties, ranking first among the preferences. Besides the big wages they have IT, they are also very much sought after, Romania being a country in need of such specialists. However, IT is not for everyone, so even qualified ones are not numerous.

The future still sounds good for this area, and even promising. We can say IT will be the job of the future.

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Artificial Intelligence - A New Field of Computer Science Which Any Business Should Consider

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Abstract

Anyone can remember what it meant for business IT solutions a few years ago. On the market there is a clear segmentation between ERP, CRM, Document Management, BI, and so on. A segmentation that has gradually added other elements, such as Analytics, and, more recently, Big Data, with its leading corollary, Cognitive Computing. Technological developments, and especially business developments, marked by the growing need for real-time, real-world information from growing data volumes, have made such a segmentation on the business solutions market start to fade. Clear boundaries. Obviously, we can not speak at present about an integrative solution that includes all the sub-segments of this market. Such a fully integrated solution would be extremely expensive and perhaps too rigid to meet the needs of all market players.

Key words: Artificial Intelligence, Predictive Analytics, Cognitive Computing

J.E.L. Classification: M1

1. Introduction

It is very well known and popularized progress in science and technological progress in particular. With the invention of the transistor, a series of perspectives have emerged that have materialized over the twentieth century in a variety of areas: from a common TV today to the latest generation of medical devices in which robots are used for difficult operations.

On the other hand, two natural questions arise in the mind of the one who has tangency with technology, be it specialist or dilettante: is the technology evolution of the last decade a quantity or a quality? Do the same technological developments produce useful tools or only satisfy the user's abilities? (Russel, Stuart J.; Norvig, Peter, 2003)

To try to answer the first question, we must look at the evolution of the central element of information technology, namely the computer: if at first a computer had the dimensions of a block of several floors and performed simple arithmetic or logical operations, May contain a complicated and powerful processor, the brain of any computer.

Looking at this evolution, we are tempted to argue for both quantitative and qualitative evolution, in the sense that, for example, the use of high performance technologies allows the concentration of millions or even billions of transistors on a surface unit of several tens of square centimeters. In the sense that research in information technology support fields has allowed the development of very complex applications: Boolean logic has attributed to the computer the processing faculty, the development of specific syntaxes in the computer language allowed the emergence of programming languages of different levels. Through which man can communicate

different tasks to the computer, and he or she can execute them, or a more recent and advanced example, medical research on the way the human brain works, has allowed the creation of artificial neural networks that instead of using the neuron Small processing units, and instead of linking Synaptic ones use synaptic weights, through which the input data changes to a certain weight or are modified with a certain weight by the intermediate levels of the neural networks (Hutter, Marcus 2005) .

This qualitative and quantitative evolution is strictly associated with science and technology and is due to the concentrated research efforts of scientists in vast areas. But going to another level, if we talk in a narrow sense, of the so-called Artificial Intelligence and its ability to reach? Or even surpass human intelligence, it is appropriate to present some differences of essence between these two types of intelligence (Nilsson, Nils, 1998):

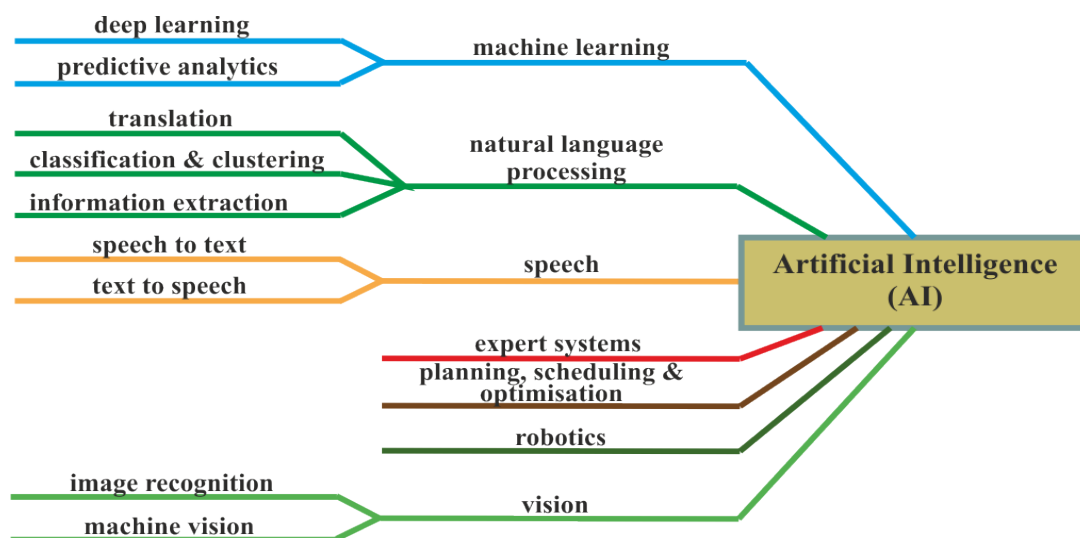
- What materialized in artificial intelligence is a copy of a brain algorithm, a copy that brought some experimental results based on the idea of training, on probabilistic computation, in this sense the artificial intelligence learns to think in a certain way ?? Application-specific, learn to recognize, mediate situations and nothing more;
- Larger acceptance of artificial intelligence includes artificial sight and form recognition, a field that also bases on laborious mathematical reasoning, image processing and extraction of essential elements, but the identification of these essential elements is the exclusive feature of human intelligence;
- In a broader sense, artificial intelligence includes the coordination and management of complex industrial processes, processes that require a lot of finesse and which require a hostile work environment in which man would be difficult to handle; Here Artificial Intelligence is limited to achieving good synchronization and also to performing a series of tasks in a sequential way, tasks assigned to priority levels, and the decision as to which process is executed is based on those levels of Priorities that are set by man.

2. What is AI?

AI is a big forest of academic and commercial work around “the science and engineering of making intelligent machines,” in the words of the person who coined the term artificial intelligence, John McCarthy.

A thorough and hype-free review of AI in business was published recently by Deloitte, Demystifying Artificial Intelligence, suggesting the term “cognitive technologies” to encourage focus on the specific, useful technologies that emerge from the broad field of AI (Poole, David; Mackworth, Alan; Goebel, Randy, 1998).

However labeled, the field has many branches, with many significant connections and commonalities among them. The most active today are shown here.



Every user does hundreds of small actions when they visit a site. Through the "Deep Learning" technology, every piece of information left by the client on the site can be tracked, says RTB House, a company specializing in retargeting campaigns (Hubert B. Keller, 2000).

In this way, a pattern can be identified in the decision-making process. With a wider range of user information, this method helps companies estimate individual conversion rate (CR), maximizing the profitability of a campaign, more RTB House analysis.

In this way, a user's conversion potential can be quickly and safely set, which is essential to streamline customized retransfer campaigns.

This technology can also be used for non-click users, an essential aspect for digital marketing companies. Until now, they could not get this information.

The technology is built on mathematical algorithms that, by using recurrent neural networks, help identify more detailed patterns of a user's buying potential.

Bartłomiej Romanski, RTB House Technology Director, says conversion predictions, which estimate the likelihood of a user behaving in the way the advertiser wants, play an essential role in online advertising (Ioan Georgescu, 1985).

"We use this new technology to accurately predict how a user will behave, what purchase intentions they have and what decisions they make, and that personalized ads will be targeted more effectively," Romanski explains.

There are four steps for a company to reach Artificial Intelligence:



Firstly, data needs to be collected, stored and analysed. This is outdated thinking and tells you something about the past.

Secondly, machines start to make predictions based on the data. These predictions help humans to make faster, easier and better decisions.

Thirdly, machines make predictions, execute them, measure the results and then change the inputs and constraints to optimize the output goal.

Fourthly, machines achieve automation. They are becoming motivated cognitive agents and are able to use their various learned behaviours to create new transferable knowledge.

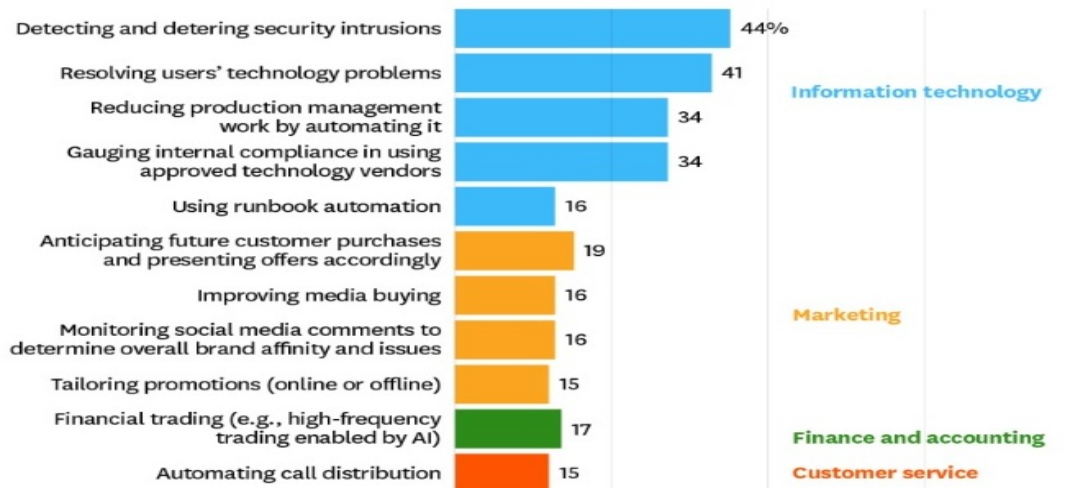
Most (old-economy) companies are at stage one or below. They know they have data and start collecting it.

Many digital companies (ecommerce, mobile, gaming) work with their data and are often on stage two.

Next there is an example of how companies around the world are using Artificial Intelligence:

How Companies Around the World Are Using Artificial Intelligence

IT activities are the most popular.



3. Conclusions

In the last decades, knowledge and information have become extremely important. With the help of these, the power of thought is expanded, both in the field of business and in other fields, through artificial intelligence. Knowledge is the new resource that, together with work, money and earth, is the basis of any business. Today business success depends on their capabilities to protect, acquire and use their own knowledge, that is the ability of the firm to develop its own knowledge management.

We live in a world that changes every minute. This change affects organizations and allows people to change their intellectual capabilities. The key to change and growth is to raise its awareness, to exchange ideas, to find ways to innovate that put both people and companies at the forefront of the competition. This involves learning, innovation and adopting a behavior designed to enhance performance and quality. In this way intelligent people need intelligent organizations and vice versa.

New technologies and softwares allow computers to mimic human behavior in various ways. Financial analysts use a variety of artificial intelligence systems to analyze financial activity and perform other operations in the field. Hospitals use artificial intelligence to plan treatments, allocate places for patients, diagnose and choose the right treatment. Many government agencies use artificial intelligence for armed forces management.

Credit card companies and banks use artificial intelligence to detect and prevent fraud through cards. Artificial Intelligence is found in airline management, food preparation, oil exploration, etc.

The attempts to extend the use of computers to everything that can be solved by humans have led to the emergence of a new field of computer science: Artificial Intelligence (AI).

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The Impact of Marketing in the Touristic Entities

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Abstract

Through this work, we intend to emphasize marketing as that function of the organization that identifies customer needs and desires, determines which markets are best served and designs adequate products, services and programs to serve these markets. It is not only a special function, but more - a philosophy that guides the entire organization. The aim of marketing is to satisfy customers in a profitable manner, by establishing advantageous links with them. Many believe that marketing is synonymous with advertising or selling. They are wrong and because of this aspect we decided to tackle this issue trying to prove that in reality, marketing activity refers not so much to sell, but rather to the knowledge of what must be produced. Submission on the market is the result of knowing the consumer needs and of finding those solutions that through value, quality and superior service delight customers. Neither advertising, nor sale cannot compensate for a possible customer dissatisfaction.

Key words: marketing, services, consumer, sale, touristic entity

J.E.L. Classification: E62, H20

1. Introduction

In the competitive world we live in, it is difficult if not impossible for an enterprise to exist if they can afford to deviate from its fundamental mission to serve customers or clients. It is obvious the direct link between satisfying their customers and achieving the finality of the economic activity of the enterprise.

According to the modern concept of marketing any business operation must be carried out based on knowledge of consumer behavior.

Consumer behavior is a complex area of research which involves consideration of its basic processes, processes that can be studied and addressed relatively autonomous, but also unitary. At the same time, consumer behavior is more than the act of purchasing a product or service, including also those dimensions leading to a specific purchase and consumption behavior.

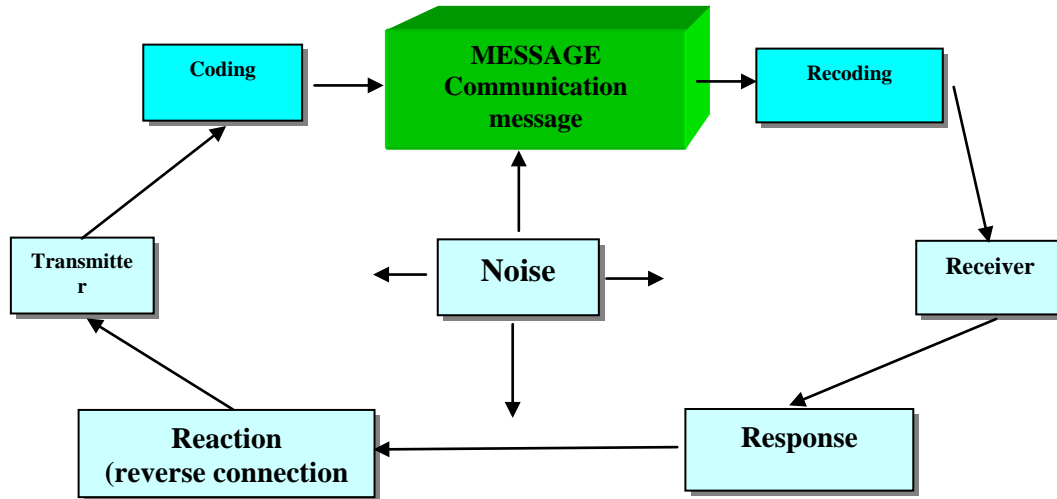
2. Materials and Methods

In contemporary economy conditions, of supporting and continuous diversification of goods and services designed to meet the material and spiritual needs of society, of the growth of international economic exchanges, the communication issues with internal customers and external partners are becoming increasingly difficult.

For domestic consumers as well as external customers it is rather difficult in the absence of a modern and efficient communication system to find out for themselves what products and services are offered on the market, where, when and under what conditions can be bought and to what extent they meet their requirements and preferences.

To achieve this objective, the company must ensure the selection and harmonization of the information it disseminates, whereas the use of inappropriate means of information dissemination facing competitor's information may give rise to situations with negative effects for the prestige of its activity.

Figure no. 1. The elements of the process of communication



Source: Philip Kotler "Marketing Management" Teora Publishing, Bucharest 2000

To communicate effectively, companies contract advertising agencies that will develop effective ads, hire specialists in sales promotion to design programs to stimulate the desire to buy of customers, employs specialists in direct advertising which make databases and connect with current and prospective customers using mail or phone and contracts with companies specialized in public relations to advertising their product and impose on the market the company image (Kotler, 2003 a).

The mix of marketing communications (also called promotional mix) consists of five main tools (Kotler, 2003 b):

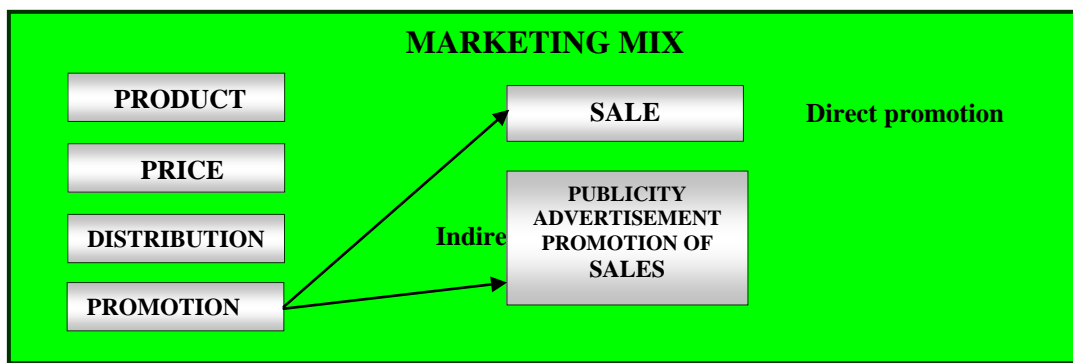
- *Advertising*: any form of impersonal presentation and promotion of ideas, goods or services paid by a sponsor identified accurately;
- *Sales promotion*: short-term incentives in order to encourage customers to try or purchase a product or service;
- *Direct Advertising*: use of postal, phone or any other impersonal means to connect with people, to communicate or seek answers to or from well-defined customers;
- *Public relations*: various programs meant to promote and protect the company's image and its products on the market;
- *Personal Sale*: entering in direct connection with one or more potential customers in order to sell something.

Promotion is considered to be "one of the costliest components of marketing strategy."

3. Results and discussions

With a higher frequency are retained as essential criteria for delimitation, their nature and role in the enterprise communications system. Based on these criteria, promotional activities are structured as follows: advertising, sales promotion, public relations, promotional events, sales forces. In turn, each of these components benefits from methods, techniques and specific means of action (Eric, et al., 1989). Promotional events, both a qualitative and quantitative variable, involves the use, on determined periods of time, of the full range of technical and promotional activities with immediate but also on long term economic effects.

Figure no. 2. The relationship between marketing mix and promotional mix

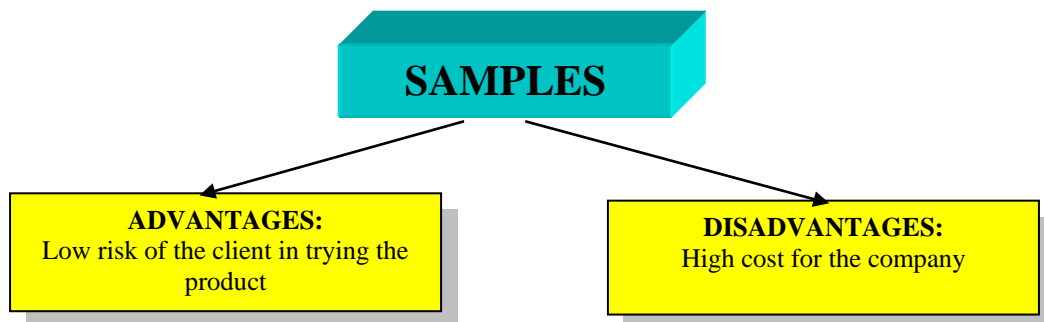


Source: processing by authors

There is also evidence that promotional prices do not increase sustainable the sales volume in a given product category. Competitors that have small market shares find advantageous to use sales promotions because they cannot afford advertising budgets as high as the market leaders [(Balaure, 2000).

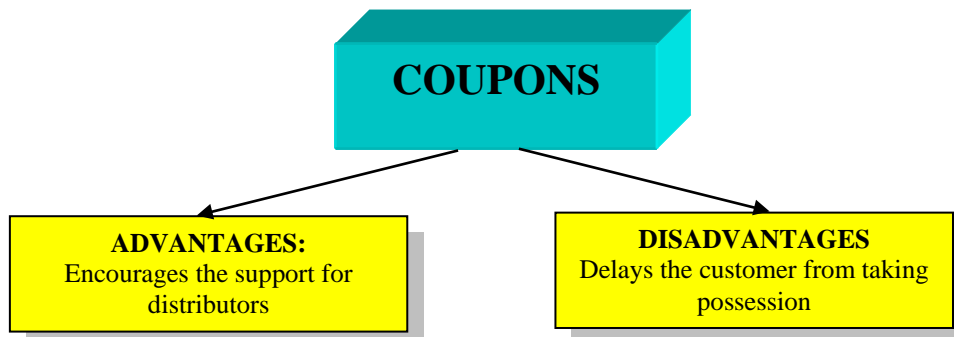
A. The main tools for sales promotion on consumer markets

Samples - are a free offer of a product or service can be delivered directly to the home, sent by mail, in-store, attached to another product or as part of a promotional offer. Giving samples is the most effective and most expensive way to launch a new product on the market.



Source: Processing by authors

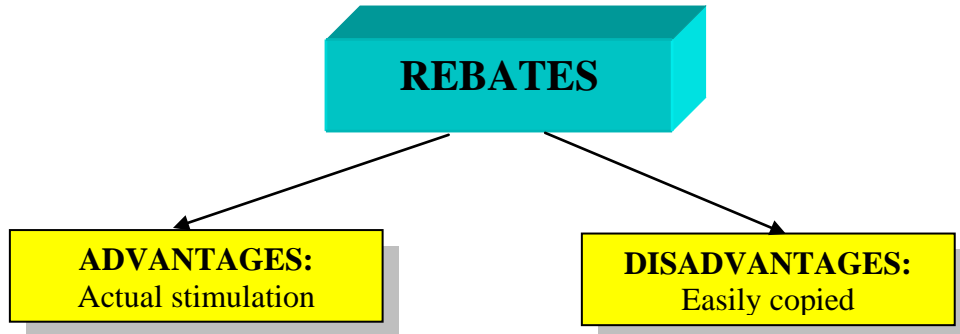
Coupons - are certificates that entitle the holder to benefit from a well-defined discount when purchasing a product. They can be mailed, included in certain products or attached to, or embedded in ads that appear in magazines and newspapers.



Source: Processing by authors

Through a study, it was proven that when launching a product on the market, a sustained campaign based on offering samples, combined with advertising on television enjoy greater success than advertising on television alone, or than advertising on television supported by launching coupons.

Offers to return money (rebates) - guarantees a price reduction after purchasing goods or refund in case of dissatisfaction.

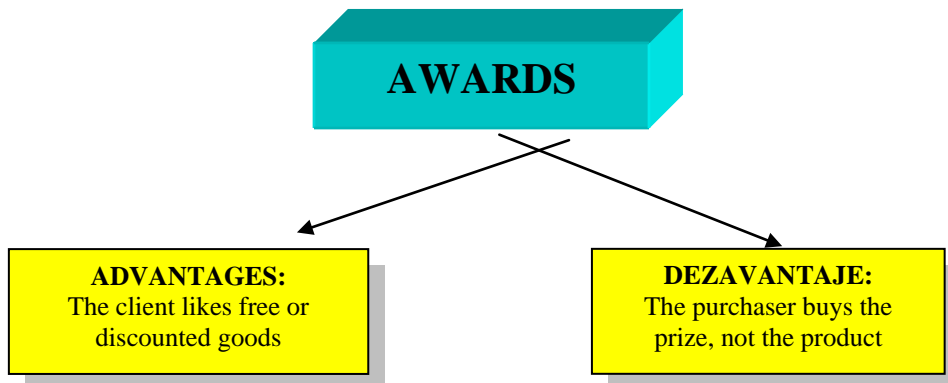


Source: Processing by authors

Group sales (package-offers) - enables consumers to benefit from a price cut, discount shown on the label or packaging of the product.

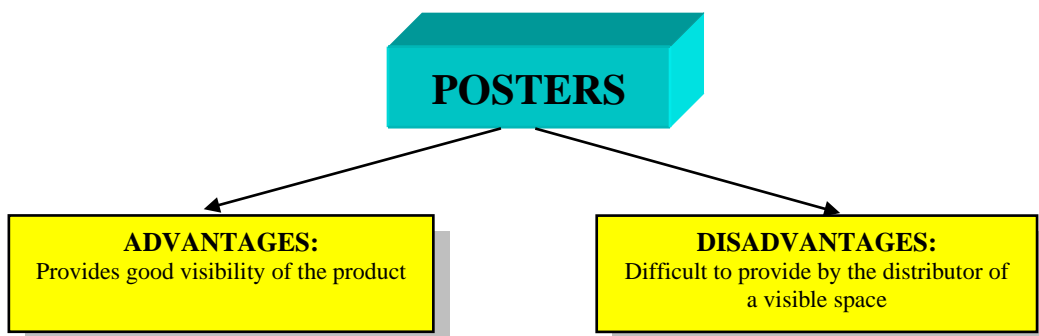
Rewards - are discounted goods supplied or offered free with the role of incentive to purchase a particular product. Some are provided with the product.

Awards (contests, sweepstakes, games) - prizes consist in the opportunity to earn money, trips or objects as a result of purchasing a product. A contest asks consumers to send a short-written paper to the company which will be examined by a jury that will select the best works. A raffle gives consumers the right to participate in a drawing of tickets on which is inscribed their names and the games offers them the chance of winning every time they shop.



Source: Processing by authors

Advertising at the point of sale – it takes at the place of sale.



Source: Processing by authors

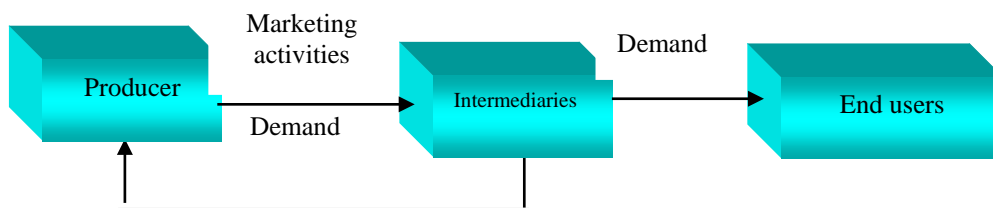
B. Instruments for merchandising on the commercial markets

Discounts - are a rebate given on the list price for purchases made for a certain period of time. That offer encourages intermediaries to buy a quantity or purchase a new article, which normally they wouldn't buy.

Bonuses - are a sum of money offered by the manufacturer to a retailer in exchange for the presentation of its products in a certain way. Promotional bonus is designed to reward resellers who advertise a company's products. Exposure bonus rewards them for exposing in a particularly way their products.

Free goods - are additional quantities of goods offered to intermediaries who buy a certain amount or present on the market a particular category of products. Manufacturers can provide gratuitousness to "push", which consist of money or gifts offered to traders or to the sales force to "push" on the market their products, with personal attention (pens, pencils, calendars, diaries, ashtrays), to those retailers who wear the name of the manufacturing company.

Figure no. 3. "Pushing" strategy



Source: Philip Kotler - "Marketing Management" – Teora Publishing, Bucharest 2000

A strategy of "absorbing" involves marketing activities directed to the end user and designed to make it seek the product to the intermediate, thereby making the latter to order the product from the manufacturer.

Figure no. 4. "Absorbing" strategy



Source: Philip Kotler - "Marketing Management" – Teora Publishing, Bucharest 2000

Tools for merchandising on the business market

☐ *fairs and commercial events*

☐ *sales contest*

☐ *Special Advertising (protocol gifts)* They are, finally, a technique because they help achieve social communication relying on media and the groups which are addressed, especially the press, television, films and other new audio-visual means (Olaru, et. all., 2001).

"It can be said that the work of an entrepreneur is a factor of progress for individual, community or society, or at least to solve a temporary necessity for the majority community or society concerned" (Pribeanu, Boiță, 2013).

Companies that promote both their products and their image through advertising are positively perceived by the public and are considered strong and successful (Florescu, et.all., 1987).

4. Conclusions

A company needs to attract public attention to distinguish itself from its competitors. Although mainly the products are those in market competition, we can say that they are based on ideas that are generated by research- development activities. For a company innovation it is very important, but also costly.

The same thing happens in advertising. To means of traditional advertising (television, radio, press), the companies should also use more modern means.

A large part of their advertising budgets should be refocused to means that cost less and allow for more effective targeting of public. As experts consider that advertising media have their own lifecycle, today should quickly be invented new means of advertising because they can be an important factor for increasing sales. These, considering the fact that old advertising means do not die, but freezes at a certain level.

The conclusion is that we should consider other means of advertising than conventional ones.

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The Impact of Transfer Pricing on Tourism Entities

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Abstract

The purpose of this document is desired to brought a significant contribution of the control activity, and to discuss new methods to ensure transparency and to eliminate constant disputes between the public and private sector. Starting with these aspects, we are looking to highlight international fraud as accompanying phenomena of transnational structures and economic relations, to explain its impact on the Romanian economy and to discuss the key to finding the methodology to eradicate this phenomenon, and also to indicate our recommendations and opinions to what we believe is necessary to eradicate this phenomenon. Transfer pricing is basically the price used in the transfer of tangible and intangible assets and / or transfer of services between related parties, and this price should be based on market price without influence of the relationship of affiliation. For services or tangible assets, the transfer price comparison with the market is relatively easy to perform, but in the case of intangible assets, quantification of future benefits that it gives to an affiliated person, in comparison to a situation where this would be to an independent, is difficult to determine.

Key words: marketing, services, consumer, sale, tourism entity

J.E.L. Classification: E62, H20

1. Introduction

The Government has considered, at least in theory and volitional way – that the fiscal policy and budgetary policy, is on one hand to balance the resources and expenses, and on the other hand to be based on the proper structure of both of these.

So, for internal resources for example, the problem is related to the correct establishment and accurately as possible for the proportion of internal resources from the public or private sector, depending on the ownership structure from the economy in order that it does not induce elements which can cause disturbances.

Therefore, public authorities can promote:

- a fiscal policy that be handle equally all of traders, setting contributions in equal measure, which involves a fiscal treatment based on the principle of neutrality, which stimulates business improvements.

According to some opinions, this fiscal behavior would cause to minimize the chances for small businesses to penetrate the market;

- a fiscal policy differentiated, according to clearly defined criteria, such as: size of traders, geography, economic branches, or other criteria to decide, if all these are to encourage business development, competition environment, or "could give a helping hand to" small businesses and

"family" companies, and so on, in close correlation with the fiscal policies of the state in a historical moment well defined.

2. Materials and Methods

2.1. Transfer pricing

The term "transfer pricing" is used for transactions between related parties. Transactions which are not exclusive to the rules of the free market and therefore, can be influenced by other subjective factors, such as a policy of the group companies to minimize the cost of the taxes at the group level.

Transfer pricing is the price that a person or legal entity transfers goods (tangible or intangible) or services to a related party. Transactions between related parties must be made on the principle of market value - "the arm's length principle", without being influenced by the relationship or 'congeniality' between them.

According to the Fiscal Code the tax authorities can reconsider the transfer prices and, if necessary to adjust the income and expenses of those related parties involved into a transaction if that price has been deemed not to have been carried out at market price or that the price paid under the transaction has not been completed under the same or similar costs by independent persons.

2.2. Determining the transfer pricing

Determining the transfer pricing is made, in general terms, by comparing the prices that independent persons under comparable conditions would agree for the transaction. The taxpayers will have to assess whether there are significant differences from comparable transactions or persons and if they exist to adjust the difference as a result of the transfer prices being based on a functional analysis.

Functional analysis is to identify and compare the activities and the responsibilities assumed or that could be assumed by independent entities and related entities. In order to achieve the functional analysis, an important element is the structure and the group's organization.

Also, functional analysis will be performed by reference to the following issues:

- the economic importance of the functions performed by each related party involved in the transactions;
- sharing of risks and responsibilities between the affiliates involved in the transactions, because an increased risk assumed can be remunerated as such;
- the level, the type and the nature of assets employed which are or will be engaged by related parties involved in the transaction, like equipment, intangible assets, etc.

2.3. The transfer pricing file

The general legal regulations of the Transfer pricing file which must be prepared by the taxpayer is provided by the Fiscal Procedure Code, and the specific regulations about how to draw up the contents, deadlines, etc., of the Transfer pricing file were initially legislated in the Order of President NAFA no. 222/2008 (published in the Romanian Official Gazette no. 129/19.02.2008), legal stipulations taken over by the Order of President NAFA no. 442/2016 (published in the Romanian Official Gazette no. 74/02.02.2016).

It is worth mentioning that the requirements of national laws on the contents of the Transfer pricing file are harmonized and complying with the Code of Conduct on transfer pricing documentation for associated enterprises from the European Union (published in the Official Journal of the European Union no. C176 / 1 of July 28, 2006), which supplements the provisions of Order NAFA no. 442/2016. Also the Order NAFA no. 442/2016 shall be supplemented with transfer pricing guidelines emitted by the Organization for Economic Co-operation and Development.

Initially the Order NAFA no. 222/2008 provide that the Transfer pricing file must be prepared by taxpayers engaged in transactions with related companies and presented to the fiscal authorities at their request, request in writing during the course of a general or partial tax inspection.

In the Order NAFA no. 442/2016 are introduced new stipulations, distinct for presentation of the Transfer pricing file, according with to the size of the entity, the amount and type of transactions with related parties, respectively:

a) the entities from large taxpayers engaged in transactions with related parties with a total annual value of at least:

- Euro 200,000 in the case of interest received / paid for the financial services;
 - Euro 250,000 in the case of transactions concerning of services received/rendered;
 - Euro 350,000 in the case of transactions concerning acquisitions/sale of tangible and intangible assets;
- are required to prepare the File every year. The deadline for preparation of the Transfer pricing file is the set term for the annual statement of taxes and duties (usually March 25th of the following year).

Those taxpayers are required to submit the Transfer pricing file at the request of the tax authorities, during on a tax audit, but - with a novelty - we mention that this file can be requested by the tax authorities in the outside of an audit actions.

b) the entities from large taxpayers engaged in transactions with related parties with a total annual value less than the values listed above and other taxpayers categories of taxpayers SMEs (small and medium), carrying out transactions with related parties are obliged for preparing and submission of the Transfer pricing file only at the request of the tax authority, during a tax inspection actions. In this case the value of significance threshold is:

- Euro 50,000 in the case of interest received/paid for the financial services;
- Euro 50,000 in the case of transactions concerning of services received/rendered;
- Euro 100,000 in the case of transactions concerning acquisitions/sale of tangible and intangible assets;

2.4. Methods for determining the transfer pricing

The following methods are recognized by transfer pricing guidelines distributed by the OECD:

- the comparable uncontrolled price method ("CUP" method);
- the cost plus method;
- the resale price method;
- the transactional profit split method;
- the transactional net margin method ("TNMM").

3. Results and Discussions

Transfer pricing represents an opportunity and a threat, and their impact on businesses and of affiliated persons are important (<https://www.transferpricing.ro>).

The subject of transfer pricing over the last two years has become increasingly discussed and the tax authorities' attention in this area has a very important role in this field.

As it is presented above, in Romania justifying the transfer pricing by taxpayers is based on the Fiscal Code and of its implementing rules and specific national stipulations and also the OECD Guidelines on transfer pricing. In summary, according to these provisions, a taxpayer's transactions with related parties must be carried out in conditions of a free market and that a respectable business with good financial conditions would be expected to similarly agree between independent persons in comparable circumstances.

Study case: the Transfer pricing file by the Company Travel SA

▣ Company presentation

Travel Company S.A. is a tourism company, belonging to the International Travel Group INC.

Travel Company S.A. is a joint stock company, made in 1990, with the headquarters in Bucharest, Blvd. Primavera no. 88-103, Romania, whose main object of activity is (CAEN code: 5510) - "Hotels and other similar accommodation facilities".

Travel Company SA is certified in the tourism sector (TÜV Rheinland) by the Ministry for Regional Development and Tourism and the relevant entities from other European countries, such as: Germany, Belgium, Switzerland, Austria, France, Great Britain, Slovakia, Italy, Sweden, Hungary, Netherlands and Czech Republic.

By the way it uses the means within its reach, the tourism enterprise „has to create a strategic advantage in the competition, positioning its offer in a way that makes it sharply different from its competitors, in the eyes of the consumers” Ph. Kotler (1998).

☐ Financial dates

The main financial dates concerning Travel Group INC, consolidated for the period 2011 – 2015, are presented in the following table:

Financial information's	2011	2012	2013	2014	2015
Turnover	67.284	110.260	176.146	188.696	67.818
Net outcome	53.796	-8.922	-5.661	-14.004	-49.422
Total assets	196.523	118.285	171.875	188.541	146.404

Source: the author, after financial statements

☐ General description of transactions between related parties in the UE within Travel Group INC

Between 2011–2015, in the Group Travel INC were performed following main categories of transactions between related parties from European Union:

- sale of tickets;
- bookings;
- sale of tourist packages;
- sale of furniture and hotel equipment.

☐ The holders of intangible assets

All intellectual duties property related to the Group's products are owned by other related entities of the Group. Travel Company SA has no significant intangible assets and also does not pay royalties for use to the intangible assets from related entities.

In the field of the price policy, the Romanian tourism entrepreneurs can choose from a great variety of price strategies, differentiated by certain criteria, like: (Balaure V., Catoiu I. and Veghes C., 2005) the level and accessibility of prices, the specific characteristics of the market and the way of distribution. The strategies preferred by the tourism companies are mainly: the strategy of high prices, the strategy of intermediate prices, the strategy of low prices and the strategy of flat rate prices.

☐ Description of the transactions between related parties

In the period 1 January 2011 – 31 December 2015 Travel Company S.A. was involved in the following transactions with related parties from the group Travel INC.:

- selling tourist packages by the Travel SA to the Travel S.A. INC – Austria;
- selling furniture and hotel equipment by the Travel SA to the Travel INC – Germany.

☐ Choice of method of transfer prices analysis

After selecting the most appropriate method for determining the transfer price, the next steps consist in the application of that method for analyzing the compliance of the transaction/transactions tested with the principle of market value.

In order to test the compliance with the principle of market value of the transaction to sale the products by the producers to the them affiliates, applying net margin method, the following steps must be taken:

- identification of the part which shall be the subject to the analysis (the test);
- Development of a comparability study (identifying comparable companies with activities in the same field or a similar field and choosing one or more indicators of profitability);
- setting a range of market value;

■ testing conformity with the principle of market values by comparing the profit margin applied by the test subject in the range of market value.

☐ Identification of the part which shall be subject to the analysis

In order to analyze the compliance of the tested transaction with the principle of market values, it is necessary first to select the related company which shall be subject to the analysis (the tested).

The tested Part is that participant in a transaction between related parties whose profits will be analyzed for compliance with the principle of market values.

After the functional analysis is carried out, we established the fact that producers are the least complex analyzed part from the prospective of the transaction, such failure marketing or sales functions and does not bear risks of market developments.

☐ Comparability study

Search strategy

According to The Romanian legislation, the initial search was done at local level, in companies based in Romania.

As they failed to identified comparable companies in Romania which can be used as reference comparability for producers, according to the provisions the Order of NAFA no. 442/2008 regarding the contents of the Transfer pricing file, we expanded our geographic search at the EU level.

Searching process involved the examination of the companies in the Orbis database, eliminate companies that do not meet the selection criteria and identify those companies that could be used as reference comparability for the sale of furniture and hotel equipment or similar products.

A summary of search strategy is presented in the following:

- geographically criteria;
- the activity code;
- holding in the subsidiary;
- stocks;
- turnover;
- negative operating result.

☐ Selection the profitability indicator

Profitability indicators used in this comparability study is the profit margin for the operating costs (operational cost), which shows to the profitability of a company by reporting to the value of the operational costs. This profitability indicator accurately reflects the profitability of a producer, considering the costs that it's registered to add value to the products.

☐ Setting the market range

After identifying a set of companies with activities in the same field or a similar field comparable with those performed by producers and selecting an indicator of profitability, the next step consists in determining the market range. In compliance with the national law, the market range is defined as the interval between the lower quartile and the superior quartile.

The results of the companies selected in the final sample were calculated as a weighted average using financial data for a period of five years (ie 2011 – 2015) and are presented in the following table:

The margins of the operational costs (2011-2015)						
	No. of companies	Minimum	The lower quartile	Median	The superior quartile	Maximum
The final sample	11	1,56%	3,03%	3,75%	10,09%	12,92%

Source: the author, after financial statements

Profit margin for operating costs for independent companies included in the final sample for the period 2011 - 2015 range between 1.56% and 12.92%; the determined market range between 3,03% (the lower quartile) and 10,09% (the superior quartile) being determined by a median of 3,75%.

In accordance with the national law, this interval (ie between 3.03% and 12.92%) is considered to provide an relevant estimate on the value of open market.

☐ **The compliance analysis with the principle of market values**

■ **the tested company's results**

In the analyzed period, according to the methodology of transfer pricing, for selling finished products to related parties, the producers applied a profit margin of 5%.

■ **the compliance analysis of the transaction tested with the principle of market values**

After analyzing the compliance of the tested transaction with the principle of market values were compared to the results obtained by independent producers with limited functions and risks, included in the final sample applied to the profit margin of the Producer.

As can be observed from the analysis, the profit margin of 5% it stands in the comparison range (between 3.03% and 10.09%), which demonstrates that the transactions of the analyzed entities with the Group are in the market value, that in this case the transfer price which are applied in the Group respect the "arm's length" principle, which are not distorted by the influence of transfer prices.

4. Conclusions

The objective of this study was to determine if the Transfer pricing applied into transactions performed between Travel S.A. and its related parties, during the period 2011 – 2015, are based in accordance with the principle of market values.

To verify the compliance with the principle of market values in intra-group transactions performed by Travel S.A. was made for each type of intra-group transaction and involved:

■ understanding the economic context where it operates Travel Company S.A., which generated the necessity of the transactions;

■ analysis of the feasibility of applying for each method to transfer pricing assessment of market values in intra-group transactions performed, taking into account the circumstances and particularities of each type of intra-group transactions;

■ implementation of transfer pricing method selected for compliance of each intra-group transactions within the principle of market values.

Following the analysis, results that the intra-group transactions performed between Travel S.A. and its affiliates during the period 2011 – 2015 were held in the principle of market values, as it is defined in the OECD Guidelines and national legislation.

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A MPLS Simulation for Use in Design Networking for Multi Site Businesses

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Abstract

The ease of administration and its reduced costs make the MPLS (Multiprotocol Label Switching) technology attractive to those who want to deploy a performant, reliable and scalable private network. Connecting enterprises to remote locations, customers, and vendors via the MPLS is a very flexible solution that is being taken into account by many communication providers. VPN (Virtual Private Networks) is one of the most demanding services for the MPLS technology. The service providing of MPLS Differentiated Services (MPLS DiffServ) allows the customization of each client's traffic. This paper briefly outlines the theoretical aspects of the MPLS technology. The theoretical analysis is summed up in a case study called MPLS_DiffServ, developed with the OPNET Modeler simulator. This simulator allowed us to create a network model and configure the network equipment to provide MPLS DiffServ services. The results that are obtained from the simulation run are suggestive for networking education and a good starting point for the networking research area, as services for new business environment.

Key words: MPLS, QoS, Differentiated Services, Network Simulation.

J.E.L. Classification: L8, M1, M3

1. Introduction

In a dynamic business environment, characterized by innovations and technological advances, MPLS (Multi-Protocol Label Switching) allows the connectivity of data centers to branch offices, or branches to each other, based on major advantages such as: any-to-any connectivity, built-in support for Quality of Service (QoS), Service-Level Agreements (SLAs) with delivery guarantees, outsourced routing, lower cost, scalability (MegaPath, 2010). The MPLS network has become a platform for new communications and cloud-computing services, which enables voice and data to be transported together on wide area networks (WANs), with possibility to integrate VPN (Virtual Private Networks) connections for added encryption and security (AT&T, 2015).

Network simulation is a technique for modeling the behavior of a network, either by computing the interaction between different network entities (end devices, intermediate devices, links, packets, etc.) by using laborious mathematical methods, or by observing the behavior of a functional network. OPNET Modeler, NS2, NS3, GNS3, Packet Tracer, OMNeT++ (Wehrle, Günes and Gross, 2010) are some of the dedicated software solutions, being known as network simulators. They implement network simulation techniques, enabling the development of simulation models within this field.

The case study presented in this paper is developed in OPNET Modeler (Sethi and Hnatyshin, 2013). Choosing this software solution has the following main arguments: object-oriented modeling and graphical interface; the ability to analyze through graphs; the possibility of hierarchical network viewing; the running and then the choice of comparing multiple scenarios; the possibility of importing traffic patterns within the scenarios; the possibility of fully simulating heterogeneous networks with various protocols; the option of modifying the network parameters and being able to observe the immediate effects. Being given the costs associated with the construction and the functioning of a network, OPNET Modeler represents a viable solution within the decision-making processes of planning, modifying and analyzing the network performance. It

can be used as a tool for research or to design and analyze modern networks. The workflow of this simulator is based on the following steps: create network models, specify statistics and data collection, run simulations, view and analyze results. These are the steps that have been followed in this paper, in our MPLS_DiffServ network modelling.

2. MPLS Overview

Multi-Protocol Label Switching (MPLS) is a packet-forwarding technology which uses labels in order to make data forwarding decisions and aims to simplify core IP routing. The MPLS architecture (De Ghein, 2016) was designed to provide a unified data service for many traffic types, such as IP packets, ATMs, SDH frames, or Ethernet. MPLS uses a solution that integrates both IP routing control (Layer 3 of the OSI model) and data link switching (Layer 2 of the OSI model) (IETF, 2010). The MPLS architecture separates the control and data planes. Control plane is responsible for exchanging Layer 3 routing information and labels. Data plane (forwarding plane) is responsible to forward packet based on labels and IP header. MPLS defines a mechanism based on CEF (Cisco Express Forwarding) for forwarding the packets to network routers (Sayeed and Morrow, 2006).

In an MPLS network, input streams are classified into equivalence classes. These are treated equally by the nodes of the network. An equivalent class corresponds to a set of fixed length labels. They will be switched to the nodes of the network, until they reach the destination. Input nodes will classify the streams, whereas the intermediate nodes have less to process because it is enough to switch labels. Label swapping allows to change the label value in the MPLS header during MPLS routing, in an independent way of the Layer 3 routing protocol.

The subscribers with different access lines can be grouped MPLS without changing their current environment, as MPLS is independent of the access technologies. The integration of the MPLS components, including Level 2 VPN, Level 3 VPN, Traffic Engineering, QoS, GMPLS, or IPv6, enables the development of secure and highly efficient networks that guarantee SLA (Service Level Agreements) ((De Ghein, 2016). MPLS offers IP point to point services with a high degree of scalability and differentiation, with very simple configuration and management for both the vendors and the subscribers. This solution is supported by a very wide range of platforms, which is essential not only to service providers but also to private networks. MPLS uses IPv4 and IPv6 addresses to identify network terminals or the intermediary switches and routers. This makes MPLS networks IP-compatible and easy to integrate with the traditional IP networks (Goralski, 2009). Unlike the traditional IP networks, MPLS flows are connection-oriented and packets are routed on pre-configured paths, called LSP (Label Switched Paths).

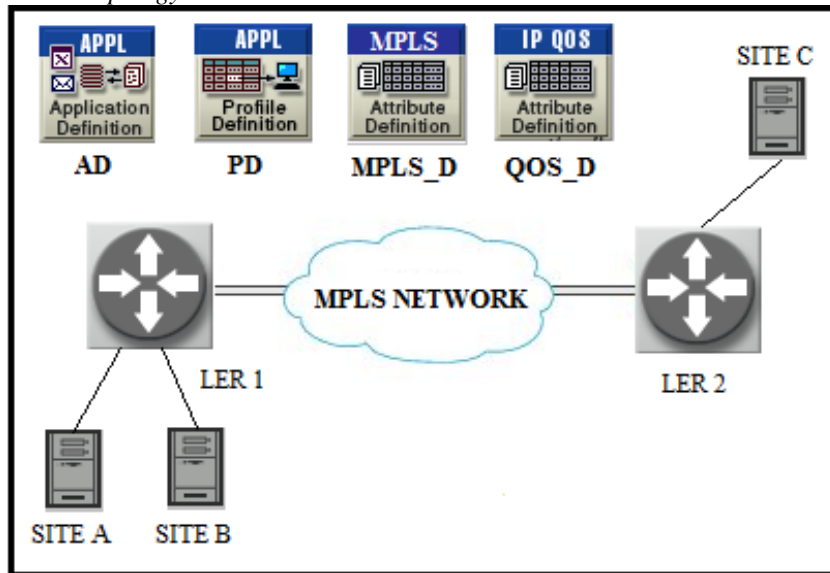
3. Modeling the MPLS_DiffServ Network

Using the OPNET Modeler simulator, we build a network that uses MPLS QoS Differentiated Services (DiffServ) for forwarding the packets within the MPLS domain. Assured Forwarding (AF) defines different services of forwarding assurances through a DiffServ domain. The MPLS DiffServ mechanism highlights the differentiated treatment of two traffic flows in the context of service quality (Srecko, Krile and Perakovic, 2009). The our objective is to analyze the way two different customers transmit the same type of traffic (for example, FTP-File Transfer Protocol) over a common path, called the Label Switched Path (LSP), but with different priorities. MPLS LSPs carry two data streams and use DiffServ codes to assign different QoS levels for each of them. The chosen network model will be configured to secure two LSPs associated with the two client input ports. The streams sent to these ports include packets for FTP applications but have different tutorial behaviors: AF3x, for High priority FTP (SITE A), and AF1x for Low priority FTP (SITE B), x=1,2,3. For the analysis of the results, it will be highlighted the differential treatment of packages from different Forwarding Equivalence Classes (FEC) (De Ghein, 2016) and the effects of these treatments under normal and congestion conditions in the network.

3.1. Network Development

The OPNET Modeler simulator offers a wide variety of equipment and solutions to create the elements of a network. In order to create the MPLS_DiffServ domain within OPNET Modeler, it is important to determine which are the required network nodes and attributes that need to be configured. Adding nodes to the project is done using the Object Palette' simulator. This contains the available nodes, broken down by network type, manufacturer, component type, etc. The network corresponding to the case study is shown in figure 1.

Figure no. 1. Network Topology



Source: Made by Author

The mandatory network nodes are:

- SITE A, SITE B - are responsible for generating traffic within the network;
- SITE C - is used in client-server applications; connect to a data exchange workstation (SITE A, SITE B);
- LER (Label Edge Router) routers - represent the input or output nodes of a LSP, ingress (LER 1) and egress (LER 2); there are nodes to which workstations and servers are connected; have the role of classifying and associating traffic to the used in guidance classes, and perform label disposition or removal (POP) and forwards IP packet to destination.
- LSR (Label Switch Router) routers - represent intermediate nodes, present in the MPLS NETWORK cloud; they change labels along the LSPs; depending on its location in MPLS domain, this router performs label disposition (removal, POP), label imposition (addition, PUSH) or label swapping (replacing the top label in a stack with a new outgoing label value).
- Application Definition (AD) - defines the types of applications that can be used to simulate the network traffic;
- Profile Definition (PD) - creates one or more profiles that select the applications that will be used by the workstations when they start transmitting data;
- MPLS Attribute Definition (MPLS_D) - is responsible for configuring the FEC (Forward Equivalence Class) and Traffic Trunk [4] associated with different flows;
- QoS Attribute Definition (QOS_D) – allows the configuration of the QoS parameters.

The configurable attributes are:

- FEC (Forwarding Equivalence Class) specifications - states the equivalent classes that may be forwarded the same way; these can be specified by: one or more combinations of the ToS (Type of Service) field, the protocol used (TCP, UDP, OSPF, ICMP, etc), the source or destination IP address, the source or destination port;

- Profile Traffic Trunk - specifies different traffic profiles with different maximum traffic rates, averages, traffic bursts, action for packages that are out of profile. Each Traffic Trunk is associated with a DiffServ class;
- MPLS parameters - MPLS parameters used and that need to be configured in each LER and LSR;
- TE (Traffic Engineering) configurations – are done in each LER. These are used to perform traffic associations: different FEC classes and Traffic Trunk profiles are linked to different interfaces and can be assigned to different LSPs.

The Label Switch Path (LSP) used in this scenario is static, having specified all the nodes through which it passes. The links used between the routers within the MPLS domain are DS0 with a 64Kbps capacity, having the purpose to demonstrate how to prioritize the packets associated with each traffic profile under congestion conditions within the network.

The stations we are going to monitor in this scenario are SITE A and SITE B, in the posture of customers, who will perform FTP data traffic to SITE C, the server.

3.2. Network Configuration

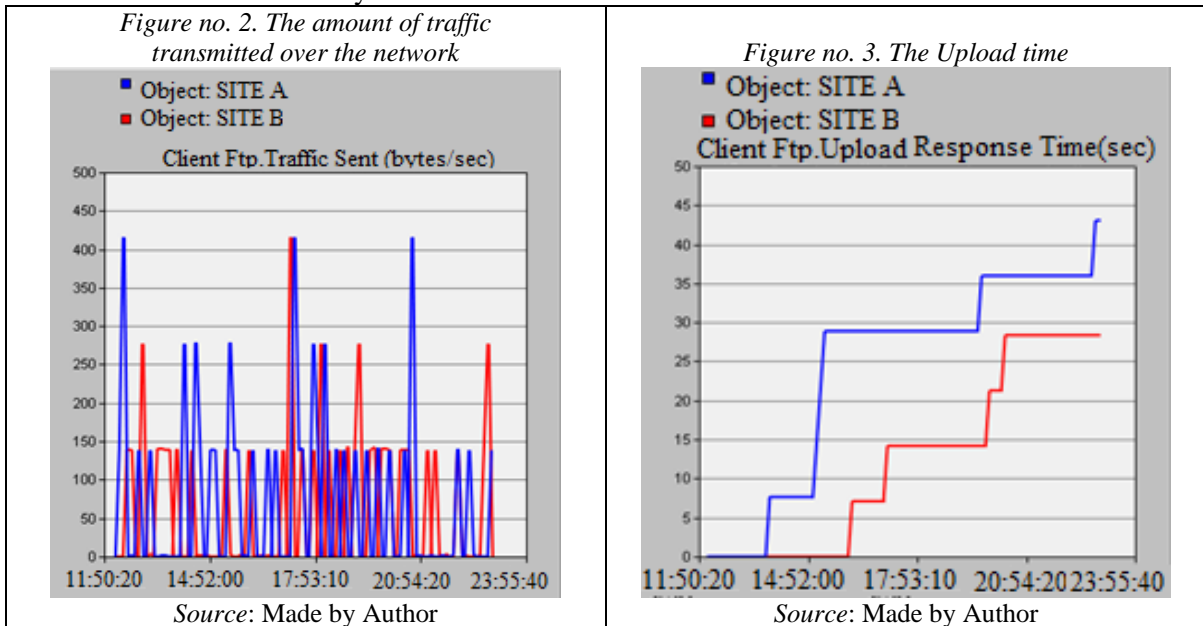
- The Application Definition (AD) node is a traffic management type that may exist within the MPLS_DiffServ domain. For this scenario, a File Transfer Protocol (FTP) application was used.
- Profile Definition (PD) - The second step in the network setup is to create a profile that will be assigned to customers. This is done in the PD node, choosing the three types of traffic listed above.
- MPLS Attribute Definition (MPLS_D) is the node defining the FEC types used by the LSR nodes within the network, the correspondences between the EXP (Experimental bits) field and the PHB (Per-Hop Behavior) behavior or, as the case may be, between the EXP field and the drop precedence field as well as the traffic profiles. Because the LSP used for packet forwarding is of E-LSP type, the packet treatment in each node will be determined by the EXP field and standard mail will be used. The two network clients, on which we observe the MPLS DiffServ mechanism, have demanded different package-handling priorities, so they have different traffic profiles. SITE B will have a higher priority on packet transmission than SITE A. This is possible thanks to the MPLS DiffServ mechanism that allows customization of each client's traffic. The higher priority client will be associated with an AF3x behavior, and the one with the lower priority with AF1x, x=1,2,3. No action will be taken on cases where packages are out-of-profile. Packages are mapped to the lowest AFx1 drop-down precedence (AF11, AF31).
- Workstations Configuration - The SITE A and SITE B workstations, simulated clients, are configured with the same MPLS DiffServ profile to benefit from the data traffic set in PD. Both stations will transmit the packets at the same pace, at the same rate, the same size, and will be equal at the time of the transmission.
- Label Edge Router Configuration (LER) - The packages arrive at the LER router where they are checked to see if they fit into the client's traffic profile. To do this, first need to be configured how traffic from customers is delimited. In the configuration of the LER 1 input node, the traffic profiles are mapped to the client interface: 64Kbps AF1x on interface 1, low priority (SITE A), and 64Kbps AF3x on interface 2 for the higher priority client (SITE B), x=1,2,3. The egress node LER 2 uses the PHP (Penultimate Hop Popping) function (De Ghein, 2016).
- Label Switch Router (LSR) - There is no other packet classification in the LSR nodes. LSR nodes are designed to switch the labels and to respect the package handling according to the deduced PHB in the EXP field of the package. This is done by configuring the LSR nodes, present in the MPLS NETWORK cloud.

4. Statistics and Results

We will now analyze the results obtained only under congestion on the network conditions. These conditions provide data on which to draw relevant conclusions. In the scenario we created and run as discrete event simulation (DES) (Sethi and Hnatyshin, 2013), tracking then the parameters: the amount of traffic transmitted, the upload time, the delay from the queues, the use of queue buffers. Based on these we will further analyze the performances of the MPLS-DiffServ model.

- **The amount of traffic transmitted**

Following the simulation run, it can be seen that there is an equal amount of traffic transmitted by both clients (Fig. 2). This is important because we can make future comparisons in nearly ideal conditions and we can clearly see the differences.



- **Upload time**

The upload time is the time elapsed between the start of the packet transmission and the receipt of the confirmation packet. This also includes the signaling time for connection setup and connection timeout. Figure 3 clearly shows that the upload time for SITE B is significantly lower than SITE A. This statistic shows that for a client with higher priority traffic, its packets arrive at the server faster than the client with lower priority. This is due to the MPLS DiffServ classification that allows the traffic to receive preferential treatment in the LSP nodes in favor of certain streams, respectively in the detriment of others.

- **Queuing delay**

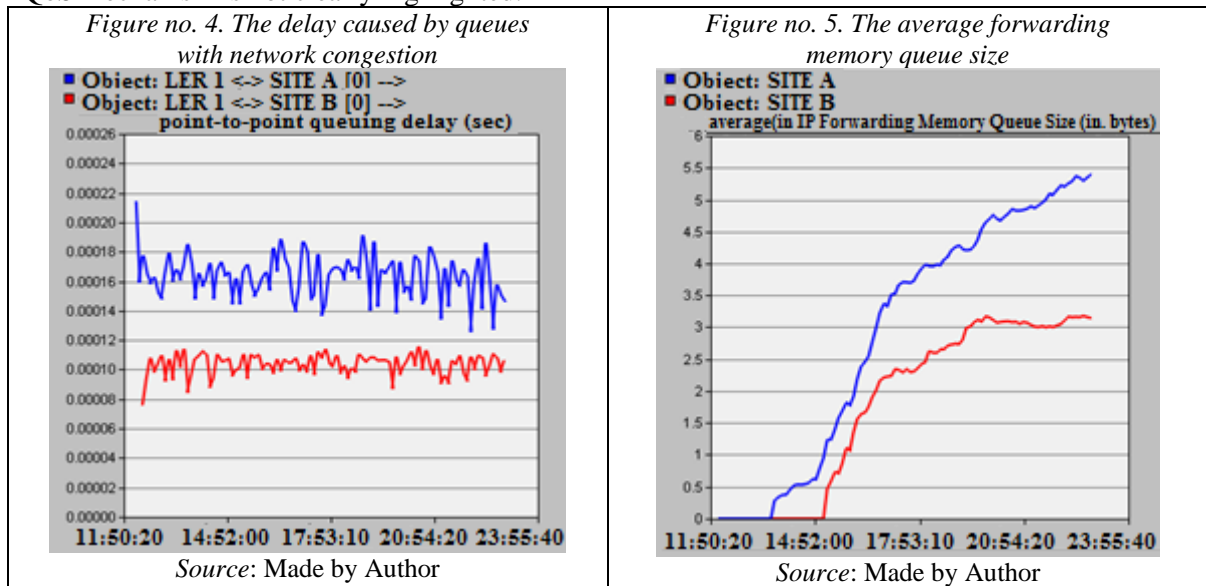
As mentioned above, each flow receives individual treatment according to the classification that is made in the ingress node. The better the classification results in the better the treatment.

Within the ingress node, after the measurement, conditioning and traffic classification has been done, the flux is distributed in waiting queues, which according to the serving mechanism will be sent to the next hop. In this scenario, the LSR routers use the Weighted Fair Queue (WFQ) technique (Sayeed and Morrow, 2006) for the queue routine. The charts represented in figure 4 show the packet delays when waiting to be delivered to the next hop in the LER 1 ingress. We notice that there are two waiting queues LER 1 - SITE A and LER 1 - SITE B. In LER 1 - SITE B the waiting time is much smaller than in LER 1 - SITE A, as proof of the MPLS DiffServ mechanism. A better prioritization of a stream has made the waiting time in the queues across the LSP much shorter, resulting in a much better response times for customers as desired by their requirements.

- **Using queue buffers**

The more a package waits in a queue, the longer the queue is occupied. In the graphs of figure 5, we can observe this, corresponding to the above queues. If there is no network congestion, both

queuing time and buffers are very low. In these situations of using low packet rollout priorities, the QoS mechanism is not clearly highlighted.



5. Conclusions

The simulation results show that two similar streams to the same destination, but with different traffic profiles, behave differently at the network transit. The higher the MPLS DiffServ code stream has lower upload time, less delay and lower buffer usage. The ranking in the first node, LER 1, was designed to prioritize the traffic flow from SITE B reported to the traffic flow from SITE A.

Such classifications can be performed for each client, based on the SLA (Service Level Agreements), on the destination, traffic types, or other parameters. The MPLS DiffServ mechanism is ideal because it provides the quality that customers need, and MPLS support is best to achieve this because it benefits service providers. The granularity of MPLS DiffServ services is best absorbed by the speed of label switching and with a very good service quality. The use of differentiated services allows for the creation of new, customized quality levels according to customer requirements, while MPLS allows switching from traditional IP networks to guaranteed QoS networks, adapting at minimal cost to any physical environment.

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Tourism – Sector of Interest in Marketing Vision

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Abstract

The growing importance that tourism has gained in the contemporary era has increased the concerns of the specialists to define it as accurately and as thoroughly as possible. In various forms, tourism connections to the economy are often multiple and difficult to fully assess. Under these circumstances, the knowledge of economic implications at macroeconomic level concerned and continues to concern not only the academic environment but also the public authorities or the representative organizations of the private sector. Cohesive information is needed in order to reflect the situation of tourism as a sector of activity, its place in the economy. This information substantiates sectoral policies as well as strategic decisions in the field. Their finality will be reflected in greater respect for the business community by the business community, central and local authorities, and last but not least by public opinion in general.

Tourism presents itself as a complex activity with a multitude of facets, with an important economic load, positioned at the intersection of several branches and sectors of the economy. Because of this fact, there is also a wide variety of views on the content of the concept of tourism and its adjacent concepts.

Key words: tourism, marketing, tourists

J.E.L Classification: A1

The emergence of tourism, or its detachment as distinct activity, cannot be established with rigor, but it is assumed that some incipient forms of tourism have been practiced since the earliest times. The movement of people into space, the desire to know new territories began even from the time of the first stable human settlements, as an expression of the instinct of conservation and curiosity. The travel satisfaction of trips, although they did not have an end in itself, having a defensive purpose at first, such as looking for food, defending and improving living conditions, consists of the desire to know what is outside the boundaries that marked the territory of the community. Even if the means of communication were precarious, promoting and maintaining relationships with their peers in other communities, through trade, allowed for better mutual knowledge (Neașu, N., Baron, P., Snak, O., *Economia turismului (Economy of tourism)*, 2nd edition, Pro Universitaria Publishing House, Bucharest, 2006. Snak, O., *Economia și organizarea turismului (Economy and organization of tourism)*, Sport-Turism Publishing House, Bucharest, 1976).

But the actual journey began with the practice of wars and the exchange of goods, gaining an offensive purpose by trying to ensure a better life. All these trips cannot be considered as having a touristic purpose (Cristureanu, C., *Strategii și tranzacții în turismul internațional (Strategies and transactions in international tourism)*, C.H.Beck Publishing House, Bucharest, 2006).

Starting with antiquity, although some of the old determinations were still maintained, we could talk about the emergence of the tourist journey, which could also be motivated by the pursuit of pleasure. The ancient Greeks travelled, for example, to visit the "holy places of worship in order to listen to Zeus' predictions at Dodona and of Apollo at Delphi, in order to see sports games and competitions organized periodically, every four years, at Delphi, the horse games from Nemea, the Isthmic Games organized in Corinth and especially the Olympic Games organized at Olympia (Snak, O., Baron, P., Neașu, N., *Economia Turismului (The Economy of Tourism)*, Expert Publishing House, Bucharest, 2003).

The earliest mentions of the preoccupations to travel appear in antiquity in the works of the geographer Strabon (Strabon, in the Latinized version Strabo (born 63 or 60 BC today, Amasyad, dead on 21 or 26 AD), a famous ancient Greek historian and ancient geographer. He wrote Geography, based on his own observations and the works of his predecessors, including Homer, Eratosthenes, Polybius and Poseidonius. The work contains, in addition to historical material, a series of descriptions of places (climate, relief, hydrography) and peoples, with ethnographic and mythological aspects, constituting a rich source of knowledge about the ancient world), then in the descriptions left by Marco Polo (Marco Polo (born about. 1254 in Venice – dead on January 8, 1324 in Venice) was a Venetian merchant who made himself known by means of his accounts of a trip to China) at the time of his Asian periplus at the end of the thirteenth century when he wrote a first major work by which the "Western" world received information about the life and culture in the "East", the future travel concerns being thus outlined.

In the fifteenth century, for the first time, an "All-Inclusive" voyage was organized from Venice with the destination of the Holy Land. The price of the package included "transport, accommodation, walk with a donkey and pocket money for bribing officials to facilitate the various formalities (Holloway, J.Ch., *The Business of Tourism*, Second Edition, Macdonald and Evans, London, 1985 p. 22). At that time, most of the travellers slept at the monasteries, but also in the inns, which were located in more intense circulated areas. These inns, however, lacked a very good fame, as they often sheltered robbers who attacked travellers.

In England, during the 14th and 17th centuries, the journey was considered to be the most appropriate way of educating the young generation that had to overcome the isolation imposed by the country's geographical position. Thus, Queen Elizabeth I of England approved the organization of knowledge trips intended to educate prospective diplomats who were studying at prestigious universities (Oxford, Cambridge), providing scholarships for them. Thus, around the 1700s, the so-called "Grand Tour" was the first educational itinerary tour, which was made along with young English and other travellers from other European countries. The itinerary was held for three years and included the cities: Paris, Turin, Florence, Rome, Naples, Venice, Vienna and the Kingdom of the Rhine (Holloway, J.Ch., *op. cit.* p. 26).

The circulation of travellers at the end of the eighteenth century was not very intense. But it gradually grew, the English being considered the people with the highest mobility. Thomas Nugent published in 1778 a best-seller guide, which was intended for those wishing to go through the Grand Tour. Thus, with the increase in passenger traffic, communications and the hotel industry received a major boost. The expansion of tourist activities was favoured by the development of communication routes due to the rapid progress of the means of travel, due to industrialization, the use of steam, the creation of the locomotive and the construction of the first railway, the appearance of the automobile.

The transformation of passenger travel into actual tourism began with the end of the Napoleonic wars and was manifested primarily by the increase in the number of English travellers. The famous English Grand Tour has been resumed, after a quarter century, the example being followed by French, German, Austrian and Dutch travellers.

It is accepted that tourism was crystallized in the second half of the nineteenth century and, as such, the first attempts to define and characterize it date from this period. For a century of its emergence, tourism has developed relatively slowly, which has also been reflected in the conceptual design.

As far as water tours are concerned, progress has been faster and more spectacular. Fashion began to dictate inclusion among travels of sea voyages. At this time in Europe there were 160 spa resorts to which a large number of travellers were heading year after year. At that time, the main roads that crossed the passes of the Alps were built, facilitating access and transforming Tyrol into a favourite destination for international tourists.

In the nineteenth decade of the 19th century, a special event took place in the history of tourism in England, when Thomas Cook opened his first travel office (Holloway, J.Ch., *op. cit.* p. 29). It was the first enterprise the sole purpose of which was to organize trips, especially for groups.

Also, in the second half of the nineteenth century the sport re-emerged and it was stated as a stimulating factor for the tourist circulation. In 1894 in Paris, it was decided to organize the

International Olympic Games once every four years, which attracted large masses of spectators, concentrating the tourist flows towards certain destinations (Cristureanu, C., op.cit. p.17).

An essential contribution to tourism development was made by innovations and investment in communications. These have favoured the development of road and air transport, which has simplified the movement of the tourist. Thus, the inclusion of the car and the airplane among the means of passenger transport represented a revolution for both the transport and tourism sector.

Throughout this period of tourism development, from 1850 until 1914, there were no statistics illustrating the size of tourism circulation, and even less the receipts in this field.

In 1914, in France, at the initiative of some corporations, the first National Tourism Office was born, which coordinated the activity of the tourism companies.

The First World War stopped, for a while, the development of international tourism. But along with its completion, there have been a number of fundamental changes on the one hand in the tourist movement and on the other hand in the involvement of the state in the development of tourism. The tourist offer has diversified, meeting the demand that has grown both by including new travel motives and a new mass of passengers. It can be said that tourism represented for that period, before the war, a solution for the exit from the economic impasse in which the European states were.

The continual boom, the spectacular development of tourism, its unprecedented explosion, is one of the most remarkable features of the twentieth century, especially of the second half of it (Bran, Fl., Marin, D. și Simon, T., *Economia turismului și mediul înconjurător* (Economy of Tourism and Environment), Editura ECONOMICĂ, Bucharest, 1998, p. 9.). After World War II, since the seventh decade of the twentieth century, as a result of profound transformations in the world economy, tourism is experiencing a special expansion, involving more and more resources from an increasing number of countries and bodies – the reason why it is considered a phenomenon specific to the modern world. In a short time, all these have helped transform tourism into a true economic and social phenomenon of the twentieth century.

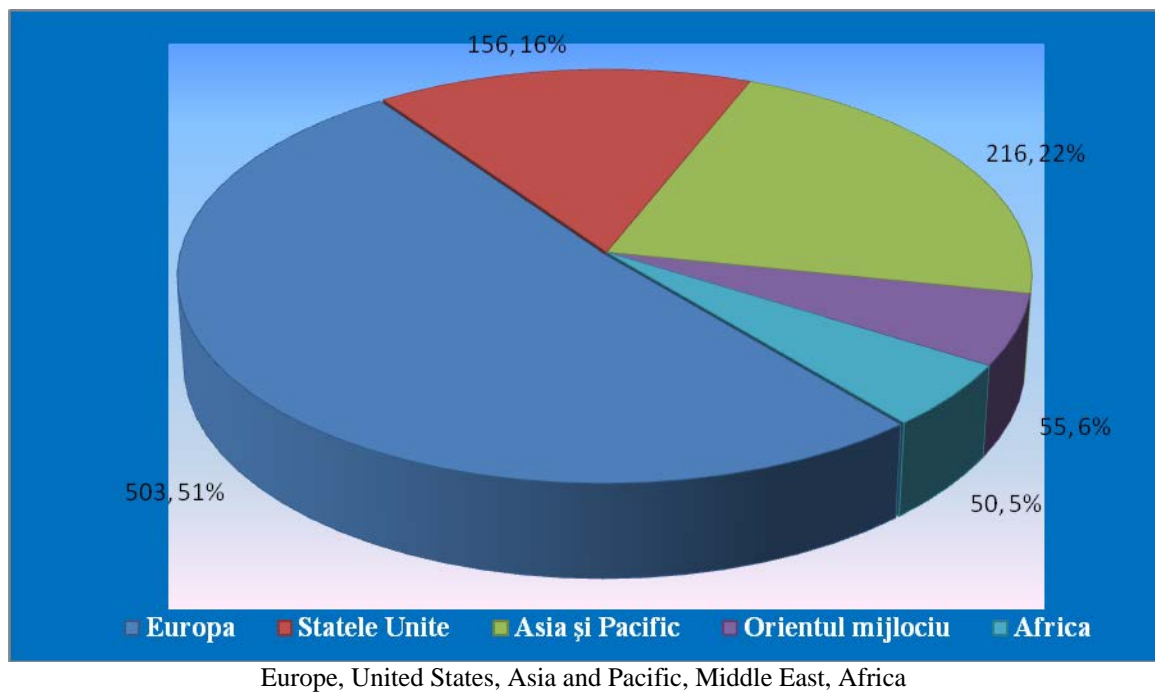
The institutionalization of tourism at the national level and its international organization through the establishment of the World Tourism Organization (OMT), in 1975 - the largest international intergovernmental organization in the field of tourism - determined its continuous momentum and caused tourism, through the rhythms of development achieved, to become one of the most spectacular phenomena of the 20th century along with the technical-scientific revolution, with particularly important social, economic and human consequences. It can be said that since that time tourism had started to detach itself as a separate economic and social activity (Snak, O., Baron, P., Neacșu, N., op.cit. pg.18).

The World Tourism Organization offers, in collaboration with other national and international institutions, relevant statistics illustrating the spectacular evolution of global tourism in the last decades since the 1950s, continuing with the 1970s and 1990s and ending with the most recent data from 2011 and the first half of 2012.

The evolution of the number of tourists' arrivals worldwide can be seen in Table no. 1; from 25 million in 1950, the number of tourists arriving worldwide reached 980 million in 2011. In 2009, the most significant change was recorded due to the effects of the economic crisis, as the arrivals of international tourists dropped from 917 million to 882 million, compared to 2008, which meant a 3.8% decline worldwide. The most affected region was Europe with a 6% decline, although it held more than half of the visitors.

Even in 2011 Europe remains the first tourist destination in the world, with 503 million international tourists, which accounts for 51% of the world's tourists' arrivals. A significant percentage of tourists was registered in Asia and the Pacific (22%).

Figure no. 1. Structure of the number of arrivals of tourists worldwide in 2011



Source: Adaptation after UNWTO World Tourism Barometer, vol.10, January 2012

In 1950, from the number of tourists arriving worldwide of 25 million, over 70% headed to the United States, Canada, Italy, France and Switzerland. As can be seen from Table no. 1, the first two positions were occupied by the United States and Canada, which "did not suffer" from the Second World War, followed by three destinations in Europe, Italy, France and Switzerland, countries with a tradition in the field of tourism.

Twenty years later, the number of tourists arriving worldwide increased sixfold, the top five positions in the hierarchy accounting for 43% of the total, much lower than in 1950. Italy was a leader followed by Canada, France, Spain and the United States. It is worth noting – that is why we opted for this statistic - *that Romania occupies position 15*. This result was largely obtained as a result of the important investments of the 60s, focused on the development of tourist accommodation capacity, especially from the Black Sea coast.

In 1990 there was a noticeable decrease in the share of the top five tourist destinations in the world. They held 38% of the total of 456 million arrivals. France became the leader followed in second place by the United States and thirdly by Spain. Italy, which held the first place in 1970, lowered three positions and was ranked fourth, followed by Hungary, which won 6 positions in the same period.

Table no. 1 The evolution of the number of tourists' arrivals worldwide for the main tourist destinations of the world during the period 1950-1990

Nr. Crt.	1950	%	1970	%	1990	%
1	United States	71	Italy	43	France	38
2	Canada		Canada		United States	
3	Italy		France		Spain	
4	France		Spain		Italy	
5	Switzerland		United States		Hungary	
6	Ireland	17	Austria	22	Austria	19
7	Austria		Germany		Great Britain	
8	Spain		Switzerland		Mexico	
9	Germany		Yugoslavia		Germany	
10	Great Britain		Great Britain		Canada	
11	Norway	9	Hungary	10	Switzerland	10
12	Argentina		Czechoslovakia		Greece	
13	Mexico		Belgium		Portugal	
14	Holland		Bulgaria		Malaysia	
15	Denmark		Romania		Croatia	
16	Other destinations	3	Other destinations	25	Other destinations	33
	TOTAL	25 million	TOTAL	166 million	TOTAL	456 million

Source: Adaptation after WTO - Tourism in the World. A vision for the future. (Estoril, Portugal, 4 and 5 July, 2005)

In 2009, in the hierarchy, France ranks first, followed by the United States, Spain, China and Italy, which had come down a position as compared to 1990. It is also noteworthy t China's rise, which is steadily approaching the first three positions.

It can be noticed that tourism, after a relatively slow development started in the second half of the nineteenth century, experienced a great expansion after the 1950s, due to profound transformations from the world economy, thus becoming a phenomenon specific to the modern world .

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The Impact of Tourism on the Global Economic System

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Abstract

As a true sector of services, tourism remains a branch of consequence, the development of which will be constantly in close correlation with the levels and rhythms of development of the other branches of the national economy (Snak, O., 1976, Economica și organizarea turismului (Economy and organization of tourism), Sport-Turism Publishing House, Bucharest, p 61). This is true, but it should not be absolutized: of course, there is a close interdependence between tourism and other branches, but its development as a domain may in some cases be independent from other economic sectors. Tourism is the most complex industry on a global scale, the whole society being involved in its service, being considered a barometer in terms of assessing the state of the society.

Key words: marketing, tourism

J.E.L Classification: A1

The effects of tourism consumption are multiple on the level of the economy of a country or region, and their analysis involves the relationship with the entire economic system. This determines the "contribution of tourism to economic growth, price setting, balancing of the balance of payments, fair and balanced distribution of national income and full use of labour (Baretje, R., Defert, P., 1972, p.11).

Tourism contributes to:

- balancing the balance of external payments;
- engaging demand in the production sphere;
- diversification of local industry;
- diminishing imbalances in certain areas;
- decreasing the unemployment rate;
- increasing the incomes of the population;
- GDP growth.

As a revenue generating sector, it contributes significantly to the economies of many countries. Generally, it can be said that tourism produces beneficial economic effects for the economy. Income and job creation are the classic examples in this respect. Its contribution to GDP, employment and area development are well documented, unlike other segments in this branch. It is expected to experience continued development over the coming decades as a consequence of leisure time increase.

From the point of view of its economic and social character, tourism is globally confronted with profound transformations, as it is an essential element belonging to contemporary society. Because tourism has a social, economic and cultural dimension, it is closely linked to its evolution by a large part of the sectors of society's activity, which at the same time influences them in their evolution, defining its criteria, characteristics, concepts and factors depending on the three dimensions. The international receiving tourism contributes *to the balancing of the balance of payments or its surplus due to attracted foreign currency earnings.*

Tourism is a possible "tool" for economic growth through its beneficial effects, namely:

- generates significant revenue for the economies of recipient countries or regions, and stimulates the investments needed to finance other sectors, thereby contributing, through its multiplier effect, to the economic growth and development;
- increases the labour supply by capitalizing on the cultural and natural heritage;
- creates opportunities to diversify local economies by capitalizing local income;
- encourages the emergence and development of local businesses, transforming areas with low economic competitiveness into attractive areas for investors;
- diversified demand for goods and services to other economic sectors (construction, food industry, small and craft industry);
- can generate cooperation between local firms, between them and the firms operating in other economic sectors, as well as the creation of clusters;
- may also have an impact on the reduction of disparities in terms of the structure of gender differences in unemployment through the predominant use of female labour.

The World Tourism Organization, through its studies, has identified and grouped the effects of tourism on the economy in three categories, presented in Table 1, as follows: "Effects on global development strategy of a zone (global effects); partial effects on the national economy, on the agents, the economic sectors, the fundamental variables and macro-dimensions of the economy and, last but not least, the external effects in the socio-cultural, physical and human resources field with indirect economic results (WTO, 1980)

Table no. 1. The typology of the effects of tourism on the economy

Types of effects	General objectives of economic policy affected by tourism	Effects on:
GLOBAL	1. Development strategy	1.1. the national economy in general 1.2. external dependence, international economy
	2. Growth in the production sectors (Efficiency of the system)	2.1. stimulating production 2.2. using the workforce
PARTIAL	3. External sector stability and external balance	3.1. the balancing the balance of payments 3.2. the exchange rate level and the real exchange ratio 3.3. money and money circulation
	4. Public sector, degree of state intervention	4.1. public revenues 4.2. public expenditure
	5. Pricing	5.1. the level of inflation 5.2. speculation of land
	6. System equity	6.1. the way revenue is distributed
	7. Spatial planning	7.1. regional development 7.2. rural environment 7.3. the demographic movement
EXTERNAL	8. Proper use and protection of human and natural resources	8.1. <i>environmental quality</i> 8.2. <i>professional training</i>
	9. Socio-cultural aspects	9.1. <i>consumption habits</i> 9.2. <i>training and education</i> 9.3. <i>social and cultural</i>

Source: (Minciu, 2005, p. 24)

Tourism has a considerable impact on the economies, societies and cultures of different countries (Minciu, 2005, p. 23). The tourism activity is felt in several dimensions, as can be seen in Figure 2, and all these effects are very interesting from a conceptual and theoretical point of view, but their identification in practice is very difficult to be made.

Figure no. 2. The implications of tourism for the economy and society

TOURISM

- Stimulates economic growth
- Improves social structure
- Uses in a superior manner the natural and human resources
- Improves life conditions

Source: Adaptation after (Minciu, 2005, p. 27)

Most specialists, including international bodies, appreciate that tourism induces positive influences and should be encouraged, even if sometimes it has unfavourable consequences. But there are also voices who claim that tourism, particularly the international one, produces more harmful social and cultural effects. Tourism, as an economic activity, also benefited from a number of criticisms that were based on the fact that they form true "enclaves" in the economies of less developed countries. In the research literature the case of islands that do not have many resources is well known, and even for the most famous of them, the net benefits are minimal. Taking into account only the gross benefits (receipts) distorts the real image of tourism, as long as tourism as a resource consumer can cause considerable imports. We share the belief that tourism plays an important role in the economic and social life of the world's states, raising interest in identifying incidents and evaluating its outcomes.

At the level of the economy of a country or region, the effects of tourism must generally be analyzed starting from their relationship with the fundamental objectives of the whole economic system:

- Tourism acts as a *stimulating factor for the global economic system*. The development of the tourist trip involves demand, consumption of specific goods and services, which leads to an increase in their production. It is necessary to adapt the offer, materialized in the development of the technical and material base of the sector and indirectly in the stimulation of the production of the branches that participate in the construction and endowment of the accommodation and food facilities, the modernization of the road network, the realization of transport means, of facilities for recreation
- Through the development of tourism a *significant increase in production* is achieved. With regard to the contribution of tourism to the creation of gross domestic product (GDP) between regions and countries of the world, there are considerable differences, depending on a complex of factors, the level of development and the structure of the economies of the respective countries (Py, 1996, p.109). For small countries, for example, participation share is very high (about 84% in the Maldives, over 34% in Jamaica); in countries with a rich tourist activity but also with a developed economy, it is close to the world average (eg Spain 10.7%, France 7.3%, Switzerland 7.7%, US 3%, in Canada 4.1%, in England 4.0%, in some of these countries the contribution of tourism to GDP creation is comparable to that of some basic branches, such as agriculture - in France, the automotive industry - in Italy, the steel industry - in the UK) (Minciu, 2005) so in Europe, the main tourist area of the world, the share of tourism participation in GDP is the highest compared to the United States, Asia Pacific and the African continent; in our country tourism is less involved in the creation of GDP;
- A significant importance for the economy of each country has also *the contribution of foreign currency* through participation in the international tourism market, which can contribute to balancing and creating a positive balance, active in its own balance of payments;
- Tourism contributes to the achievement of *added value*. The service activity, with a high consumption of living labour, intelligence and creative work, tourism creates added value in a higher proportion than the branches close in terms of the level of development;
- Tourism *stimulates production in other areas* due to its nature of interference and synthesis branch; the activity of some branches is largely determined by the needs of tourism; *entrepreneurial activities in the receiving area* are thus generated as a consequence of the demand for local products which accommodation and food establishments can use. As such,

tourism is a real gateway to stimulating entrepreneurship, a thing that is considered positive in the process of developing a region or even a country;

- Tourism contributes to the *diversification of economic structures* in the sense that the adaptation to the requirements of tourists fosters, on the one hand, the emergence of specific branches (activities) (leisure industry, cable transport, travel agencies, handicraft production) and, on the other hand imprints new dimensions to some of the existing branches (agriculture, food industry, construction, transport, cultural services);
- At the same time it is considered that the development of tourism on a large scale (mass tourism) creates the so-called *externalities*. For example, the improvement of the transport network, the creation of sanitation facilities and the provision of water which have been created for tourism have also been addressed to other economic sectors. Another example is the construction of an airport that provides access to other regions for local products. It can be said that the local population can benefit from tourism by using the infrastructure built for tourism or recreational facilities, and in these conditions there is an improvement in its standard of living;
- Tourism leads to the *superior valorisation of all categories of resources*, especially of the natural ones - other than traditional ones - and / or of small ones (beauty of the landscape, curative qualities of mineral or thermal waters, climate conditions, events artistic monuments, historical vestiges, folk tradition - in some cases, tourism is the only way to use these); Moreover, through marketing in international tourism there is an income increase resulting from lower comparative (production) costs; resources refer not only to the natural or cultural heritage ones but as well as to human and capital ones; In this context, the *theory of absolute advantage* can be invoked in the case of destinations that have unique attractions in the world, which creates even a monopoly situation; resources are in many cases the main motivations in choosing a destination, and therefore, for a higher valorization, these resources require planning, maintenance and protection;
- Tourism is a lever to mitigate *interregional imbalances* at national or world scale, a solution for the prosperity of disadvantaged areas, a remedy for deindustrialised localities (Tinard, 1994, p.79) by promoting beneficial effects, causing mutations in territorial development; tourism, especially the international one, generates *substantial benefits for both "host" receiving countries as well as for transmitting countries*; an important part of receiving countries is developing and tourism represents a major source of income, improving living conditions, mitigating interregional imbalances; many international organizations including the OMT / UNWTO and the World Travel and Tourism Council (CMCT / WTTC) have been involved in implementing programs destined to support tourism in developing countries;

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Quality Management in E-Commerce

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Abstract

Among the various preoccupations of managing an organization total quality management is an comprehensive approach that contributes in the management of the organization which aims to work for the product quality improvement. This paper presents the subject of quality management in an e-commerce context and explains why quality management principles are important for e-commerce business operations and focus on the strong relationship between TQM and information and communications technology. Quality management practices for e-commerce is relatively a new topic, even this kind of doing business is inherently global. Retailers can sell and consumers can buy products through web pages from anywhere in the world. Consequently, global proliferation and global consumers' acceptance are important issues to be considered. Therefore, implementation of quality management principles in e-commerce, could be considered an advanced step to ensure continuously global consumers preferences for quality.

Key words: quality management, e-commerce ,consumer, communication.

J.E.L. Classification: L15,L18,L21,M21,O24

1. Introduction

E-commerce quality refers to the quality experienced by the user of commercial services via Internet. Quality management practices for e-commerce is a relatively new topic, even this kind of doing business is nowadays global. E-commerce refers to buying and selling products and transfer of funds through digital modalities and also to online stock, bond transactions, buying and downloading software in the absence of a physical store.

Over the last several years, have been developed different models of e-commerce quality management in order to identify those aspects that are most important for customer satisfaction. Today e-Business applications are gaining importance every day ,working like a virtual shop and include interoperable e-commerce, e-collaboration, e-government, e-procurement etc.

Unfortunately, many e-commerce attempts failed to give performance due to the misunderstanding of the challenging issues of these complex applications. In this respect, introducing quality management in business administration will greatly increase the chances of an e-commerce project satisfying user performance requirements for the first time.

However the aspects of the e-Commerce systems that give them power and flexibility also pose significant new challenges and risks.(Murphy ,2009)

The current context regarding the analysis of the electronic commerce systems has proven to be enough limited for this complex and dynamic field. Therefore, it is obvious the need of new approaches, theories, instruments, methods ,such as quality management. And moreover, important differences between traditional trade and e-commerce have been identified, both in terms of characteristics and support activities.

2. Quality issues in E-commerce

After being initially used as a source of trade information, the Internet gradually came to be used as an important media for trading like e-commerce.

From an analytical perspective, quality management in e-commerce should focus on customer needs. Therefore, the e-commerce operator should be aware at the terms and conditions of delivery in order to avoid the product's return due to inadequate transport services or advertisement.(Collinsworth,2016)

In this context,the connection from the customer to the e-commerce systems meets more points of failure than traditional business systems and creates much tasks for the software quality control team, which has no control over the client and communications.

In this respect, the tolerance for quality problems is very low, and the competition is fierce. Software quality represents an important factor for e-competition. Integrating total quality management into E-commerce can create more benefit for various segments of the e-commerce economy. (Mc Keeman,2000;Chou,2006)

Applying e-commerce is now a compulsory choice and companies are forced to use it. Technological innovations have a great influence on the field of trading: applying electronics tools and especially Internet in trading system brings also quality benefits . In the meantime, the potential of TQM (Total Quality Management) without commitment in e-commerce organizations are less attended.(Kheirollahi et al , 2013)

E-commerce could be considered an excellent choice for companies to gain new customers. A business that run over the Internet is like any other business, therefore the quality management could be implemented in the business and organizational culture like in any other field of activity.

Using the Internet is changing the fundamentals of doing business.These things are changing many of the traditional sales models and have already changed the way to live, shop and communicate, because nowadays the e-business economy is changing the global competition. (Navin,2001)

The organizations` goals are different, but generally refers to the reduction of costs or multiply of sales, but in competitive terms, nowadays the organizations should pay special attention to quality assurance.(Kheirollahi et al , 2013;Babu,2012)

The most important elements of TQM that can be applied in e-commerce includes:

-*Leadership*: the development of strategic point of view and the ability to comply with the changes;

-*Customer satisfaction*: online needs and desires should be defined;

-*Continuous education*: e-commerce should focus on the training;

-*Commitment*: IT professionals to be well familiar with the use of TQM principles or ISO9000 quality standards of the software;

-*Continuous improvement*: to maintain the overall quality, from beginning to end;

-*Learning organizations*: many organizations encourage social learning as the supplement of more traditional approaches of knowledge;

-*Statistical process control*: in order to provide benefits and to determine administrators of the website to understand the factors which affect the effectiveness. (Kheirollahi et al , 2013)

Modern organizations' activities are affected by a set of quality factors. Identification and assessment of these can help to improve activities and realize the goals of organizations. (Kheirollahi et al ,2013;Babu,2012)

Having in view to assure a successful development of e-commerce, it is necessary to define the criteria that could guide the choice of a competitive e-commerce system and its quality evaluation.

In order to reinforce business competitiveness through quality of the products and to make it successful in the global market, it is necessary to understand the quality characteristics of e-commerce.

3. E-commerce characteristics and criteria for quality evaluation

The relationship between Total Quality Management and information & communication technology used in e-commerce usually focuses either on technological issues, or on the role in the achievement of quality goals in business process. Less attention has been paid to the effects that utilisation of e-business is having on management style, and on the quality. (Iles et al,2004)

Web sites are more frequently analyzed from the commercial point of view; in the meantime, the factors that affect the customer's perception on the quality and acceptance of Web sites are less known and studied. Some authors that consider four sets of quality factors of e-commerce Web sites: functionality of the quality system; the content information quality; service quality ; the attractor. (Cao et al,2008)

References analysis has shown that there is a vast range of criteria proposed for quality evaluation in e-business, but none of the models is prevailing. The most mentioned refers to the online content, technical characteristics and particularities of the e-commerce system's usage, while the aspects of client relation management and user perception are mentioned less often, e-commerce offline aspects being least invoked.(Guseva,2011)

Other authors identified the experts' and e-consumers' surveys like relevant criteria for the most important aspects of e-commerce and websites, speaking about not only safety, but also about the aspects of payment comfort, very important in e-commerce quality evaluation. The offline e-commerce processes are often ignored , even the offline characteristics of e-commerce are of no less importance than the online ones. Moreover, the e- customers requirements can serve as the quality criteria for offline e-commerce stages (for example, conditions of delivery or post-purchase support). (Guseva,2011)

Usability is a quality objective that refers to the characteristics allowing the use of e-commerce sites in diverse situations, not only during its development process, but also during its operation and maintenance. In order to obtain the desired quality of software products, it is necessary to produce models which allow the soft evaluation of those products quality.(Albuquerque,2002)

Quality has been established as a key factor in ensuring the success of E-commerce in attracting and retaining customers. In this respect, numerous software metrics and website quality models have been developed, with a correspondingly large literature.Thus can be mentioned the Equal, Pequal or Servqual models, based on the identification of key factors influencing the perception of a given service by users. The methods differ especially in terms of assessment criteria and theoretical substantiation .Since evaluation of websites is a multiple-criteria issue, in the literature we can observe attempts of using Multi-Criteria Decision Analysis (MCDA) methods for evaluating websites.(Wątróbski et al,2016)

An e-commerce business could be as good and successful as its business model, its online system design and operation. Therefore, developing a high quality software system is very important factor. The aim of any model is to guide designers of e-commerce applications and to ensure the development of high quality applications that meet user's requirements.(Al- Safadi et al,2012)

A solution is provided by ISO : the standard ISO/IEC 9126-1 version includes quality characteristics and sub-characteristics as a guide to applying the model for quality evaluation. The characteristics defined are applicable to every kind of software, including computer programs and data contained in firmware, and provide consistent terminology for software product quality. The main characteristics of the ISO9126-1 quality model are defined as : functionality; reliability; usability; efficiency; maintainability ;portability.(ISO 9126-1)

A number of works have proposed quality models for e-commerce based on ISO 9126-1.

4. Conclusions

E-commerce is considered an excellent alternative for companies to reach new customers and markets.

Quality is the vital issue of e-commerce. The importance of measuring and monitoring quality is now well recognized among web sites managers. Taking into consideration that TQM focuses on products and services process, it is recommended to perform the study of quality assurance in e-commerce systems.

Resuming, many e-commerce websites have quite short life because they don't meet the minimal software quality requirements and do not completely satisfy their customers in several aspects such as quality and those deficiencies can affect the existence and maintainance of many of those companies in the market.

Quality experts believe that only the quality improvement and global standardization can provide e-commerce acceptance by global consumers. Expansion of e-commerce from developed countries to developing countries creates an opportunity to redefine the paradigms of quality management practice appropriate for worldwide dissemination of e-commerce.

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Motivation of the Personal

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Abstract

For best control and better use, human resource motivation should be understood from the two perspectives that are specific to it: the psychological perspective, which defines it as a process that takes place at the level of each individual and is characterized by certain components Essential, and Managerial Perspective, which addresses it as a responsibility that needs some levers and resources that it needs to use to achieve the great performance of overcoming, as comfortably and efficiently as possible, the objectives of the organization with the needs and interests of the employees.

Key words: motivation, dynamics, need

J.E.L. Clasification: Z

1. Introduction

The problem of staff motivation is given great importance in both the private and the budgetary sectors. All managers agree that achieving organizational goals greatly depends on the behavior and attitude of their subordinates towards their tasks. But when it comes to answering questions such as "How can you make people do what you want?" Or "Why do you work more and better than B in the same living and working conditions?" (Prodan, 1997) concludes that the problem is complex and difficult.

Also, the illusion that there would be a safe, successful recipe to address the issue of motivation for any situation or subject should be shattered from the outset. Why? Because people are different. Each has a well-defined personality, with his needs, skills, values and aspirations. These individual qualities are then combined with conditions and job-related aspects.

In addition, there is another important factor, namely the dynamics of personality and the environment. Individuals do not conservatively preserve all their characteristics. Some feel the need or are forced to develop their knowledge baggage. Others improve their skills gained in a field of activity through a sustained and persistent rhythm of work.

Not to mention the changes from private life, with the passage of years.

Even the organizational conditions do not stand still. The results and reactions generated by the wave of changes in information technology are well known. And institutions follow their path known as the cycle of organizational life in which they are born, evolving, maturing, stagnating and then decaying, each of these stages having well-defined characteristics. With all these individual and organizational dynamic factors in a continuous transformation, we could come to the brink of a rhetorical and skeptical question: "Will we ever be able to understand what determines an employee to have a certain attitude and behavior in the workplace"?

But let us not despair and proceed to the systematic approach of the problem, starting of course with the attempt to define the notion of motivation as simply and briefly as possible.

G.A. Cole, one of the UK's specialists in human resource management, is trying to give us a helping hand, giving us the following synthetic and accessible definition: "*motivation is a process in which people choose between alternative forms of behavior in pursuit of personal goals*" (Cole, 1993). To this end, we could add the alternative definition that "*motivation is the sum of the internal and external energies that initiate and direct the behavior towards a goal that once achieved will determine the fulfillment of a necessity*" (Prodan, 1997).

By detailing these complementary definitions, we manage to identify the main components of the motivational process: behavior, purpose, satisfaction, needs, energies (here in the sense of resources).

Putting all these elements in a causal order, we obtain a deterministic model of motivation where the stimulus needs lead to an appropriate behavior in which the necessary resources are exploited from the existing ones, the resources that generate the action that leads to the achievement of the goal or the achievement of the expected results, which stops the action of stimuli, finally reaching to satisfaction.

In order not to be exhausted after a harsh description like the one above, Gerald Cole gives us a helping hand, realizing a much simplified and schematic fundamental model, retaining only a few basic elements:

Stimuli → appropriate behavior → achieved goals or desired results

Where does the motivation lie with this model where it does not appear explicitly? It is a very important factor in determining behavior, and it is not the only one that generates it.

In addition to motivation, they also feel the influence of biological, psycho-social, organizational and cultural factors. Adriana Prodan (Prodan, 1997) argues that in their effort to streamline the activities of their organizations through the stimulation of their professional activity, managers identified two dimensions of work using distinct and specific motivational sources:

b. the objective dimension uses the unequal reward of work as the main motivational source. The term "unequal" here has the meaning of differentiation, not being confused with unfair, incorrect practices. The experience of many firms and institutions has shown that the policy of wage egalitarianism has generated long-term negative effects, the main being demotivating staff. Individuals with the best training, skills and abilities have ended up leaving organizations to look for jobs to pay properly. This has led to another negative effect: increased labor force fluctuation. On the contrary, the differentiation of financial rewards by qualification, the difficulty of the tasks, the results obtained, the way in which the activity is performed is a particularly effective form of motivation;

b. The subjective dimension uses as a source the motivation of the non-pecuniary resources. There are many studies that have shown that many employees can be motivated in their actions by methods other than financial ones, with similar results. Emery and Thorsrud identify in their work "The Form and Content of Industrial Democracy" (Prodan, 1997) some of the needs that cause man to work for something other than for money or other material advantages:

- the need to learn through work;
- the need to know the nature of the work and the way it can be done;
- the need to make decisions and have an initiative;
- the need for positive social contact and recognition within the organization;
- the need to work to serve the company's objectives and to link its life to that of the community;
- the need for security of the future.

2. Maslow's Needs Hierarchy Theory

Psychologist Abraham Maslow has developed one of the most well-known theories of motivation that has been taken over by human resources management. According to this, all human needs can be classified into 5 categories arranged in a hierarchical scheme that determines the order in which they are satisfied. Representing them in a pyramidal form (*Figure no. 1*), Maslow claims that they must be satisfied starting from the base and ending with the top.

In keeping with this order, we briefly describe each of these categories:

1. Physiological needs are basic needs such as food, shelter, rest, clothing, and everything else that determines and ensures existence and survival. All are essential and are provided at an organizational level through appropriate pay, good working conditions, reasonable work schedule, etc .;

2. Physical and social security (safety) needs call for special attention to occupational safety, changing wages based on inflation, for special working conditions and for a retirement pension;

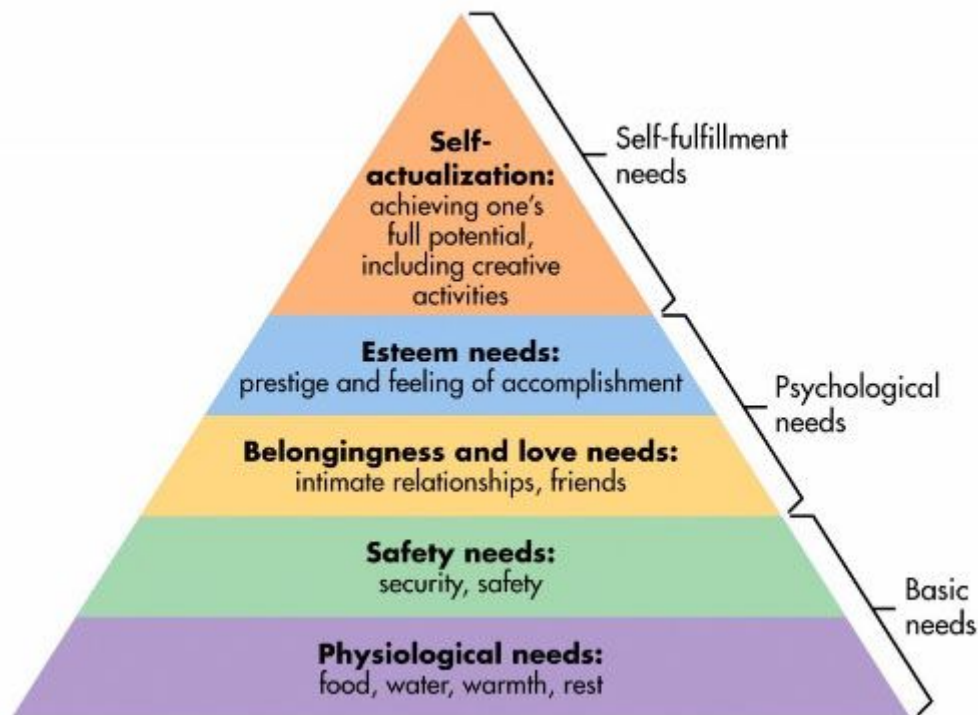
3. Social or association needs include the need for friendship and affection, belonging to, or association to, a group of solidarity, generally satisfying inter-human relationships. In the professional activity, they manifest themselves by the desire to contact and collaborate with the other employees, to create strong connections within the team, etc .;

4. Needs of esteem and social recognition refers to the need of each individual to be more than just a member of a group, to have a favorable image in his / her own eyes but also in front of others, to respect and To appreciate his achievements. At the organizational level, these needs are satisfied when a project is successfully crowned or promoted to a new position. These moments give rise to the sense of power, self-confidence and prestige;

5. The need for self-actualization or personal assertion and achievement represents the highest hierarchical level of the pyramid, including the needs of creative capacity development and special purchases in the professional field, meaning the full use of its own potential.

The principle of satisfying human needs after Maslow would be the following: the individual first meets his needs at the base of the hierarchy pyramid and then passes to the satisfaction of those at the next level. Once satisfied, they advance to the next level and continue to the last category at the top of the pyramid. So only unsatisfied needs serve as motivational factors, others lose their role until they are reactivated.

Figure no. 1. Maslow's pyramid



Source: A theory of human motivation. Psychological review : Maslow, A. H. (1943).

Maslow's theory is criticized, being categorized as simplistic, artificial, and rigid. The main arguments of criticism would be that people do not want to meet the needs in the order prescribed by Maslow, especially with regard to higher levels, and that, due to the complex psychology of the individual, many of these needs intertwine, sometimes even combining, Try to satisfy them simultaneously. However, the theory enjoys popularity among managers as it proves to be very useful in understanding the motivation of their subordinates according to the position they occupy in the organizational hierarchy.

3. Herzberg's dual factor theory

Developing and modifying Maslow's hierarchy of needs, Frederick Herzberg concluded that there are two sets of factors that influence the employee's feelings about his work: - motivating factors (intrinsic or content); - hygienic factors (extrinsic or context).

In order to better understand the equivalence between the elements of the 2 theories outlined here, please join, if the material allows you, the scheme below Maslow's needy pyramid. We specify that the hygienic factors correspond to the first three categories of needs at the base of the pyramid (numbered from 1 to 3 above in the text), and those motivating the last two categories at the top of the pyramid:

Table no. 1. Herzberg's dual factor theory

<p>Motivational factors: Self-updating Recognition Work for oneself Advanced Responsibility</p>	<p>FACTORS WHICH LEAD TO EXTREME SATISFACTION</p>
<p>Hygienic Factors: Interpersonal relationships The company's policy Control Salaries Work conditions</p>	<p>FACTORS WHICH LEAD TO EXTREME INSTITUTION</p>

Source: The Motivation-Hygiene Concept and Problems of Manpower: Herzberg, Frederick (January–February 1964).

The central point of this Herzberg theory is the assertion of discontinuity between the factors that produce satisfaction and those who cause dissatisfaction in professional activity (see figure above). The novelty lies in the fact that, contrary to the traditional conception that considers all factors as both satisfying and unsatisfying, Herzberg argues that work satisfaction is determined only by a certain type of factors, namely motivators, and dissatisfaction is caused by Another type of factor, called hygienic. Motivational factors are closely related to the specifics of work and act in the direction of mobilizing people to work better. Hygiene or maintenance factors do not depend on the content of the work itself as to the conditions under which it is performed. They do not generate satisfaction, but if they do not reach an appropriate level, they give rise to dissatisfaction. The main criticism of this theory relates to the fact that, in an empirical sense, Herzberg was more concerned with work satisfaction than with work behavior. However, its model of interpretation has proven and is still suitable especially for specialists and staff who occupy managerial positions and is especially important for managers.

4. ERG theory of motivation

Clayton Alderfer restricts the five categories of needs identified by Maslow to just three categories (Currie, 2009,) which he called needs related to existence (E), relationship (R) and development (G from The word growth in English). The existential corresponds to the first two levels of needs at the base of the Maslow pyramid, the relational ones correspond to the middle level of the pyramid and the development ones correspond to the last two levels that are the highest in the same hierarchical order (Schermerhorn, 1998,) . Another difference between Alderfer's theory and Maslow's theory is that the first claims that "people's needs are manifested in a single plan, namely, continuous, and not in the form of a hierarchy" (Cole, 2000,) so As suggested by the pyramidal pattern characteristic of the last theory mentioned above.

ERG theory does not support the idea that lower order / level needs must be satisfied before the higher order / level, but support that two or all three types of needs can simultaneously influence human behavior in a particular given situation. Alderfer is not adept at the idea that satisfied needs lose his motivational impact and his theory contains a principle of regression and frustration (or frustration according to the terminology specific to psychology, nn) that a lower satisfaction already satisfied can be reactivated, thus influencing human behavior when Need of higher order can not be satisfied (Schermerhorn, 1998,). We could say that Alderfer identifies, even if it does not make it explicit in his theory, a compensatory mechanism of motivation.

5. Conclusions

No matter how complete or sophisticated are the theories or formulas used in analyzing and solving the motivational problem, it has no chance of success unless we forget that any employee, as a human being with a complex set of needs, also requires consideration of costs Material-financial, but also of those of a socio-human nature that do not involve money, but which are often forgotten or ignored, minimizing their importance.

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Section V

Finance and Accounting

Some Considerations on The Role of Financial Communication Within Corporate Governance

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Abstract

On the background of a climate dominated by mistrust, suspicion and uncertainty, in contemporary society an increasing emphasis is put on financial communication as the main pillar that ensures transparency and helps the economic entity to gain credibility among stakeholders.

Financial communication has become a strategic concern, managed at top management level. The management of any entity is characterized by at least three fundamental processes: thinking, decision making and communication. Without proper thinking, no decision could be made. Without making decisions, we cannot talk about management. Without communicating the decisions made, we cannot put them in practice.

Communication is a natural process, but within the corporate governance, it occupies a significant share on the behalf of both issuers and receivers on one hand, with great care to ensure a continuous feed-back on the other hand.

Key words: financial communication, investors, corporate governance, economic entity, stakeholders

J.E.L. classification: G10, G19.

1. Introduction

Financial communication is an extremely important instrument that allows the economic entity to manage its external relations by the means of financial and accounting information, thus succeeding in the creation of an interconnection with the external environment by providing the information requested by interested stakeholders; so it is not surprising that finding the means of effective communication with the stakeholders is among the priorities of corporate governance and, in turn, a very important role is played by the communication with investors.

Financial communication occurs as a part of public relations and is aimed at present and potential shareholders and investors. The purpose of this form of communication is to support and above all to strengthen the company's stock market value and prospects, but also its credibility to shareholders and investors. From this perspective, financial communication is a competitive confrontation field, where the company convinces investors to buy its shares rather than those of its competitors. The financial communication gets integrated with some difficulty in the overall communication of the entity due to its rigorous character, which is conferred by the presentation and explanation of the financial situation of the company.

One of the problems that arise in the field of financial communication concerns the minimum of information to be included in the synthesis documents, taking into account that any form of communication is characterized by a message and a code and the recipient must have the capacity of decoding the received message. Regular disclosure of financial reports by listed companies has been and is more than necessary. Currently, not only listed companies are disseminating financial data and information. A good image, from this point of view, helps the entity obtain easier a bank loan and other various funding, attract investors and eventually determine the entity's shares to be sold at the highest price. All this is achieved through a good communication of the entity with the environment in which it operates.

2. The role of financial communication

Financial communication has the role of increasing the company's notoriety and credibility in order to attract investors. More specifically, financial communication aims to promote the company's global image on the financial markets.

Financial communication, in addition to being a genuine marketing policy of the entity, is also a legal obligation. This obligation is more stringent for listed and publicly traded entities. Initially, financial communication has been used only by companies listed on the stock exchange which presented regularly some financial reports. Gradually, these reports have gone beyond the simple staging of figures, turning into true corporate governance policies. However, nowadays, not only listed companies disseminate data regarding their financial image, being known the effect their propagation has on the competitive environment. A good financial image increases the public's confidence in the entity's shares and, consequently, the possibilities of obtaining funding sources, all of which are the result of the effective financial communication with the external environment.

The role of financial communication is to protect, but also to increase the entity's value. It can materialize, both theoretically and practically, in investing in company's values and informing current or potential shareholders, being at the same time an opportunity to identify, educate, retain and satisfy the perceptions of the target audience. Effective financial communication can show the reliability of a business that leads to gaining the public confidence. Financial communication is based on both transparency and credibility. Credibility plays a very important role in light of the information the entity provides to stakeholders, information that must fall within the scope of fairness, reality, relevance and consistency so to be perceived as credible by the stakeholders. Financial communication, as any human process, is accompanied by risks, which brings to the fore the human and professional quality, probity and use of the judgment of all the actors involved in the entity's financial communication process (Avram et al, 2017, p.44).

Financial communication of economic entities provides for the external actors an overview of:

- entity 's global image;
- entity's management message;
- entity's long-term vision;
- entity's accounting information (balance sheet, profit and loss account, balance sheet, cash flows, etc.);
- entity's financial calendar;
- entity's shareholding structure;
- entity's corporate governance.

Financial communication primarily reunites members of the entity in a dialogue of knowledge and effective actions in the field of economic activity and secondarily allows a constant flow of information between the corporate governance and stakeholders. Financial communication is represented by all the company's actions to inform shareholders and other categories of investors about the securities they hold or any timely investments, as well as the stock market regulatory, supervisory and control authorities, financial analysts, specialized media and the general public (Prutianu, 2000, p.283).

In other words, financial communication means all the measures taken by a company to inform shareholders and other categories of investors, but also regulatory, supervisory and control authorities, financial analysts, specialized media and the general public. In his *Treatise of Communication and Negotiation in Business*, Ștefan Prutianu presents the companies' necessity of persuading investors to keep the shares and securities they hold and possibly acquire other financial assets able to bring financial returns. „Beyond customers, human resources and raw materials, any company needs money. To acquire its resources, the company operates in several markets: on the commercial market it seeks customers for its products and services, on the labor market it attempts to acquire its human resources and on the capital market it seeks financial resources. On the capital market (or financial market) the listed companies no longer sell products and services but their own value, as a matter of fact they "sell" themselves. The "products" that the company promotes and sells on this market are titles or securities, commonly called shares. (Prutianu, 2008, p.265).”

Investors as well as other stakeholders acquire information about the activity of an organization from a variety of sources: media, stock exchange, financial statements, or directly from the source etc. (Leger, 2008, p. 145). In other words, financial communication is not limited to publishing the annual report (annual financial statements), but this report represents a reference point in the process due to the particularly relevant and important information disseminated on this occasion.

Financial communication role is to protect and enhance the company's shares value. This can be materialized in: an investment in company's values, informing current or potential shareholders, identifying and satisfying the perceptions of the target audience. Good financial communication has the effect of gaining public trust. Instead, the lack of transparency in terms of financial results leads to suspicion from the public, placing the entity in a shadowy cone. A remark made by a communications specialist puts financial communication in a central position in the organization's economic universe. From his perspective, this form of communication is regarded as the "respiratory system" that ensures the "oxygen exchange" with the economic environment (Domnişoru, 2011, p.35).

Accuracy of the information communicated is particularly important so that messages can be transmitted and received with little or no alteration of the original intent. The message content represents the explicit exchange of information without the involvement of individual feelings and interests. In a professional context, maximum importance and attention must be paid to this level of the communication process. Comprehensibility of content can be ensured by simplicity / clarity, structure, accuracy and reliability. Good financial communication has the effect of gaining the trust of general public, investors, business and competitive environment as well as that of the regulatory and supervisory authorities. We distinguish two forms of financial communication:

- regulatory financial communication and
- discretionary financial communication (Avram et al, 2016, p.939).

3. Organization of financial communication

Internal communication in an economic entity is very important because it is an active factor in determining the motivation and loyalty of its staff and collaborators. In the current period, the most used method of achieving internal communication is the intranet, as a form of linking all the categories of staff within the economic entity. With the help of intranet, the internal objectives of economic entity are transmitted both overall and structural, the written media receives information of interest to the organization, the improvement of professional training is ensured and the latest changes in legislation, methodological norms and the internal customs are processed. Considered as sensitive information, financial information is treated in accordance with rules such as:

- centralizing and specializing the staff structures responsible for the financial communication strategy;
- establishing the spokespersons;
- establishing a firm control over the information that comes out of the entity;
- delivering a consistent, coherent and consistent discourse.

Many entities use the institution of specialized spokesman for their relations with the media, rating agencies and financial analysts. It is an advantage for the entity to be represented by a professional in the art of communication, although for special situations it is preferable for the Board of Directors Chairman, Chief Executive Officer or Financial Director to enter into dialogue with the business community, financial media and supervisory bodies (ASF, BNR). It is necessary to organize a team specialized in financial communication subordinated to an executive director (usually the economic director), which should coordinate at least three teams covering the following tasks:

- Relations with the economic and financial press;
- Relations with analysts and supervising authorities;
- Relations with individual shareholders.

The responsible for relationships with the economic and financial media monitors all information issued in the specialized press about the economic entity, its important clients or competition, organizes meetings, conceives and delivers press releases, organizes press conferences, and is generally a person very well informed about the business environment.

The responsible for relationships with the financial analysts and supervisory institutions has the authority to monitor the relations with stock market regulatory, supervisory and control (ASF, BSE) authorities or rating agencies. The responsible for relationships with the individual shareholders shall keep in touch with the contracting registry company that maintains the Register of Shareholders as well as the Register of Shares and answers to the individual requests for financial information. The target audience for financial communication is divided into the following categories:

- Individual investors, that is to say persons who became shareholders after having subscribed and paid their quota of shares or purchased the shares on an organized market. They need processed and accessible information;
- Institutional investors, Romanian or foreign ones, have an important position in the entity's shareholding and they need direct information by telephone, fax or email, which is accepted with difficulty, and they also acknowledge such information from media release;
- Financial analysts and journalists appreciate the financial information they analyze and interpret it, informing afterwards the general public;
- Capital market, acting as an intermediary between issuers and investors, carefully keeps track of all the financial information published;
- Company employees monitor financial information to know the entity's prospects;
- Regulatory and control authorities have an interest in acknowledging the financial situation of economic entities;
- Rating agencies consider financial information the raw material for the fulfillment of their mission.

Financial communication within any entity is at least responsible for answering to its legal obligations to inform and interact with shareholders, and the most important means of communication available to economic entities are:

- Ordinary, extraordinary and special general meetings;
- Annual, half-yearly and current reports;
- Relations with the general, economic and financial media;
- Relations with investors and financial analysts;
- Financial advertising and legal announcements;
- Relationship with individual shareholders;
- Relations with own employees;
- Other events, actions and financial information documents.

All these media instruments used by financial communication have as their main objective the provision of reliable and necessary financial information needed by stakeholders in the effective decision making process.

4. Conclusions

Financial communication has become a strategic concern, managed at the level of corporate governance that ensures the transparency of financial information and contributes to proving the credibility of an entity among stakeholders. Financial communication is an approach to the entity's external environment, but its organization is an internal problem. The following rules are recommended in organizing financial communication:

- Specialization of the personnel responsible for communication and technology;
- Limiting the number of spokespersons specialized in financial communication;
- Establishing a firm control over the financial information disseminated;
- Broadcasting a one-voice speech, which is should be unitary, coherent and consistent.

Interpersonal communication is one of the most important and least understood skills that a manager might have, in fact a vital quality in order to fulfill the role of mentor. In any entity, communication has the effect of achieving the objectives and channeling energy toward solving the problems and ensuring the continuity of entity's activity in profitable conditions. Modern information technologies have an influence on communication functions and enable the communication process to be accomplished at great distances through modern communication systems. The use of e-communication with its two forms: the intranet and the extranet are of vital importance to the economic entities, providing them with the information flows necessary in the decision making process.

Communication within economic entities can be achieved in various ways, depending on the specific of companies and the strategies pursued namely oral communication, written communication, e-communication and non-verbal communication. In financial communication, the most important role belongs to written communication and, in the last period, e-communication has gained ground and a very important role is played within it by the intranet.

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Annual Financial Statements as a Financial Communication Support

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Abstract

Economic entities, irrespective of their legal status, show a permanent concern for communicating the financial information useful to their environment. Financial communication is achieved through a variety of means, but the most relevant and credible instruments are the annual financial statements.

Annual financial statements are synthetic documents used to provide information on the financial position and performance of an economic entity.

The balance sheet is an important component of the annual financial statements and is used as an accounting instrument that reflects the entity's patrimony and the results of its activity during a financial year.

The new accounting regulations consider the balance sheet a synthetic instrument that synthesizes the financial position of an economic entity, that is to say the balance sheet gives a true image of the entity's entire patrimony at a given moment.

Key words: financial communication, economic entities, annual financial statements, communication support.

J.E.L. Classification: G19, M41

1. Introduction

The annual financial statements are an important instrument in the process of substantiating and communicating the decisions made by the managerial structures to guide current and future activities of the entity.

The annual financial statements, due to their structure and implicitly to the economic and financial information they contain and communicate, reflect the activity carried out by each economic entity during a financial year, by comparing it to the previous one and respecting the unitary methodological norms, in a systematic and synthesized manner.

The balance sheet emerged into the world of economic theory and practice as a model of synthesizing at a given moment in a monetary form the relations of equilibrium established between the assets and liabilities of patrimony, considering it in its totality and its structure.

There was a time when the determination of content and form of presentation of synthesis documents was a decision of the management team. In the last decades, however, this problem has entered more and more in the sphere of concern of specialized bodies. Thus, for the understanding and application of financial reporting by as many users as possible, IASB (International Accounting Standards Board) has developed International Financial Reporting Standards (IFRSs). In order for the financial and accounting information contained in these reports to be useful globally, the European Union and the Accounting Standardization Institutions from the USA and the United Kingdom decided in 2002 to launch an ample process of convergence between the different accounting systems and the development of new standards applicable in all countries.

According to IFRSs stipulations, the report between accounting information, based on IAS (International Accounting Standards), and financial information is in balance.

2. The Role of Annual Financial Statements in Financial Communication

The international legislation has established a normative framework that aims to communicate concentrated financial information necessary for users to acknowledge and understand the entity's financial position, performance, profitability and effectiveness of operations, variations in its treasury resources and changes that occur at the level and in the structure of equity during a financial year. In this respect, we can assume that the entity's financial information and communication is based on three axes:

- *financial transparency, market discipline and continuity of activity shown by the economic entity* - which refers to the accessibility of securities market operators to the information regarding the level of entity's equity, as well as information to assess the level of risk;
- *accounting standards* emphasize the substance's prevalence over the presentation form;
- *quantitative and especially qualitative growth* of the financial information regarding the entity and the development of its relational system.

The accounting regulations in force have adopted the vertical balance sheet format, in which the asset items and liabilities are presented first. Equality in the balance sheet must be grafted on the components of economic patrimony presented in Figure 1 (Avram et al, 2017, p. 115).

The annual financial statements as synthesis documents give a true, fair and complete image of the patrimony, financial position and performance or nonperformance of the economic unit. The annual financial statements are the most important synthesis documents, which ensure the centralization and generalization of the economic agents and public institutions' data, in a systematic and unitary form, which allows an overview, a detailed analysis and a control of the activity carried out and the results obtained at the end of each management period. The financial position of a company is influenced by the economic resources it controls, its financial structure, its liquidity and solvency, as well as its ability to adapt to the changes in the environment in which it operates (Bătrâncea, 2006, p.67).

Figure no. 1 Economic Patrimony

	Economic Patrimony	
Patrimonial Assets Fixed assets Stocks Claim rights Financial liquidities		Patrimonial Liabilities Short-term debts Debts with a maturity of more than one year Equity
↓	BALANCE SHEET	↓
←		→
ASSETS		LIABILITIES

Source: (Avram et al, 2017, p. 115).

The role of annual financial statements in the financial communication is reflected in the following aspects:

- represents for the boards of directors, the general meetings of the shareholders or associates and the fiscal institutions a means of knowing, controlling and analyzing the activity of economic agents, which allows the communication of relevant and fair accounting and financial information;
- the information they contain ensures the analysis and communication of the evolution in dynamics of the economic and financial indicators for two consecutive years;
- the information communicated is the basis for issuing decisions for the current and prospective activity;

- it is an important factor in communicating the information necessary for organizing and managing bookkeeping.

3. Quality Conditions of the Annual Financial Statements

Annual financial statements can fulfill their important role in the communication process only to the extent that they meet certain requirements. The fundamental condition to be met by the annual financial statements is to reflect the reality of the assets and liabilities existing at the disposal of the economic entity. For this purpose, it is necessary for the economic operations to be fully and correctly recorded and in due time on the basis of the supporting documents in which they were registered. It is also necessary to periodically compare the transactions in the accounts with the situation on the ground and to verify the accuracy of records in the accounts. For this are used accounting procedures, in this case the classical procedures being the inventory and the verification balances.

The annual financial statements must present the data *according to a unitary system*, according to the same methodological norms, which is another compulsory condition for fulfilling their role and also for the correct and comparative assessment of their activity and for the centralization of data by the interested institutions.

The quality of annual financial statements is also appreciated by *their clarity*, a desideratum necessary for the communication of indicators that reflect the activity and performance of each entity. Clarity is appreciated by the number of indicators the statement presents and which must be meaningful and orderly based on scientific criteria.

Among the requirements imposed for the annual financial statements there is one regarding their *completeness* in the sense that they must contain all the required forms, each filled in with the indicators they contain.

Another requirement to be met by the annual financial statements is *compliance with the methodology used for determining the indicators and the correlation between them. Their elaboration and presentation at deadlines* is an obligation for each economic entity, which imposes the compliance with deadlines stipulated in the norms elaborated by the Ministry of Public Finance.

Annual financial statements have great importance as means of communication with the shareholders and elaboration of financial analyzes useful to the entity's management, meaning that they have to present a true and fair view of the entity's financial position, performance, cash flows and changes in equity.

4. Non-financial Information and their Role in Financial Communication

EU Directive no. 34/2013 on the annual financial statements attaches significant importance to *non-financial information*, which is an increasingly important part of company's communication process with investors and other stakeholders, providing insights for the long-term success of the business. This initiative is consistent with other current developments aimed at changing the reporting patterns of entities.

The objectives of EU Directive's revision are to reduce administrative costs for small companies, increase transparency of payments to national governments and create a reporting requirement for each country. The aim is to stimulate debates in the business and professional environment of EU countries on how best to implement these directives in the national legislation.

The Directive's application domain includes certain economic entities, such as joint stock companies and limited liability companies. In addition, there are a considerable number of general partnerships and limited partnerships, whose unlimited liability partners are either joint-stock companies or limited liability companies and, therefore, such companies should fall under the coordination measures provided for in the Directive.

The Directive should also ensure that general partnerships or limited partnerships fall within its scope if the associates of a partnership or limited partnership which are not incorporated as joint stock companies or limited liability companies have, in fact, limited liability in terms of the company's obligations, as liability is limited by other companies found under the stipulations of EU Directive (<http://codfiscal.net/36657/directiva-201334ue-noua-directivă-contabilă-europeană>).

Among the major objectives underpinning the decision to amend the Accounting Directives is the need to reduce the administrative burden, especially for small businesses, with an impact on economic growth and job creation; the revision of European Community accounting requirements is aimed at increasing the relevance and intelligibility of financial reporting requirements, as well as the protection of information needs of different categories of financial statements users.

The annual financial statements, under the stipulations of Directive no. 34/2013 as well as the national regulations in force, with all their components, after they have been drafted and signed by the persons empowered to do so either the unit's general manager and the financial-accounting director or another person who performs this function, are subject to auditing (Bunget, 2010, p.19) and approval for their subsequent submission to the County Public Finance Agency. The annual financial statements should represent an image of top management's concern for risk management and ongoing research development programs (Avram et al, 2014, p.50).

The analysis and approval of annual financial statements is an indispensable condition for the fulfillment of their communication function. In connection with the presentation of annual financial statements, it must be noted that, after auditing and approval, they are submitted to the County Public Finance Agency in electronic format until the deadline set by the legal regulations.

5. Conclusions

As a financial communication support, the annual financial statements, in full format, after having been drafted and signed by the persons appointed for this purpose, are subject to auditing and approval by the Board of Directors and the General Meeting of Shareholders. It is a moment when the people in charge of governance communicate directly with the shareholders on all aspects regarding the entity. According to the legislation in force, the General Meeting of Shareholders has the obligation to discuss, approve or modify the annual financial statements on the basis of the reports submitted by the Board of Directors, respectively by the Directorate or the Supervisory Board, as well as by the statutory auditor.

The annual financial statements, as a communication support, must be comprehensible, credible, consistent with the format established by the applicable accounting referential and should represent a solid basis for their discussion and approval in full consent by the GMS's members. After approval and submission to the competent fiscal bodies, the annual financial statements become public on the Ministry of Finance website or other media and turns into a communication instrument able to directly or indirectly attract potential investors.

As a working instrument, the annual financial statements are synthesis documents that can present the company's assets and liabilities in the structure required by accounting regulations.

Presented in a standardized format and certified by independent auditors, the annual financial statements are in fact a universal and transparent financial communication support meant for supervisory authorities, investors, creditors, tax authorities, suppliers, customers and the general public.

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The Relation between Accounting Result and Tax Result in the Case of the Profit Tax

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Abstract

Accounting and taxation are two connected domains in Romania. The proof that these are connected is the computation of the profit tax, for which the tax result is computed based on the accounting result. The scope of the paper is to present what is the relation between accounting result and tax result. There is a direct relation but also an indirect relation between the two results, taking into consideration the way of computing the tax result, but also the professional judgment, when the revenues and the expenses are recorded in the accounting register. The paper also analyzes which one of the two results influences the other result.

Key words: accounting result, tax result, relation, influence

J.E.L. Classification: H20, M41

1. Introduction

In Romania, accounting and taxation are two interdependent domains. At the beginning of the years '90, after the fall of the communism, Romania adopted the accounting systems with French influences because it was the most appropriate by the Romanian culture at that moment. The French system is characterized by the connection between accounting and taxation. Starting with the year 2000, Romania begun the process of harmonization with European Directives and International Accounting Standards and then adopted the International Accounting Standards for a part of its entities. These are influenced by the Anglo-Saxon system which is characterized by the disconnection between accounting and taxation. Even if it is trying the disconnection between the two domains, in Romania accounting and taxation are still connected.

As a proof that accounting and taxation are connected is the computation of the profit tax, because the tax result is computed based on the accounting result.

The aim of this paper is to present what is the relation between accounting result and tax result, which one of the two is influenced by the other and in what way is influenced.

The taxation regulations depend on the accounting regulations. The taxes are found by applying some rules over the accounting data. (Băcanu, 2015, p. 658)

It can be observed that there exists at least a provision in the fiscal legislation that relates to the accounting regulation. So, the fiscal result is determined taking into consideration the revenues and expenses recorded in accounting registers. Thus, the difference between the revenues and the expenses recorded in accounting registers is named the accounting result. The fiscal result is dependent on the accounting result. (Băcanu, 2016, p. 454)

The relationship between accounting and taxation is an evolving one and more complex than might at first appears. In general there are sound reasons for accounting principles to form the basis for calculating tax liability and there is evidence that in the UK there is a trend towards even greater reliance on commercial accounts for the purposes of taxation. (James, 2009, p. 20)

Without disconnection, companies could choose their taxable income. Differences between a company's tax base and its financial reporting lead to the accounting topic of deferred tax. (Nobes and Parker, 2008, p. 514)

The existence of a substantial "permanent" profit difference can create a significant variation in the customary relationship between income tax expense and pretax accounting income. (Comiskey and Hasselback, 1973, p. 60)

2. The accounting result and the tax result in Romania

According to the Order 1802/2014 approving accounting regulations on the annual individual financial statements and consolidated annual financial statements, in accounting, the profit or the loss is cumulatively determined from the beginning of the financial year. The result of the financial year is determined as the difference between the revenues and the expenses of the year. The final result of the financial year is established at the end of the financial year and represents the final balance of the profit and loss account.

Thus, the result of the financial year is influenced by the two elements: revenues and expenses. If the revenues are higher than the expenses the result is a profit and if the expenses are higher than the revenues the result is a loss.

According to the Law no. 227/2015 regarding the Fiscal Code, the tax result is computed as the difference between the incomes and expenses recorded according to the applicable accounting regulations, minus non-taxable income and tax deductions, plus non-deductible expenses. In determining the tax result, other elements similar to incomes and expenses are also taken into consideration, according to the methodological norms, as well as the fiscal losses that are recovered of taxable profits earned over the next seven consecutive years. The positive tax result is named taxable profit, and the negative tax result is named tax loss.

As opposed to the accounting result, the tax result is influenced by more elements: accounting result, non-taxable incomes, non-deductible expenses and other elements similar to incomes and expenses.

For determining the relation between the accounting result and the tax result we must take into consideration the direct relation but also the indirect relation.

The direct relation is linked by the mathematical calculation, where we can observe the evolution of the tax result taking into consideration the evolution of each element involved in calculation.

The indirect relation is linked by the professional judgment of the professionals, who are important elements in the determination of the accounting results and the tax result.

3. The direct relation between accounting result and the tax result

The direct relation between accounting result and the tax result can be analyzed from the mathematical calculation: $\text{accounting result} + \text{non-deductible expenses} - \text{non-taxable incomes} + \text{other elements similar to incomes} - \text{other elements similar to expenses} = \text{tax result}$

To determine how each element from the formula influences the tax result we will analyze the evolution of the tax result depending on the evolution of each element, taking into consideration that the other elements remain constant.

To simplify the analysis it will be considered that other elements similar to incomes will evolve the same as the total revenues, and the other elements similar to expenses will evolve the same as the total expenses. So in this paper we will analyze the accounting result, the non-deductible expenses and the non-taxable revenues.

As it can be observed from the accounting legislation, the accounting result is determined as the difference between the total revenues and the total expenses.

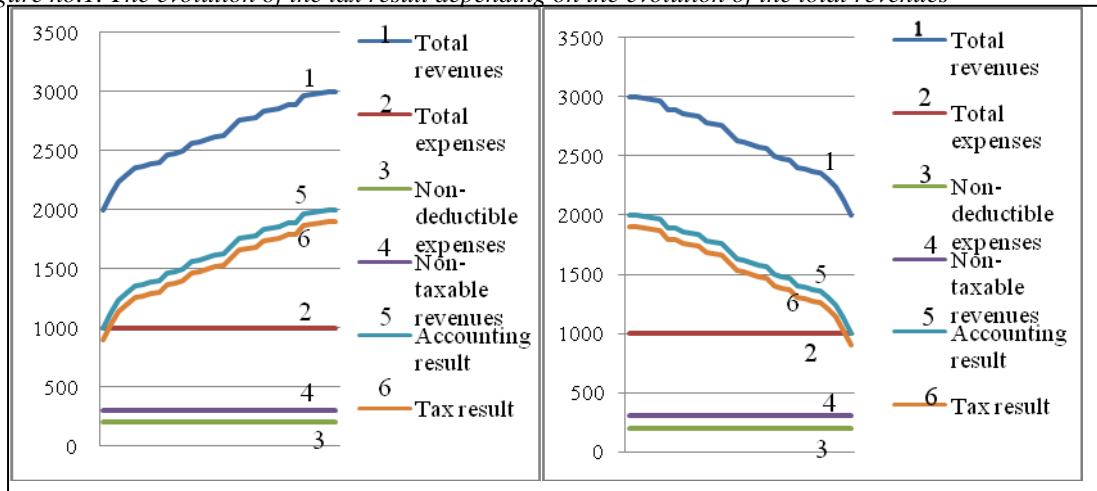
First, it will be analyzed how the evolution of the total revenues influences the tax result and then how the evolution of the total expenses influences the tax result, determining in this way the relation between the accounting result and the tax result.

The analysis is made on mathematical data, to point out the way in which the tax result evolves.

If the total revenues increase in a determined period of time and the other elements remain constant, the accounting result will increase and the tax result will also increase. If the total revenues decrease in a determined period of time and the other elements remain constant, the accounting result will decrease and the tax result will also decrease. So, the total revenues and the

accounting result are directly proportional, as it can be seen from the figure no. 1. The total revenues and the tax result are directly proportional. The accounting result and the tax result are also directly proportional.

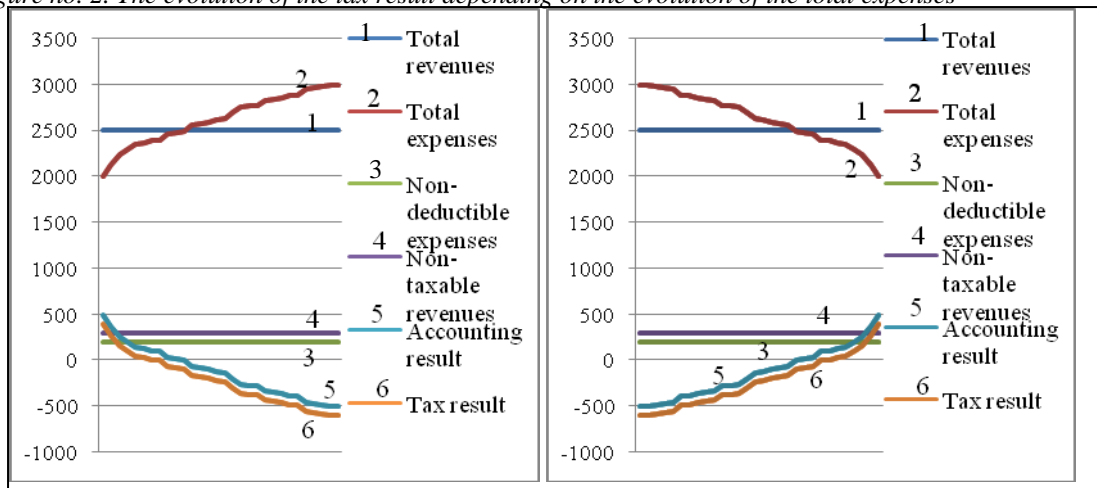
Figure no.1. The evolution of the tax result depending on the evolution of the total revenues



Source: Chart elaborated by the author

If the total expenses increase in a determined period of time and the other elements remain constant, as it can be seen from the figure no. 2, the accounting result will decrease and the tax result will also decrease. If the total expenses decrease in a determined period of time and the other elements remain constant, as it can be seen from the figure no. 2, the accounting result will increase and the tax result will also increase. So, the total expenses and the accounting result are inversely proportional, the total expenses and the tax result are inversely proportional, but the accounting result and the tax result are directly proportional.

Figure no. 2. The evolution of the tax result depending on the evolution of the total expenses



Source: Chart elaborated by the author

Thus, the evolution of the profit tax is directly influenced by the evolution of the accounting result, if all other elements remain constant.

Second, it will be analyzed how the evolution of the non-taxable incomes influences the tax result and then how the evolution of the non-deductible expenses influences the tax result.

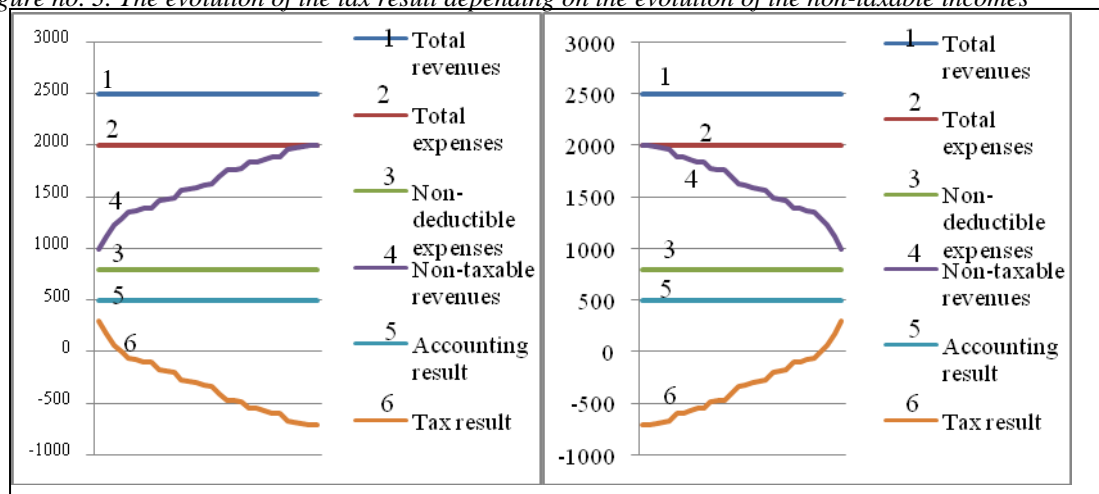
Non-taxable incomes and non-deductible expenses are fiscal elements that modify the accounting result in order to obtain the tax result.

A company obtains revenues from the activity it performs and for obtaining these revenues it performs various expenses. From the total of revenues, some of them might be non-taxable incomes according to the Law no. 227/2015 regarding the Fiscal Code, and from the total of expenses some of them might be non-deductible expenses according to the same Law.

Thus, the non-taxable incomes cannot be higher than the total revenues, and the non-deductible expenses cannot be higher than the total expenses.

If the non-taxable incomes increase in a determined period of time and the other elements remain constant, the tax result will decrease. If the non-taxable incomes decrease in a determined period of time and the other elements remain constant, the tax result will increase. As the non-taxable incomes are fiscal elements, they will not influence the accounting result. So, the accounting result will remain constant. The non-taxable incomes and the tax result are inversely proportional.

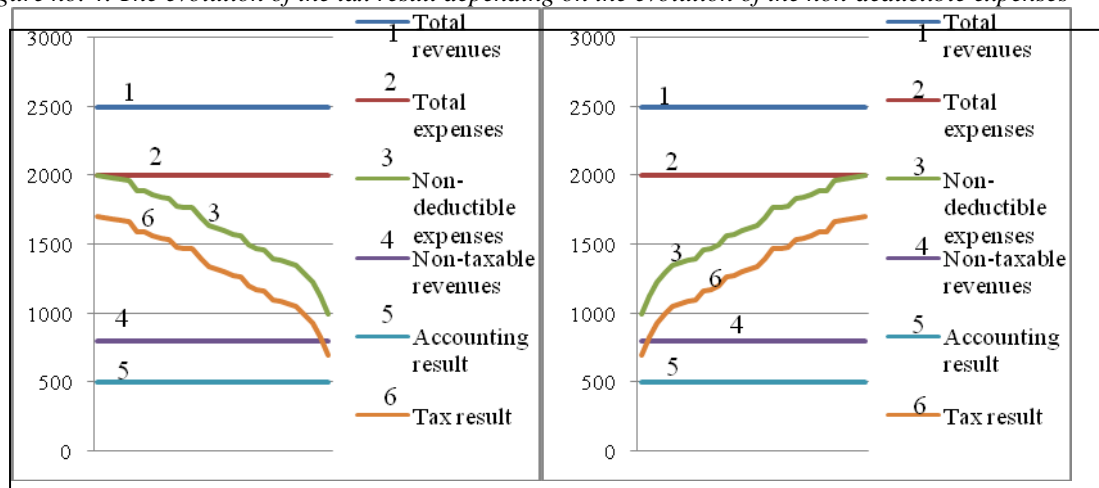
Figure no. 3. The evolution of the tax result depending on the evolution of the non-taxable incomes



Source: Chart elaborated by the author

If the non-deductible expenses increase in a determined period of time and the other elements remain constant, the tax result will also increase. If the non-deductible expenses decrease in a determined period of time and the other elements remain constant, the tax result will also decrease. As in the case of the non-taxable incomes, the non-deductible expenses are fiscal elements and they will not influence the accounting result, so it will remain constant in this case also. It is analyzed only the relation between the fiscal elements and the tax result. So, the non-deductible expenses and the tax result are directly proportional.

Figure no. 4. The evolution of the tax result depending on the evolution of the non-deductible expenses

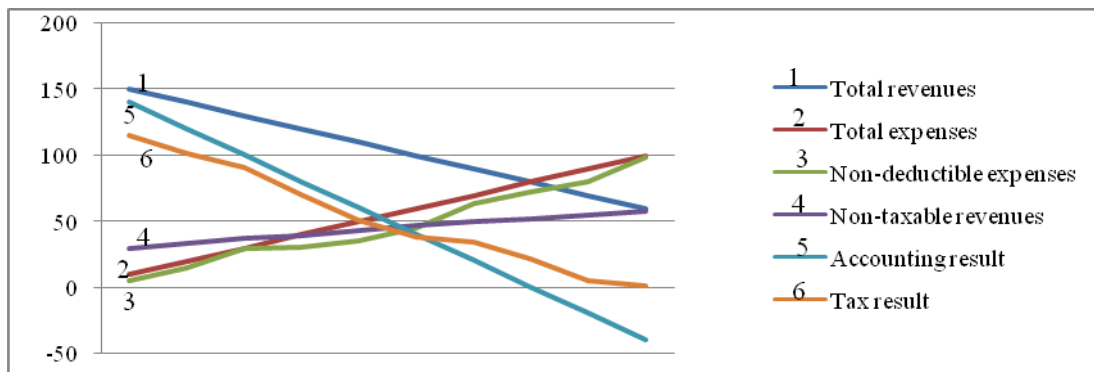


Source: Chart elaborated by the author

Further, we will analyze if these relations will remain the same if the accounting result will not remain constant and which will be the relation between the accounting result and the tax result.

From the figure no. 5, we can observe that if the total revenues decrease and the total expenses increase, the accounting result decreases. The non-deductible expenses and the non-taxable revenues are increasing, but they cannot be higher than the total revenues and the total expenses, so they will increase in the limits of the total revenues and the total expenses. We can observe that the tax result will decrease, being directly proportional with the accounting result. Thus, from all the elements the accounting result influences the most the tax result.

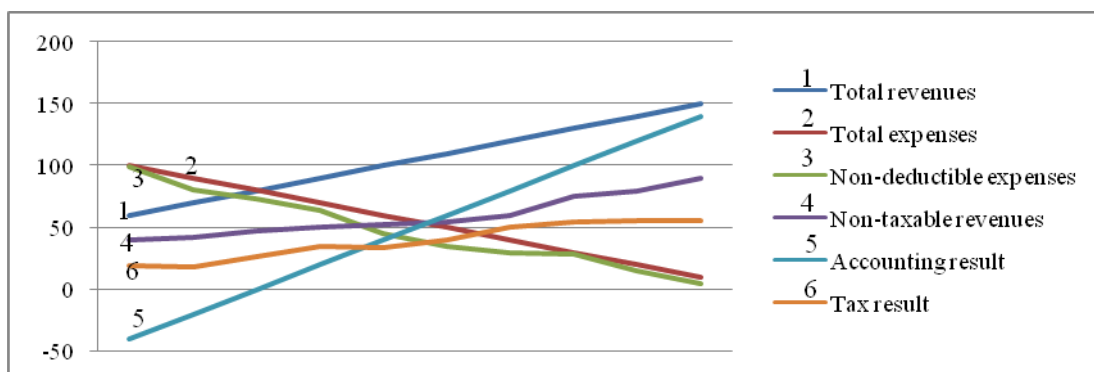
Figure no. 5. The evolution of the tax result when the accounting result decreases and all elements vary



Source: Chart elaborated by the author

On the other hand, if the total revenues increase and the total expenses decrease, the accounting result will increase. If the non-deductible expenses decrease and the non-taxable revenues increase also in the limits imposed by the total revenues and the total expenses, the tax result will increase. In this way there exists a directly proportional relation between it and the accounting result.

Figure no. 6. The evolution of the tax result when the accounting result increases and all elements vary



Source: Chart elaborated by the author

As we could observe from the above analysis, the relation between the non-deductible expenses and the tax result and the non-taxable revenues and the tax result in the case where the accounting result was constant does not remain the same when the accounting result varies. The tax result remains directly proportional with the accounting result even if the fiscal elements vary. Thus the accounting result highly influences the tax result.

4. The indirect relation between accounting result and the tax result

This high influence of the accounting result in the mathematical calculation of the tax result can be viewed as a double influence. First, the obviously direct relation between accounting result and tax result analyzed in the previous chapter. Second the indirect relation between tax result and the accounting result, because, the highly influence of the last one, can be a bad influence for the

accounting result because it can be distorted by the companies to obtain a smaller tax result. Thus the tax result indirectly influences the accounting result.

Also, the professional judgment of the professionals can be affected by the connection of the two domains, and they can apply the accounting legislation and adopt the accounting policies taking into consideration the best choice from the fiscal point of view.

This will influence the annual financial statements, implicit the profit and loss account and also the accounting result.

The professionals must apply the accounting legislation without being influenced in their judgment by the fiscal legislation, because they must present a true and fair view of a company for the users of the annual financial statements.

5. Conclusions

Accounting and taxation are still connected in Romania, because the tax result is computed based on the accounting result.

Analyzing the relation between them we can see that the tax result is directly proportional with the accounting result.

Even if the non-deductible expenses and the non-taxable expenses vary, the directly proportional relation between the accounting result and the tax result still remains. This means that the accounting result has a high influence on the tax result.

This high influence of the accounting result means an indirect influence of the tax result on the accounting result this is way the accounting professionals should apply the professional judgment in a manner that is not influenced by the fiscal legislation.

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A Comparative Analysis in the Field of the Economic Exposure to Currency Risk

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Abstract

Currency fluctuations became a daily habit of nowadays financial markets and their impact can be felt in all companies, from the mere domestic ones to the transnational corporations with intricate businesses around the world. Our paper investigates the economic exposure to currency risk for a number of 20 companies from Romania and Croatia, between 2006 and 2011, on a short-term and long-term perspective. The results picture a different image regarding these companies' exposure either to the Euro and the US dollar. We find that Romanian companies are more exposed to unexpected changes in the value of their national currency against both the Euro and the US dollar compared to Croatian companies, with the exposure more pregnant over the long-term. This may be explained by the exchange rate regime applicable to both currencies: a managed floating for the Romanian currency and a more controlled rate for the Croatian currency.

Key words: Currency risk, economic exposure, currency fluctuations

J.E.L. Classification: F00, G15, FG17

1. Introduction

The exchange rate exposure measures the sensitivity of stock returns to exchange rate changes and it is an essential issue in international financial management, because unexpected exchange rate changes may affect the company's pricing decisions, future cash flows and valuation. All companies involved in international transactions are subject to transaction risk arising from payables and receivables in foreign currencies. Moreover, multinational firms will end up with translation risks from having assets and liabilities denominated in foreign currencies. Economic exposure includes two types of effects, namely the transaction and the translation one, but they also incorporate the competitive situation of the firm.

The economic or operating exposure might have a significant impact on the competitiveness of a company, by affecting both its cash flows and market value. This type of exposure is not as easily quantifiable compared to transaction or translation exposure, but its impact is perhaps at times more important. There are a number of factors which determines the economic exposure such as the market structure and the company's ability to mitigate the exposure. Concerning the market structure the company must analyse both its input and output markets. A company is subject to operating exposure if the cost of the raw materials, labour or other inputs is sensitive to the changes in the exchange rate. This is also valid in the case of the sensitivity of the selling prices. Therefore, as long as any type of future cash flow is sensitive to the changes in the exchange rates the company has operational exposure. The way of managing this exposure is to stabilize the cash flows on the long term, therefore to develop long-term strategies involving the trading partners, the location of production facilities, the markets in which to sell and many others. The most common ways the companies try to mitigate the exposure is by locating their production facilities in countries with low costs, by adopting a flexible sourcing policy both from the point of view of capital and labour, by market diversification and product differentiation. Nonetheless most companies, when making the above-mentioned operational decisions, take into account other factors and tend to ignore the exchange rate exposure. The most cautious companies which fail to

do so chose to mitigate the exposure through financial hedging. One of the most appealing method used by the companies to mitigate this exposure is thus by using derivatives such are currency forward and option contracts. One important aspect related to this method is that it uses merely an approximation of the exposure and it represents a hedge against the nominal changes only, not considering the real ones which are the ones which affect the operations of the company.

The literature in the field developed since the beginning of the 90s, initially focusing on developed markets (the most prominent studies on the developed markets belong to Jorion (1990), Roll (1992), or Chow et al. (1997)), and afterwards exploring the specificities of emerging markets as well (see the studies of Kyimaz (2003), Dong et al. (2005), Murinde (2004) or Aggarwal et al. (2011)). In Romania, previous studies on currency exposure belong to Horobet and Lupu (2005 and 2006), Horobet and Ilie (2007) and Horobet and Dumitrescu (2008). We provide in the next paragraphs an overview of the most important results revealed by these and other empirical studies on currency exposure.

The area of research relevant on the implications of foreign exchange risk for the domestic stock markets has reached to results that are interesting, but contradicting most of the times. There are researchers that advocate that the exposure of stocks' prices and returns to foreign exchange rates volatility is limited and statistically insignificant, whereas others claim that a large part of the variability of local stocks can be attributed to fluctuations in the foreign exchange rate. The overwhelming majority of these studies address the US market, either by exploring the impact of exchange rate fluctuations on the "stand alone" equity, or by considering the impact from the point of view of a portfolio of securities.

Jorion (1990) is one of the first authors to advance the subject of exposure of US multinational companies to currency risk. He examines the exchange rate exposure for a 17 years period, namely between 1971 and 1987 and concludes that share prices of these companies are not systematically influenced by changes in nominal exchange rates. He finds that a relationship between the stocks' prices and foreign exchange rates exists only when the company is involved in international business. Although such an exposure exists, the author underlines that the risk appears to be diversifiable and there is no need for hedging. On the other hand, Roll (1992) finds evidence that a part of the stocks' volatility is affected by foreign currency risk. The author provides three reasons for which market indices are volatile: (1) a poor diversified portfolio; (2) the pattern of industries in the index; (3) foreign exchange risk. The last two factors cumulated count for around half of the total index volatility, whereas the exchange rate risk alone is responsible for 23% in most of the countries. Therefore, according to this author there is an inverse relationship between stocks' returns and changes in the value of the national currency. Chow et al. (1997) examine the exposure of both stocks and bonds to foreign exchange rates fluctuations in the US market. The authors underline the fact that all assets are subject to currency risk exposure and that previous empirical studies proving otherwise were not correct. They observe the fact that returns on bonds market are affected by foreign exchange rate changes both in the short and in the long run, whereas stocks are exposed only to long run changes. Another worthwhile aspect is brought forward by Priestley and Ødegaard (2003) which advocate that there is an asymmetry concerning the exchange rate exposures of industry stock returns in depreciations relative to appreciations regimes. They underline the fact that in appreciating regimes the exposure of stocks' prices to exchange rate movements is not as significant as in depreciating regimes. They analyse a sample of 30 industries and conclude that over half of them have a significant exchange rate exposure, mainly those which are engaged in extensive international trade. An additional conclusion is that the magnitude of the exchange rate fluctuation affects directly the company's exposure, namely the higher the exchange rate change, the higher the level of correlation between it and the changes in stocks returns. Koutmos and Martin (2003) investigate the exchange rate exposure of US stocks by analysing the daily returns for a 7 year period (1992-1998). They promote the idea that exposures are asymmetrical and lagged. Moreover, they underline that fact that exposures are industry specific, as financial services industry is significantly more exposed to exchange rate fluctuations, either contemporary or lagged, as compared to other industries.

Moving beyond the US market, Glaum et al. (2000) investigate the exposure of German companies to changes in the nominal exchange rate of the German mark against the dollar, by analysing the period between 1974 and 1997. Although the authors find the exposure as being

significant, they mention that their result is not stable over time. They point out to different factors which affect the degree of exchange rate exposure, such as the level of foreign direct investment, the level of international trade, the structure of firms' foreign currency denominated assets or liabilities or the hedging activities. Dutch companies have been researched by De Jong et al. (2002), which investigated 117 companies over a 5-year period, between 1994 and 1998. They find more significant exposures in phases of the Dutch guilder depreciation against other currencies. They reach the conclusion that all non-financial companies which are exposed to exchange rate fluctuations benefit from the depreciation of the local currency. They also underline that some of the most important factors influencing the exposure the companies are the size of the company and the weight of the exports in its total revenues. On the Japanese market, Doukas et al. (2003) examine the connection between the returns of 1,079 companies' shares and the exchange rate fluctuations. The study is of significant importance considering the unexpected changes in the Japanese yen exchange rates between 1975 and 1995. The authors advocate that there are significant exposures to exchange rate changes. The degree of exposure is higher in the case of multinational and exporting companies; therefore an important factor is the degree of international involvement of the firm. Also the authors find other influencing factors, which negatively affect the exposure, namely the size and financial leverage of the company. Outside the US market, studies on exposure to currency risk referred to the Turkish market, emerging Asian countries, and Central and Eastern European markets. Kiyamaz (2003) investigates the way in which the volatility of foreign exchange rates affects the stock market in an inflationary Turkish environment. His research is made on 103 companies traded on the Istanbul Stock Exchange between 1991 and 1998 and it shows that these stocks are very sensitive to foreign exchange risks. Moreover, the degree of exposure is in concordance with the level of international involvement of the company and with the industry in which it activates. On the emerging Asian market, Dong et al. (2005) studied six countries over a 15 year period, between 1989 and 2003. The result is that there is no co-integration between the exchange rates and stock prices. Nonetheless, they observed bi-directional causality in Korea, Malaysia, Indonesia and Thailand. For one of the observed countries (Thailand), the stock prices presented significantly negative relation with the changes in the foreign exchange rates. One of the most recent studies is made on the Chinese market by Aggarwal et al. (2011). The authors analysed the foreign exchange exposure of Chinese companies, after China abandoned in July 2005 the policy of fixing the Yuan against the US dollar. Their results underline that the appreciation of the Yuan did not hurt the local companies' competitiveness; moreover they have caused higher returns for the Chinese companies. An interesting aspect brought forward is that the companies are less exposed to the variation of the Yuan against the Euro, US Dollar, Yen or Hong Kong dollar as compared to the ASEAN currency index.

Another study of interest is that of Murinde and Poshakwale (2004), which investigate the Hungarian, Polish and Czech stock markets. The aim of the paper was that of analysing the European emerging markets before and after they entered the Euro-zone. Their results point out that as the markets became more integrated within the EU, the causality became much easier to detect. The authors underline that while the results are mixed for the three countries before the Euro adoption, afterwards for all three countries the exchange rates exposure is significant. On the Romanian market, Horobet and Lupu (2005) analyse the relationship between stocks' returns and exchange rates for the period January 2000 – October 2005. They conclude that there is a weak relationship between the two variables, attributable to low involvement of Romanian business in international aspects or to very effective hedging strategies. The same authors expand their research in 2006 in order to include 10 Central and Eastern European countries, namely Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovenia, Slovakia and Romania. They reach the same conclusion as in the Romanian case, that there is a weak exposure of the companies to the exchange rate changes, either contemporaneous or lagged (Horobet and Lupu, 2006). Horobet and Ilie (2007) investigate the link between exchange rate changes and stock market performance using co-integration and Granger causality tests on the stock prices and exchange rates, between 1999 and 2007. The authors advocate that there is a long-term equilibrium relationship between performance of the stock prices and the exchange rates. They underline the lagged exposure, namely that the information is transmitted with a one-month lag. Later on, Horobet and Dumitrescu (2008) extend this research to four Central and Eastern European

countries, namely Czech Republic, Hungary, Poland and Romania and they find two types of exposure: contemporaneous and lagged. Concerning the contemporaneous exposure, it is relatively small, whereas the lagged one is more statistically significant for three to four months.

In what follows we investigate the exposure of 20 companies from Romania and Croatia to changes in the nominal exchange rate of the domestic currencies to the Euro and the US dollar, over the short and the long-term. Section 2 provides details on data and research methodology, Section 3 outlines the main results, and Section 4 concludes.

2. Data and research methodology

We study the exchange rate exposure of 20 companies from Romania and Croatia for a six year period starting in January 2006 and ending in December 2011. We investigate both the short-term exposure, by using daily prices and returns, and long-term exposure, by employing monthly prices and returns.

Concerning the stock prices two types of data have been used in the analysis. First, we have used the stock prices of some of the most important companies in each country. From the listed companies we have excluded the ones involved in the rendering of services in order to see the exchange rate exposure for the manufacturing industry. Second, we have used the MSCI country indices for Large and Medium Companies. For the first set, the data refers to the closing prices of 10 Romanian stocks and 10 Croatian stocks for the period January 1, 2006 - December 31, 2011. The Romanian stocks are listed on the Bucharest Stock exchange and the Croatian ones on the Zagreb Stock Exchange. All prices were denominated in local currencies, i.e. the Romanian Leu (RON) and the Croatian Kuna (HRK). Since we have considered only the working days in the six year frame, therefore we have obtained sets of 1,529 observations for Romania and 1,496 observations for Croatia. Due to the fact that level of transactions in both stock markets is not as high as in the developed countries, there were days in which some of the securities were not traded. Consequently, for those cases we have used an average closing price based on the previous and following days. Therefore, the returns for those days are proportionally cumulated following the accrued interest principle.

The selected Romanian and Croatian companies are all from the oil and gas, raw materials and manufacturing sector. Concerning the exchange rates, we have used the daily nominal exchange rates published by the countries' central banks for the same period. We have used the exchange rate of the domestic currencies against the Euro and US Dollar, quoted on a direct basis.

For all sets of data we have computed and worked with logarithmic returns. In order to identify the relevance and magnitude of corporate exposures to changes in the exchange rates we have used OLS linear regressions. The analysis has been concluded both on a short term basis using the daily returns and on a long term one using the monthly figures. We have used two regressions, so that the influence of the two exchange rates between the local currencies and the Euro, respectively the US dollar, is addressed separately. The regressions have the following form: $y_t = \alpha + \beta x_t + \varepsilon_t$, where y_t is the dependent variable, namely the daily logarithmic return of the stocks, respectively the monthly returns, x_t is the independent variable, namely the daily change of the exchange rate, respectively the monthly one, α and β are the regression coefficients, namely the intercept and the coefficient of the independent variable coefficient, and ε_t is the regression residual.

3. Results

We present the results by dividing them in four main parts: in the first two parts we show and discuss the results for the short-term exposure, and in the last two parts we present the results for the long-term exposure, both for Romanian and Croatian stocks. In the end we compare the two types of exposures in an attempt to find similarities and differences.

Short-term exchange rate exposure of Romanian stocks

Concerning the analysis of the Romanian stocks changes against the daily changes in the RON/EUR exchange rate, it appears all analysed stocks all of them present an exposure to the exchange rate. Moreover, there is a statistically significant negative relation between the changes in

the stock returns and the changes in the RON/EUR exchange rate. As expected, both the correlation and the Determination coefficients are not significant, as there are other more important factors affecting the prices than the exchange rate. The stocks which present a higher exposure are Dafora SA, OMV Petrom SA and Vrancart SA, for which the daily changes in the RON/EUR exchange rate are responsible for between 2% and 3 % of the changes in the stock prices, as measured by the coefficient of determination. Consequently the correlation coefficient is above 15%. Therefore, according to the analysed data the Romanian stocks seem to be exposed to the changes in the RON/EUR exchange rate on a short term. To be more specific, it appears that as the RON appreciates, or the nominal exchange rate decreases, the prices of the stocks will decrease.

Concerning the analysis of the Romanian stocks changes against the daily changes in the RON/USD exchange rate, it appears that also out of the 10 analysed stocks all of them present an exposure to the exchange rate. Moreover we find the same statistically significant negative relation between the changes in the stock prices and the changes in the RON/USD exchange rate as in the case of the EUR exposure. Similarly, both the correlation and the determination coefficients are not significant, as there are other more important factors affecting the prices than the exchange rate. The stocks which present a higher exposure are Alro SA, Dafora SA and OMV Petrom SA, with a correlation coefficient of over 20%. Additionally, for Amonil SA, Rompetrol Well Services and Vrancart SA the coefficient of correlation is above 15%.

Therefore, according to the analysed data the Romanian stocks seem to be exposed both to the changes in the RON/EUR and RON/USD exchange rates on a short-term basis. To be more specific, it appears that as the RON appreciates in terms of either currency, namely as the nominal exchange rates decrease, the prices of the stocks are expected to decrease.

Short-term exchange rate exposure of Croatian stocks

In the case of Croatian stocks, it appears that none of the 10 analysed stocks presents a statistically significant exposure to the HRK/EUR exchange rate. Moreover, for all the analysed relations between the daily changes in the exchange rate and the daily returns of the stocks the p-values are rather high, suggesting that there is no significant relation between the two variables.

While Romanian stocks are more exposed to the daily changes in the exchanges rates, Croatian stocks do not appear to be statistically exposed to the changes in the EUR, most likely due to the fact that the HRK exchange rate is closely monitored by the authorities and the fluctuations are kept under tight control. Also, for the analysed period only two of the 10 stocks present an exposure to the changes in the HRK/USD exchange rate. The direction of the short term exposure is the same as in the case of the Romanian stocks, namely as the domestic currency appreciates the prices of the stocks decreases.

Long-term exchange rate exposure of Romanian stocks

The long term exposure has been addressed from the point of view of the relation between the monthly changes in the exchange rates and the stocks' monthly returns. For Romanian stocks, the results show that only four stocks are exposed to the changes in the RON/EUR exchange rate. Moreover, there is a statistically significant negative relation between the changes in the stock prices and the changes in the RON/EUR exchange rate. As expected, both the correlation and the determination coefficients are not significant, as there are other more important factors affecting the prices than the exchange rate. The stocks which present an exposure are the ones issued by Alro SA, Amonil SA, Oltchim SA and Vrancart SA: for these stocks the monthly changes in the RON/EUR exchange rate are responsible for between 8% and 22 % of the changes in the stock prices, as measured by the coefficient of determination; consequently the correlation coefficients are above 28%. Concerning the analysis of the Romanian stocks changes against the monthly changes in the RON/USD exchange rate, it appears eight out of the ten stocks present a significant exposure. There is a statistically significant negative relation between the changes in the stock prices and the changes in the RON/USD exchange rate. As expected, both the correlation and the determination coefficients are not significant, as there are other more important factors affecting the prices than the exchange rate.

4. Conclusions

Currency fluctuations became a daily habit of nowadays financial markets and their impact can be felt in all companies, from the mere domestic ones to the transnational corporations with intricate businesses around the world. Emerging markets are also prone to potential losses in the value of their assets and cash flows as result of unexpected exchange rate movements.

Our paper investigated the economic exposure to currency risk for a number of 20 companies from Romania and Croatia, between 2006 and 2011, on a short-term and long-term perspective, using daily and monthly observations on stocks prices and returns. The results we obtained picture a different image regarding these companies' exposure either to the Euro and the US dollar, the two major international reserve and trading currencies. We find that Romanian companies are more exposed to unexpected changes in the value of their national currency against both the Euro and the US dollar compared to Croatian companies, with the exposure more pregnant over the long-term. This may be explained by the exchange rate regime applicable to both currencies: a managed floating for the Romanian currency and a more controlled rate for the Croatian currency.

At the same time, the direction of both short-term and long-term exposures is the same for Romanian and Croatian companies: as the domestic currency appreciates the prices of the stocks decrease, which suggests that companies in our study have an exporter profile.

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The Relevant Skills for Forensic Accountants – Can the Romanian Accounting Education Programs offer them?

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Abstract

In Romania for becoming a forensic accountant it is necessary, as preliminary conditions, first, to have a bachelor`s degree in accounting or finance, and second, to attain a certification, as chartered accountant, given by the professional body, CECCAR, and after that, as forensic accountant. The purpose of this study is to investigate whether the Romanian academic education and the professional education can assure all the relevant skills for a forensic accountant. In order to achieve the objective, first, the authors investigated the most important studies which have the purpose to identify the relevant skills for a forensic accountant. Second, the authors reviewed the curriculum of the most important faculties with the aim to find and connect different courses with different skills. The purpose was to determine how the forensic accounting education, offered to the professional accountants, assures them, all the relevant skills that are necessary in the profession.

Key words: forensic accountant, skills, accounting education curriculum

J.E.L. Classification: M41

1. Introduction

In the last century, the forensic accounting, a field of accountancy, and a profession for accountants, has taken a great growth and has evolved a lot.

Because the forensic accounting it is a new, wide profession, its techniques are in a perfect connection with the progress of the entire world, with the evolution of the economy and of the people.

The most important activities for a forensic accountant are: to offer assistance in the engagements regarding the Investigative Accounting cases and to give different expert`s evidences in the Litigation Support activities. As result, the forensic accounting requires to the forensic accountants the best knowledge of all accounting legal provisions, principles and procedures, and skills, which are many of them common with the auditing, regarding the investigative process.

ICAEW careers website explain how `forensic accountants use their training to look beyond the numbers and deal with the business realities of situations. Analysis, interpretation, summarisation and the presentation of complex financial and business related issues are prominent features of the profession. Equally important is the ability to communicate financial information clearly and concisely. A forensic accountant will be familiar with legal concept and procedures.`

Around the world, there are different certification for the professional accountants who are involved in the forensic accounting practices, that are offered by the professional bodies for accountants. For example, in the UK, ICAEW (The Institute of Chartered Accountant in England and Wales) offers forensic accountant accreditation. In the USA, the same certification is offered by AICPA (The American Institute of Certified Public Accountants - CPAs). Or, in Romania, CECCAR (The Body of Expert and Licensed Accountants of Romania) is the professional body which intermediates the qualification as forensic accountant.

Because a forensic accountant, as specialized profession, it is an advanced level of qualification, there is an entry requirement regarding to be a qualified member of a professional body, which represent a confirmation that the person has a good standing and compliance with all professional and ethical rules involved. This prerequisite education need to be completed by acquiring a practical experience throughout a professional education program and obtaining, after a final examination, the certification as chartered professional accountant. After that, for all who became certified forensic accountant and want to be forensic accountant, it is necessary another exam, as final step, or not (in Romania), of a forensic accounting program. Any forensic accountant need to complete a number of continuing professional courses, time to time, as a rule set by the professional body.

In spite of many studies, it remains unclear yet, whether all these stages of the education in forensic accounting could assure all the relevant skills for a forensic accountant.

The purpose of the study was to identify the relevant skills for professional forensic accountants and to evaluate how the different stages of the accounting education, which are necessary to be passed, could assure these skills. In order to attain these objectives, the paper reviewed all the most important studies that cover the subject of the identification for the relevant skills of the forensic accountants, next the curricula for Romanian accounting faculties and for the professional body, CECCAR, were investigated, and as last important step of the study, the authors, also, based by some interviews with professionals forensic accountants, formulated the conclusions, with the aim to determine whether the forensic accounting education can offer the relevant skills that are necessary.

2. Knowledge, skills and abilities necessary for forensic accountants

A review of the relevant literature is used as explanation of the paper's purpose, the research methodology and the contribution.

2.1. Forensic Accounting definition

Because the forensic accounting is a new area of accountancy not exist a single one definition. It is easy to see that most of the definitions contain some important aspects underlined, mostly regarding what a forensic accountant need to knows, as a specialised area of practice, and that is about to put together different knowledge regarding accounting, auditing, finance, legal and, most important, `the role of being a forensic accountant requires an investigative mindset.` (DiGabrielle, 2009)

Forensic accounting represent "the application of special skills in accounting, auditing, finance, quantitative methods, certain areas of the law and research, and investigative skills to collect, analyze, and evaluate evidential matter and to interpret and communicate findings in a consulting or expert witness capacity." (Heitger, Smith and Crumbley, 2007)

Also, some definitions explain how the forensic accountants are doing their works in the process of `the application of specialized knowledge and investigative skills possessed by CPAs to collect, analyze, and evaluate evidential matter and to interpret and communicate findings in the courtroom, boardroom, or other legal or administrative venue.` (AICPA)

Other definitions explain what forensic accounting is, for example `the application of financial skills and an investigative mentality to unresolved issues, conducted within the context of the rules of evidence`, and what the forensic accountants need to know, respectively, `financial expertise, fraud knowledge, and a sound knowledge and understanding of business reality and the working of the legal system.` (Bolgna and Lindquist, 1995)

2.2. Relevant skills for forensic accountants

There are many studies that have the purpose to investigate what relevant skills a forensic accountant need to posses and, also, to identify whether these skills are different from different point of view, as practitioners, academics or users of the forensic accounting services.

For all the institutions involved in providing education for forensic accountants, also universities or professional bodies, it is very useful to know which are the relevant skills because, as result, they could improve the curricula.

Forensic accounting is a growing area of practice in which the knowledge, skills and abilities of advanced accounting are combined with investigative expertise and applied to legal problems. Forensic accountants are often asked to provide litigation support where they are called on to give expert testimony about financial data and accounting activities. In other more proactive engagements, they probe situations using special investigative accounting skills and techniques. (Heitger, Smith and Crumbley, 2013)

As AICPA (The American Institute of Certified Public Accountants) has identified that the fundamental forensic knowledge includes:

- Professional responsibilities and practice management
- Laws, courts and dispute resolution
- Planning and preparation
- Information gathering and preservation (documents, interviews/interrogations, electronic data)
- Discovery
- Reporting, experts and testimony. (Durkin and Ueltzen, 2009)

Very useful information contains the research conduct by DiGabrielle (2008) which examines the relevant skills for the forensic accountants. The study asks for opinions of practitioners, academics and users of the forensic accounting services through a national survey applied on 500 persons of each of these groups. The survey instrument used was a nine Likert scaled, which represent ninth different skills. The results found as important, for academics and practitioners, skills like: critical thinking, unstructured problem solving, investigative flexibility, analytical proficiency, and legal knowledge. Also, this study has identified that effective oral and written communication are important skills for forensic accountants.

The American Institute of Certified Public Accountants - AICPA has prepared a white paper based on a survey that was applied to attorneys, CPAs and academics, with the purpose to identify the relevant skills for forensic accountants. The study makes a distinction between the essential traits and characteristics and the core skills that are necessary for a forensic accountant. As results, all three respondent groups agreed that being analytical was the most essential characteristic, attorneys ranked first position as effective oral communication, and second was the forensic accountant's ability to simplify the information, next position were occupied by critical/strategic thinking, capacity to identify key issues. Auditing skills were ranked fifth by the attorneys, and ranked second by the academics, but were not ranked in the Top 5 by the CPAs. Academics ranked the fifth position as critical/strategic thinking, auditing skills, investigative ability, and capacity to synthesize results of discovery and analysis, and thinking like the wrongdoer. The CPAs considered in Top 5: critical/strategic thinking, effective written communication, effective oral communication, investigative ability and investigative intuitiveness.

2.3. The education of the forensic accountants

In the education of the forensic accountants it is necessary to include different disciplines because an effective forensic accountant needs a solid understanding of accounting, investigative auditing techniques, criminology, and courtroom procedures, as well as excellent communications skills, both written and oral. (Heitger, Smith and Crumbley, 2011). As result, it is very important to have the best knowledge in accounting, but also to know auditing and corporate finance, law, criminology, computer forensics, and ethics. It should also include practitioners and researchers in the field. (Kranacher, Morris, Pearson, & Riley Jr., 2008)

As different studies show some universities integrated fraud or forensic accounting throughout the accounting curriculum while others offered individual fraud or forensic accounting courses and/or entire fraud accounting programs (AICPA, 2009)

For becoming a good forensic accountant, the theoretical background, it is important to be completed, by the practical experience, and in the undergraduate part of education, this is possible only through `case instruction, role playing experience, guest speakers, student and academic internships in industry, communication skills involving student interaction and student presentation of evidence, all aimed at providing students with as many experiences in the field as possible.` The basic information regarding accounting, auditing, statistics, taxation system, ethics provided by undergraduates programs are completed by Master programs with specialization in forensic accounting and `a minimum of four essential units required in a Masters level specialization in forensic accounting. A unit in Forensic Accounting, a unit in the study of Fraud and Criminology, a unit in Forensic Information Technology, and a unit in Litigation Support.` (Italia, 2012)

3. The forensic accounting programs

There are different master programs that offer specialized courses in forensic accounting. Of course, only offering a course it is not enough for future professionals' forensic accountants, in order to achieve all the relevant skills which are necessary for the profession. The demand for forensic accountants has grown, and as result, the faculties need to respond, and to prepare better the future forensic accountants.

An investigation of the curriculum for the most important universities across the country, conduct at the identification of the next universities/programs/courses:

UNIVERSITY	MASTER`S PROGRAM	COURSES
ASE București	Contabilitatea și fiscalitatea entităților economice	Expertiza contabilă. Teorie și practici specifice
	Contabilitate, Control și Expertiză	Control financiar, expertiză contabilă și consultanță
	Concepte și practici de audit la nivel național și internațional	Expertiza contabilă
	Contabilitate internațională	Expertiza contabilă
Universitatea Alexandru Ioan Cuza Iași	Contabilitate, expertiză și audit	Bazele auditului financiar și expertiza contabilă
	Contabilitate, Diagnostic, Evaluare	Expertize contabile și servicii de asigurare
Universitatea de Vest din Timișoara	Expertiză contabilă și evaluarea afacerilor	Consultanță în contabilitate și expertiză contabilă judiciară
Universitatea Babeș – Bolyai din Cluj- Napoca	Management contabil, audit și control	Doctrina și expertiză contabilă
	Expertiză contabilă și audit	Doctrina și expertiză contabilă
Universitatea "Lucian – Blaga" din Sibiu	Expertiză contabilă și audit	Expertiză și diagnostic financiar – contabil
Universitatea din Oradea	Contabilitatea, auditul și gestiunea afacerilor	Expertiză contabilă și consultanță
Universitatea Ștefan cel Mare Suceava	Contabilitate, audit financiar și expertiză contabilă – CAFEC	Control financiar și expertize contabile judiciare
Universitatea din Craiova	Contabilitate și Raportări Financiare Conforme cu Standardele Internaționale	Expertiză și consiliere financiar – contabilă

* The authors prefer to maintain the original Romanian names for programs and courses

4. Conclusions

Because the demand for professional services in forensic accounting practice is increased, the universities must be preoccupied to provide courses for forensic accountants, and best is to the Masters level, when students may have also work experience. There are, also, different courses that are need to be provided by professionals' bodies, as continuing education, for example related to law, communication, fiscal policy, information technology, forensic science, and advanced accounting, in order to permanently improve the knowledge and the skills for forensic accountants.

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Integrated Reporting for a Good Corporate Governance

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Abstract

Corporate governance has been developed due to financial crisis, climate change and globalization. Corporate governance plays an important role in order to restore trust in business and to rebuild relationships with investors and other stakeholders. In parallel with this trend, integrated reporting also has become common. The integrated reporting is a new form of corporate reporting aims to provide a holistic picture of an organization's performance.

The origin of integrated reporting lies in corporate governance, as a solution to demands on corporate leadership regarding the sustainability, strategy, performance and risks.

This help a company to reporting how its governance structure supports the organization's ability to create the value in the short, medium and long term and the integrated report can be used as a corporate governance tool. The aim of this discussion paper is to describe these new concepts and also, relationship between these.

Key words: corporate reporting, integrated reporting corporate governance

J.E.L. Classification: M40, M41

1. Introduction

Corporate governance, integrated reporting, corporate reporting and responsibility are terms that have increased significantly in importance over the last decades in the world of business. This increased attention has been motivated by the financial crisis, the increased incidence of environmental disasters and accounting scandals. Corporate governance is a term frequently used by researchers, practitioners, the media and the general public focusing on control mechanisms as answer to these changes.

Against this background, stakeholders, investors and regulators has changed requirements for corporate reporting. As a result, the business reporting has become similarly complex. All information needs from investors and other key stakeholders are continuously changing. The value of a company reaches beyond the historical financial aspects. Business partners, managers, investors and other stakeholders nowadays have an increasing need for full picture of company health in order to have a clear understanding of company's global performance and make the better decision.

Based on this, companies are being forced to reporting their financial information and non-financial information to stakeholders, as clear, concise and transparent as possible. Also, corporate reporting has been changed, it must included additional matters in order to give investors or other stakeholders the critical information they need to value their investments.

Because traditional financial reporting cannot provide full picture of corporate, elements such as corporate social responsibility, information on environmental, carbon emissions, health and labor rights, must be included in reporting on total business performance. This is the moment when integrated reporting comes into play.

First of all, integrated reporting describe the company's global performance based on connectivity between financial and non-financial information, governance and remuneration, environmental and social matters and other relevant 'business-impacting' factors. Secondly, integrating reporting means is based on integrated thinking and follows the strategy and targets set by companies.

The purpose of this article is to describe integrated reporting and corporate governance as well as identifying mutual relationships between. The article presents the author's considerations regarding the corporate governance as element of integrated reporting based on literature review and using the deduction method. In order to follow this purpose, we examined the content and structure of the published annual reports of the top 20 companies listed on BSE. The reports examined are related to years 2012 – 2014.

2. Literature review

The financial crisis, followed by recent corporate scandals around the world due to fraud and insufficient systems of control have one common feature - the credibility of corporations and failing corporate governance. All these events contributed to an increase in focus on corporate reporting and corporate governance. The need of practices of corporate governance arises due to conflicts between two categories of interests: the interests of managers and the interests of shareholders. This is due to the separation of management and ownership control in the company. Corporate governance is an internal rule which is framed to safeguard the values of corporate shareholders' interests. Corporate governance knows many definitions. O'Donovan defines the corporate governance: "an internal system that includes processes, policies and people that serve the requirements of shareholders as well as other stakeholders by controlling and directing activities by the firm's management with good business objectivity, savvy and integrity". (O'Donovan, 2003).

The Organization for Economic Cooperation and Development (OECD) Principles of Corporate Governance, referred to in the EU Commission's Action Plan on Company Law and Corporate Governance defines the corporate governance as "a set of relationships between a company's management, its board, its shareholders and other stakeholders". (OECD, 2004:11)

According to Enquist et al., corporate governance defines important issues that integrate social, environmental values and company's business operations. (Enquist et al., 2006)

As improving corporate governance is the European Commission adoption by the European Parliament of the Directive on disclosure of non-financial and diversity information by large companies and groups officially titled Directive 2014/95/EU. According this, the companies will need to disclose information on policies, risks and results as regards environmental matters, social and other aspects regarding the employee, anti-corruption, respect for human rights and bribery issues, and diversity on boards of directors.

A critical part of good governance is good reporting. Parallel of this trend, the concept of integrated reporting has become more complex and common. The recent change of corporate reporting, integrated reporting, is driving at a global level by the IIRC (International Integrated Reporting Committee).

International Integrated Reporting Committee-global coalition of companies, investors, regulators, standard setters, accounting and finance professionals and NGOs aims to build consensus between businesses, investors, authorities, governments and accounting bodies on the future shape of corporate reporting practice.

According to IIRC, integrated reporting describe the non-financial information about organization's strategy, performance, governance and prospects in a way that reflects the social, commercial and environmental context within which it operates. It provides a clear and concise picture of how an organization creates value, now and in the future. (IIRC, 2011)

For long term vision, corporate reporting must be based on integrated thinking which is part of integrated report will sustain good corporate governance. Integrated thinking will take into account the interdependencies and connectivity between all factors that affect an organization's ability to create value in the future based on your strategy, your reporting business model and risks and opportunities it faces. Integrated reporting is defined by the IIRC, "a process founded on integrated

thinking that results in a periodic integrated report by an organization about value creation over time and related communications regarding aspects of value creation". (IIRC 2013a, p.4).

According to The King Report on Governance for South Africa 2009 (King III), integrated reporting is "a holistic and integrated representation of the company's performance in terms of both its finance and its sustainability". (IIRC 2011, p. 3)

3. Corporate governance as part of integrated report

Because that many companies, stakeholders and governments have already recognized the importance of governance information, social, environmental as part of annual report, a new model for reporting is needed. This is the integrated report that can providing a full picture of performance, structured around the business model, governance and organization's strategic objectives including the financial information and non-financial information. According to IIRC, integrated report is: "An integrated report is a concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term". (IIRC, 2011)

In other words, integrated report is an important document by which the organization communicates current position (business model, performance), where it's going (future outlook) and how it intends to get there (strategy). It tells us the organization's value creation story in understandable way. So, the integrated report tell to stakeholders the business model, activities, the strategy, risks and opportunities, the ability to create and maintain value in the short, medium and long term. The IIRC not prescribed the structure of integrated report. It suggested the most important elements and guiding principles referring to information which is interconnected. Based on this, the elements defined by the IIRC are:

- "Organizational overview and business model: What does the organization do and how does it create and sustain value in the short, medium and long term?
- Operating context, including risks and opportunities: What are the circumstances under which the organization operates, including the key resources and relationships on which it depends and the key risks and opportunities that it faces?
- Strategic objectives and strategies to achieve those objectives: Where does the organization want to go and how is it going to get there?
- Governance and remuneration: What is the organization's governance structure, how does governance support the strategic objectives of the organization and how does it relate to the organization's approach to remuneration?
- Performance: How has the organization performed with respect to its strategic objectives and related strategies?
- Future outlook: What opportunities, challenges and uncertainties is the organization likely to encounter in achieving its strategic objectives and what are the resulting implications for its strategies and future performance?" (IIRC, 2011)

So, given the above, one most important content element of according to IIRC (International Integrated Reporting Committee) and to International Integrated Reporting Framework focuses on governance as a solution to demands on corporate leadership to ensure adequate focus on strategy, risk, performance and sustainability.

4. Relationship between corporate governance and integrated reporting

The companies need to create sustainable values in addition to the financial gain they already create for themselves, their shareholders, and the society and also to present non-financial information to their stakeholders.

Corporate governance as part of integrated reports has been developed in order to rebuild the trust the stakeholders and to create a feeling of trust that the interest of manager is in line with the interest of owners.

Generally accepted the most important principles of corporate governance are:

- transparency
- fairness
- responsibility
- accountability

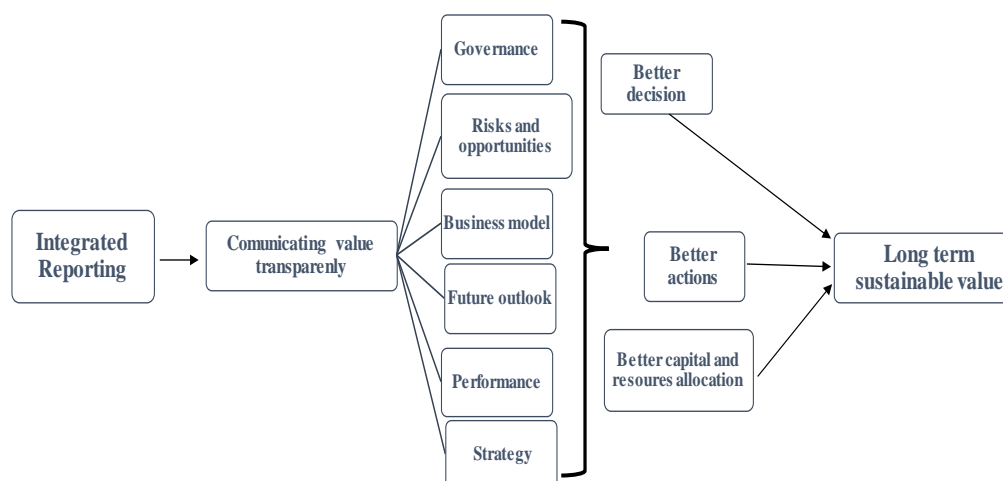
Accountability is a principle that emphasizes the business responsibility on the impact on the environment. Transparency refers to reporting these effects from the external environment to the non-business stakeholders.

According to IIRC, the guiding principles are:

- "Strategic focus
- Connectivity of information
- Future orientation
- Responsiveness and stakeholder inclusiveness
- Conciseness, reliability and materiality" (IIRC, 2011)

The research methodology used for this paper in order to describe the relationship integrated reporting and corporate governance is empirical analysis of the structure and content of the published reports by the top 20 companies listed on Bucharest Stock Exchange (BVB), period 2012-2014. The annual reports are available on the website of the companies studied. In order to collect the information regarding the integrated reporting and corporate governance we used the observation method. We classified the 20 companies studied in four categories, as follows: 6 companies in the sector "Food & drink", 7 companies the "Textiles & clothing", 3 companies in the "electricity electronics" and 4 companies in the "transport equipment". To this effect, we studied the manner in which companies listed on BVB embrace the integrated reporting and how can this help the companies for good corporate governance. The results of our analysis describe that the information provided in annual reports or administrator reports of the Top 20 companies listed on BVB (Bucharest Stock Exchange), additional to financial statements even it is mainly non-financial and strategic information regarding to environment, human resource, governance, good governance. From this study it can be concluded that governance disclosures are increasing in annual report meaning that the majority the studied companies mention the different aspects presented in the <IR> framework's content element governance. Based on this and based on literature review analysis of company reporting development we can present the relationship between integrated reporting and corporate governance, presented in figure 1:

Figure 1. Integrated reporting for good governance



Source: Author's compilation

Firstly, integrated reporting is based on integrated thinking and promotes emphasis on internal processes for understand the needs and interests of different investors/stakeholders. The companies which use the integrated report for reporting are better able to communicate the company's global performance. Secondly, the connectivity of financial information and non-financial information,

including those looking towards the future, embedded in integrated reporting can enhance corporate governance. Because the focus on connectivity is part of integrated reporting, it will help for better decisions, better actions and better capital and resource allocation by those in order to create and sustain long term sustainable value. Thirdly, integrated reporting can help to identify opportunities and risks for the organization and, more importantly, how these are addressed rather than merely articulating them. Such an approach facilitates better risk management. So, given the above, integrated reporting describe the information better aligned with investor needs for better decision and actions, for better capital and resources allocation. Above all, integrated reporting is a good toll for better corporate governance.

5. Conclusions

Corporate reporting has been changed due to the evolution of the stakeholders' information needs. Today, the interest of investors, employees, non-government organizations, local communities and customer increasingly turn to shareholders and company's management asking if its governance structures meet the expectations of society and if its business model take in consideration environmental and social dimensions of its activities. Due to those changes, the integrated reporting has been developed. The integrated reporting brings together company's global performance, governance, strategy, and future outlook that will help to the creation of value over the short, medium and long term.

The literature review and empirical research regarding trends in corporate governance describe the advantages as being the reduced information asymmetry and capital cost and the gained legitimacy. We believe that integrated reporting can help corporate governance through enhanced accountability, clear performance management, greater transparency and effective leadership and more effective risk management. Also, for better decision-making which takes into account long-term as well as shorter-term outcomes.

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The Economic Importance and Characteristics of Cost Calculation in the Clothing Industry in Romania

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Abstract

By this paper, the author aim to highlight the importance of cost calculation in the clothing industry in Romania. In order to achieve this goal, we have reviewed the literature in this field.

Based on a literature review on cost calculation and on clothing industry we realised that in the this field, the traditional method laying at the base of cost calculation for a product is order-based method, and in certain cases the standard-cost method can also be applied. As a modern cost calculation method which can be applied in this industry we may mention the ABC method.

The paper ends with the author conclusions regarding the implementation of a cost calculation method in the clothing industry as well as the main actions to be taken by clothing companies to have competitive and innovative products and to cope with fierce competition.

Key words: cost calculation, managerial accounting, the clothing industry, economic importance, cost calculation methods

J.E.L. Classification: D24, M41

1. Introduction

The present work falls within the field of management accounting, more precisely it will emphasize the cost calculation optimization possibilities and the tracing of clothing industry manufacture.

The challenge laying at the basis of the present scientific initiative was that of highlighting the necessity to improve management accounting in a very important field of Romanian economy. We consider the approach of this problematics in the actual context of globalization and alignment of the economic entities activating in this sector to the European requirements to be opportune.

There have been other researches on this subject, but exactly after the 1990 crisis, which was characterized by the disappearance of many clothing factories, which had entered insolvency procedure, but the greatest stress was on the acquiring of new technologies, and far being from finding and implementing modern methods of cost calculation. To survive on the market during that period, the acquiring of new technologies was the most ardent requirement, due to the fact that the competitiveness of clothings manufactured in the country was inferior to the similar products manufactured in competing countries, and the internal demand had also drastically took a dive.

The Romanian clothing industry plays an important role in the Romanian economy, it being the most representative branch of light industry. Light industry covers a wide range of products, from highly engineered synthetic threads to fashion articles. By its three main components (textiles, clothing, and respectively skin dressing and footwear), light industry represents an important sector of national economy, by its lengthy tradition in exportation, as well being the main employer in the industry.

To be able to survive, as well as to perform a profitable activity under the conditions of the market economy-specific conditions, the companies in the clothing industry must be receptive to the signals and requirements of the external environment, to be highly adaptive to change and to be very flexible in what their functioning mechanism is concerned. Practically, their entire activity

must be conceived and performed from an entirely new point of view, where cost calculation and cost calculation methods must play an essential role.

2. Research Goal and Method

The research's fundamental goal is defined by the study of the specialized literature on cost calculation system and the demonstration of the importance of cost in production (one of the most important indicators of economic activity) in the activity and in the decision which are made at the level of entities in the clothing industry.

It's a known fact that, in market industry, the production cost is a key factor when managers fund and adopt their decision to assign resources, to increase and shape production, as well as to control economic activity. It is considered that this cost can be known and anticipated only by using the appropriate method to calculate costs and by using solutions to enhance the efficiency of economic entities' activity in general, and of those in clothing industries in particular, which would provide anytime details, real-time reporting and complete information regarding each factor which influences costs.

The use of certain research methods and tools which are meant only to facilitate the scientific research process (Mustata, 2008, p. 84) is rather compulsory for a scientific initiative. The quality of a research is determined by the methods and procedures used, when they have been established according to the specificity of the set goals.

Currently, specialty papers define the scientific ingression and text composition methods as a road or a path to be followed in the research activity, for the fulfillment of the goals, namely for information and formation. The procedures, techniques and tools used during the scientific ingression are the components of the said method, regarded as support elements or as concrete means to capitalize it.

The specialty literature study has been performed by structuring scientific articles with the purpose of describing and analyzing the most important subjects which must be known when we make reference to management accounting, cost calculation and clothing industry in Romania, themes which are also supported by relevant works in the field.

3. Literature review

We consider that the study of specialty literature is a departure point in every research, the knowledge of the history, of the research stage and the interpretation of results obtained by other researchers by their studies in the interest area is necessary, thusly allowing us to highlight the opinions, contradictions and lacunae of existing researches. By studying the specialty literature, we have envisaged the creation of a new perspective over the theme and the identification of the possibilities to make our own contribution to create added value to the foregoing researches.

Two methods were considered in the analysis of specialty literature (Jesson, 2011, p. 56): the traditional method and the systematic method.

The traditional method supposes: the use of a critical point of view, which can assess asserted theories and hypotheses by examining the methods used and the obtained results; the creation of a conceptual framework by synthesizing several studies and sketching the most relevant aspects; a simple review of the specialty literature; last minute review, by which the author aims to inform the reader about the most representative studies for the researched theme.

The systematic method of reviewing specialty literature is a useful tool for those who desire to promote the research results by applying them practically. This method provides the possibility to remain uninvolved, due to the usage of technical procedures with the help of which research's objectivity and transparency are proven to the reader.

The approach used in the performance of the present research is traditional and focused on the synthesizing of most relevant studies and highlighting the most important aspects, respectively the creation of a conceptual framework.

The companies need methods which would ensure an efficient calculation of manufacturing costs, as well as a consistent control for them, so they are able to compete and to survive on the competitive and ever-shifting market. Generally, medium to large-sized companies in the industry

usually have cost calculation programs, as well as properly trained personnel who efficiently use the manufacturing cost calculation methods within the existent organizational structures (Utkun, E. & Ozdemir, S., 2015, p. 209).

According to a survey performed by Rendal *et al.* (1999, p. 31) with the purpose of researching the cost management in textile companies, it was proven that the organizations use the traditional cost calculation methods and that they do not have the possibility to implement modern methods, so that in these companies the improvement of the cost calculation system is attempted by practical experiments.

The modernization and diversification of cost calculation methods renders the managers of the economic entities in clothing industry responsible regarding the tracking and surveillance of costs, to obtain operative information regarding the manufacture process, as well as to help them make the most efficient decisions for each manufacture process as well as for the company, in its entirety.

On top of efficacy and responsibility, the forecasting must also be taken into account as much as possible, to reduce the workload necessary to obtain information regarding the manufacturing expenses and their cost. Therefore, the decrease of the workload necessary to obtain information has the advantage to relieve specialty personnel, who is charged with simple and routine registrations, thusly creating the opportunity for them to focus more on analyzing that information, with the purpose of completely use its interpretation while making decisions.

The fact of taking all these requirements into account, which are imposed by the tendency to modernize and diversify the cost calculation methods may lead to a management accounting which would fulfill the requirements of an efficient management (Trifan, 2014, p. 102).

In the clothing sector, production can be dispersed in several locations inside or outside the country. In developed countries, this is associated with outsourcing production to developing countries, and in the case of the latter, production moves to other places and in search for cheaper labor. Transnational corporations can move their capital across borders in order to reduce production costs, but small businesses and individual workers do not have this mobility, being forced to work in a fierce competition market (Girneata, A. & Mascu, M., 2014, p. 436).

The companies must realize that in this sector, the competitive advantage lays in innovation, not in a reduced cost of workforce. Also, the capacity to supply products on a wide variety of markets facilitates the attraction of a greater number of consumers, thusly removing the dependence from a limited number of contractors. In our opinion, a source of competitive advantage in the activity of garment manufacturing companies is given by innovation. Nonetheless, they should not only rely entirely on innovative ideas, with an absolute novelty effect, but they would also should, in the mean time, identify new cost calculation methods which would render their economic activity more efficient (Binskauskas, G. & Diska, V., 2011, p. 29).

In what the innovation and creativity process is concerned, the authors Mitra, C.S. and Borza A. consider that the improvement of the features of an existing article of clothing may provide superior benefits as compared to creating an entirely new product; the authors highlight the fact that innovation and creativity are two different concepts: creativity entails the release of new ideas, while innovation is an act of improvement of ideas (products, processes) which already exist (Mitra, C.S. & Borza, A., 2011, p. 344).

Among the studies regarding the usage of cost calculation methods in the clothing industry we can list the following:

-The bases of management accounting organization and cost calculation using the ABC method in clothing industry (Capusneanu, 2006, pp. 89-95);

-The use of order-based method to determine unit cost of textiles manufactured by small to medium-sized companies (Utkun, E. & Ozdemir, S., 2015, pp. 209-217);

-The use of standard-cost method in the variant of unique standard-cost with monthly reimbursement of expenses per cost centers (Trifan, 2014, pp. 101-106).

All the studies follow the implementation steps of aforementioned calculation methods, the advantages and disadvantages of their usage in the activity of organizations, as well as the premises which laid at the basis of choosing the respective cost calculation method. Therefore, in the clothing industry, the traditional method laying at the base of cost calculation for a product is order-based method, and in certain cases the standard-cost method can also be applied. As a modern cost calculation method which can be applied in this industry we may mention the ABC

method. Their application in the clothing industry will be the subject of a future thesis, where their stages will be detailed, and comparisons will be made between the modern and the traditional cost calculation methods.

4. Case study on the economic importance of the clothing industry

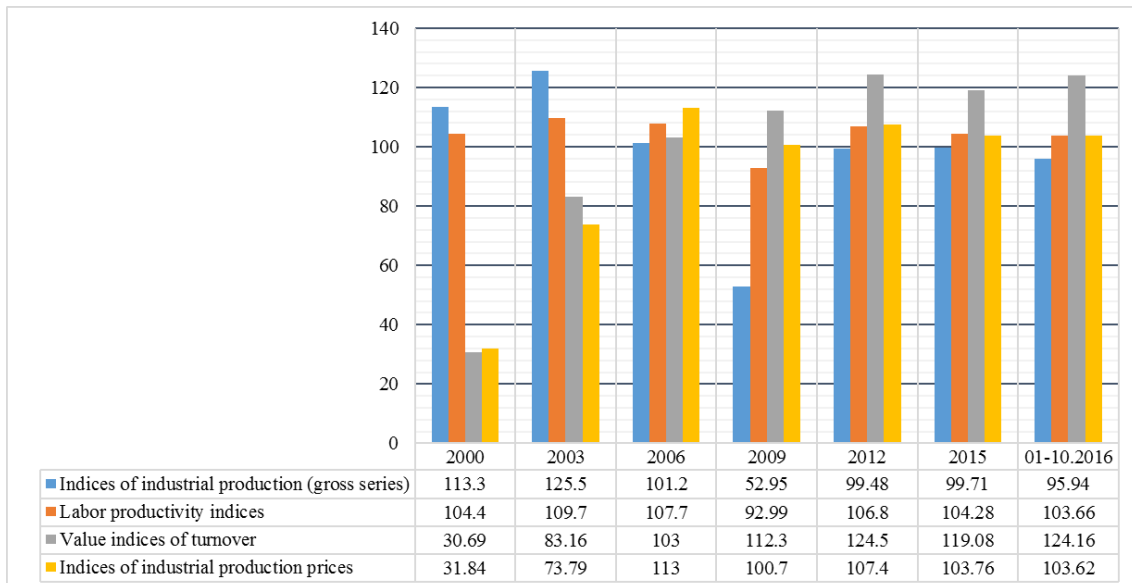
The importance of this study drifts from the fact that the textile and clothing industry (T & C - Textile Clothing) represents an important segment of the European manufacturing industry, as well as a vital sector of the Romanian economy, offering jobs in the country for more than 200,000 People in 2012 (Girneata, 2013, p. 84). Moreover, the apparel industry is a branch of significant tradition, ranking in 2012 as the third place in Romania's exports and fourth place in EU clothing exports (Popescu, 2013, p. 47).

In the Romanian national economy, light industry, through its three main components (textile, clothing and leather and footwear) is an important segment due to its considerable weight in gross domestic product, exports and the large number of employees. However, the socio-economic and political changes that have taken place in Romania over the last two decades have affected this sector, which has been forced to constantly adapt to change and to the competitive and permanent market (Girneata et al., 2015, p. 109).

We note that the Romanian clothing market is a crowded market with many strong competitors, especially Asian companies with cheap and low-quality products. To survive on this market, Romanian clothing companies have sought to provide tailored products tailored to well-defined customer segments over time.

In order to synthesize Romania's transition through the crisis and decline period, we present the evolution of the main indices for the period 2000 - October 2016.

Figure no. 1. Evolution of the main indices of the clothing industry



Source: Results calculated according to the data published on www.insse.ro by the National Institute of Statistics, accessed on 20.02.2017

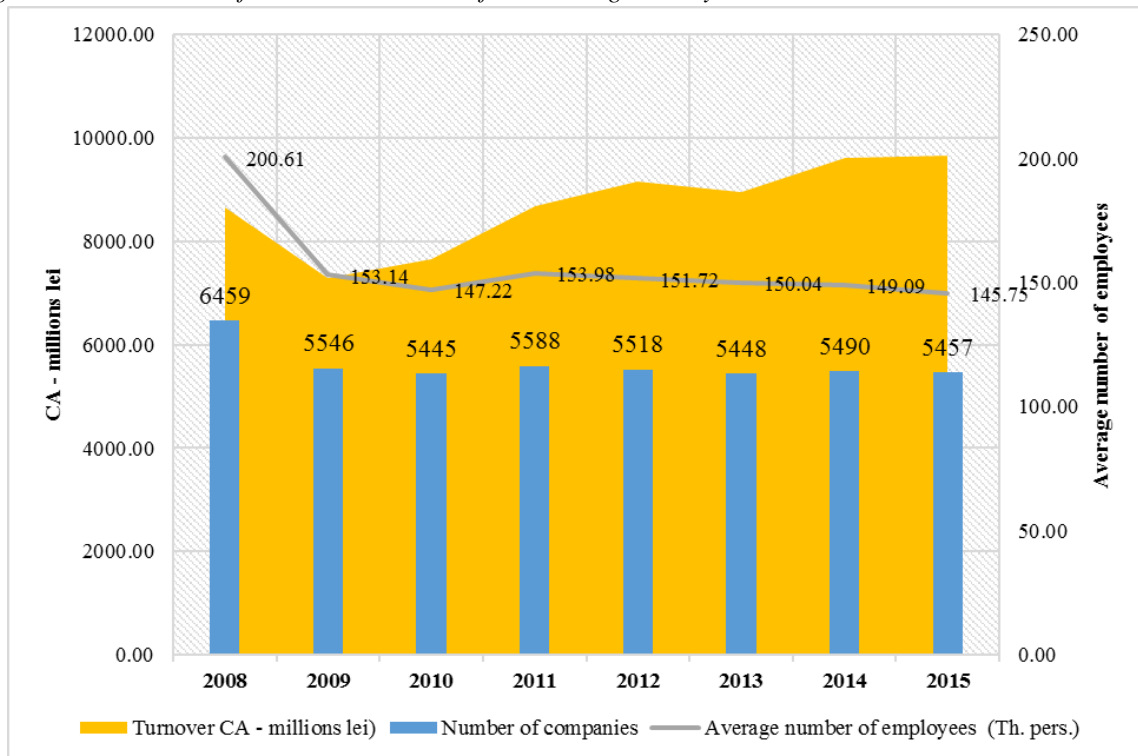
As a result of consulting the data published on the website of the National Institute of Statistics, we systematized the data obtained from industrial production indices, labor productivity, turnover and industrial production prices. It can be noticed that the indices of industrial production increased very little in 2015 compared to 2012, but compared to 2000 (reference year presented by the Institute of Statistics) decreased by 13.59%, having a decreasing trend in October 2016.

Comparing the year 2015 to 2000, we can observe that the labor productivity in the clothing sector stagnated for the most part, having only a slight decrease, and the turnover indices show an increase of 88.39%, keeping the same increasing trend for 2016. Although production price indices

increased by 71.92% in 2015, however, 2006 and 2012 are the years when these indices are at levels above 2015. We also point out that the best period for production was the year 2003, and 2009 was marked by the worst clothing production in Romania.

In the following, in Figure no. 2 we present the evolution of the number of companies in this industry, the average number of employees and the turnover during 2008 - 2015.

Figure no. 2. Evolution of the main indicators of the clothing industry between 2008 and 2015



Source: Processing based on data published on <http://www.mfinante.gov.ro> by Ministry of Public Finance accessed on 22.02.2017

It is noticed that the turnover values in 2015 compared to 2014 did not change very much, it was a percentage increase of only 0.60%, while the average number of employees and the number of companies decreased, but also in a very low weight. It can be seen from Figure no. 2 that both the number of companies in the clothing industry and the average number of employees have a decreasing trend since 2011.

5. Conclusions

In order to have competitive and innovative products, and in order to keep up the pace with competition, the managers in the clothing industry must continuously track the improvement of the company's management by the efficient organization of manufacturing process and of the work process, the organization of creation process for new products and the creation of differentiated ranges of products, focusing on and seizing of new markets, the differentiation of the range of products from that of the competitors, as well as the improvement of quality control activity. All these continuous improvement activities must use modern and flexible manufacturing processes organization systems, like modern cost calculation methods, which can track production in real time, and to be aware of the product's cost during each separate manufacturing stage (from tailoring, processing, ironing, and until packaging and distribution). Modern production management and tracking systems have appeared as an alternative to mass production and, in time, have proven their superiority as compared to traditional ones. As modern manufacturing management systems used in clothing industry we can list (Bota, 2010): MRP-ERP-type systems (Material Resource Planning and Enterprise Resource Planning), flexible manufacturing systems

(flexibility in usage, adaptability, access, redundancy, structural alteration, stocking, programming in manufacturing procedures), as well as the JIT systems (Just in Time – represents the production according to the customer's requirement, by eliminating stock from one period to another).

To adapt to new technologies is therefore a must, so that they can be applied at industry level (cost levels, rapidity and properly made decisions), to which the computerization and the permanent processes' control are added. Such products will be based on top of the line knowledge and will have final use as a straightforward goal, orientating on attractive segments of market and niche-markets, being therefore freed from the cutthroat competition in the field of commodities.

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Culture and Accounting Practices

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Abstract

The scope of this paper consists in highlighting several characteristics that defeat the organizational culture and influence the accounting area, respectively, the accounting policies chosen at companies level.

Besides the financial statements, rules, and calculations, the accounting also implies professional reasoning, and the organizational culture promoted within the firm influences the accounting decisions. We analyzed and identified several of accounting policies determined by the corporate governance and organizational culture influence.

Key words: organizational culture, accounting systems, accounting practices, corporate governance

J.E.L. Classification: M410, M420, M480.

1. Introduction

From our point of view, culture can't harmonize and it shouldn't, in the end. When we talk about culture, we understand the way of making business, the accounting behavior, conducting the internal audit, the regulation, the degree of nationalism of the respective state, interpreting the standards using different languages.

In a global economic context, regardless the used accounting systems, there are several common aspects to consider: costs efficiency, an improved system of internal control, functional internal audit, the willing and possibility of adapting to change, compatibility and fusion of practices chosen with the existing organizational culture.

2. A view on accounting policies

We enhanced one of the characteristics of the organizational culture that presents a significant impact over the accountancy in general and over the accounting policies chosen by the organizations in particular. The objective of the conducted research was identifying the way that corporate governance and organizational culture are in measure to influence the accounting policies.

In this approach, we started with the idea that enterprises in Romania have the possibility to choose from the accounting policies the most advantageous from their own point of view, as Manea (2006) mentions, an aspect not very favorable in the moment of reporting *the true and fair view* – an image more and more disputed by several specialists in the field.

Just at this point, the role of corporate governance occurs, guiding the accounting steps, through reaching the objectives of the organization. Internal audit also occurs sharply in accountancy when compasses fraud attempts.

Analyzing the behavior of the organizations in choosing the accounting policies, we reached the conclusion that there are two distinctive approaches: a conservative approach, characterized by the appetite for provisioning, and an optimistic approach, characterized by assuming future risks.

Nevertheless, the freedom of choosing the accounting policies represents a quite controversial practice in the professional field. The specialists think that opting for one of the two stated approaches is tightly bound on cultural dimensions.

Table no 1 – The behavior of the organizations in choosing the accounting policies

Aspects from financial statements	Accounting Conservatism	Optimism
Provisions	Overstatement of provisions by recognizing expenses	The value of assets is overvalued by including expenses that are not included in the income statement
Asset valuation	Using historical cost	Revaluation of fixed assets, especially when there is an increase in fair value
Interest	Recognition of interest as an expense	Interest capitalization, regardless of the capitalization criteria
Development costs	Recognition of development expenses in the profit and loss account	Capitalizing on development costs that meet the criteria for recognition as assets.
Stocks	Stock valuation by LIFO method (Last in-first out)	Stock valuation by the weighted average cost of capital (WACC)
Amortization	Accelerated depreciation	Straight line depreciation
Guarantees - doubtful claims	Estimates with high values	Estimates with low values

Source: Author's perspective on the accounting policies

Choosing accounting policies drives to different results and therefore the existence of a strong corporate governance system, well implemented at the organizations' level can reduce the risk of fraud on the financial situations.

We also notice this flexibility in choosing between several accounting politics it means in a way a premise for manipulating the financial situations.

We cannot ignore that nowadays accounting policies cannot be neither uniform nor homogeneous and that is why certain accounting policies cannot be imposed on companies. It is important to remember that organizations need to manifest a higher attention on choosing specific accounting policies that will reflect entirely the fair image and that should be respected, applied and published continuously.

During this research we could notice that some companies use aggressive accounting policies, aiming the creation of a favorable image that would meet the personal needs of management or the shareholder's expectations. However, these practices can be avoided by conducting a responsible and efficient governance system.

3. Organizational culture and accounting systems influence

At this point of the research, we considered appropriate to realize a connection between organizational culture and accounting systems, exposing the specific characteristics of these systems in their individual relationships with organizational culture. We accomplished this step with the help of a comparative analysis of the main accounting systems: the continental system, the Anglo-Saxon system, and the Islamic system.

On the one hand, we analyzed, by comparison, the first two systems, the continental one and the Anglo-Saxon system which are specific to industrialized countries. The conclusion we reached at is that continental system is much more detailed and regulated compared with the Anglo-Saxon system. We also noticed that, across the time, countries of continental accounting tradition started to adopt parts of the Anglo-Saxon system due to such considerations as the emergence of multinational companies, adherence of the United Kingdom to the European Union, increasing of international standardization following the Anglo-Saxon model, etc.

On the other hand, on the analysis we conducted we focused on the Islamic accounting system, a very particular system compared with the other two, a system somehow utopian for the other nations, more because it cherishes a special attention on benefits and wellness of all parties involved in the business. Unlike the continental and Anglo-Saxon systems, the Islamic accounting system proves to be a highly balanced one in which business ethics is an attribute of great importance.

4. Islamic accountancy view

The Islamic accountancy is based on two fundamental principles with a view to the welfare at the level of involved parties. On the one hand, the Islamic accountancy tries to equitably distribute wealth by imposing the zakat and, on the other hand, the Islamic system forbids the obligation of paying interests because it is considered that some persons (the ones with no revenues) could be disadvantaged. The two mentioned principles represent precisely the key factors of influencing the Islamic rules on financial reporting and they do not find any equivalents in the continental or in the Anglo-Saxon accounting system.

The study of specialty literature allowed us to notice that Islamic accountancy is a privileged notion and preferred at the research level, but in practice there are Islamic countries that no longer want to keep their own Islamic accounting standards in favor of adopting IFRS, aspect raised during the analysis of the AOSSG report on the accounting of the Islamic entities. The AOSSG survey counted four sections, regarding the Islamic information about finance distinctively on each respondent jurisdiction, the financial reporting specifications, the respondent's opinions about the accounting standards and the demands of the specific jurisdiction regarding Islamic accounting standards if applicable.

The aim of AOSSG is to reveal the way of how the international financial institutions and report in different jurisdictions and tries to identify differences in the Islamic accountancy standards. The answers vary depending on the jurisdiction, 7 of 14 respondents claim to have the Islamic financial services in their area – where more and more they progress towards adopting IFRS. From all the 14 respondents, only 5 apply a separate bookkeeping for the financial Islamic institutions, and these are Dubai, Syria, Pakistan, Indonesia and South Africa.

Dubai, Indonesia, and Syria responded that adopting separate reporting financial standards is compatible with convergence with IFRS while South Africa and Pakistan consider the opposite, even in their jurisdictions they have separate accounting standards for Islamic financial institutions.

The analysis of this study proves a global movement towards IFRS. Pakistan and Indonesia assert their intention on keeping the Islamic accounting standards. (AOSSG, 2010; ACCA & KPMG, 2012).

The Dubai Finances Services Authority (DFSA, 2013) requires presenting specific information in accomplishing the financial situations. Even tough, this requirement is hard to follow by some jurisdictions where they consider unacceptable the IFRS for the Islamic financial transactions. In their studies, AOSSG in 2010 and ACCA & KPMG in 2012 concluded that conflicts between IFRS and Islamic accounting standards occur from the two fundamental concepts of financial reporting:

the value of money in time and substance over form.

The value of money in time is associated with the interest and IFRS includes the use of updated cash flows with reference to interest rates. For example, in accordance with IAS 39 International Accounting Standards, it is necessary to use valuation techniques that involve calculating the net present value of future updated cash flows at an appropriate interest rate to measure financial assets where there is no active market.

The substance over form concept, through a transaction, is measured and reported according to its economic substance, rather than its legal form, is also considered inappropriate from an Islamic point of view.

According to Sharia, it is the Islamic legal form that will ultimately determine the form of accounting. The *ijara muntahia bittamleek* it is an Islamic leasing contract which implies the transfer of property at the end of Ijara should be treated as leasing financing according to IAS17.

In their study of 2012 ACCA and KPMG presented the conclusion of the Malaysian Accounting Standards Board, respectively that they can use the IFRS unless if someone can prove that there is a clear interdiction in Sharia, in which case they will change it accordingly. By that time they will use the IFRS.

5. Conclusions

Observing these conflicts and the position of some of the Islamic countries on alignment with IFRS, we come to the conclusion that, due to globalization, Islamic accounting tends to lose its supremacy and value, although preserving this identity may be the way to building a fair society in which decency, responsibility, and honesty are high-priced features.

As a main conclusion, we consider that accounting practices and policies are mainly influenced by corporate governance and organizational culture. The culture, governance and accountancy triad sets up a future research proposal since analyzing the impact of culture and governance over the accountancy, we could ascertain that adopting an adequate accounting system and appropriate policies would positively influence the future development of companies, would even contribute on obtaining a competitive advantage for them.

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A Qualitative Research of Mergers in Non-profit Sector

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Abstract

The vast majority of people perceive mergers as being done by businesses to increasing the value of shareholders, strengthening operations and increasing profit as well as improving services, products and value for their consumers. Mergers can be used by non-profit organizations (NPOs) as a way to increase community service to share limited resources and engage assets including willingness. Even if it hasn't been widely implemented in the past, the number of NPOs taking into account such a commitment is increasing. The merger procedure of non-profit organizations is very similar to that of for-profit organizations, both in terms of process steps and factors to be tracked, such as synergies, cost savings, or other benefits. The paper is based on a qualitative research of the main issues related to the merger of non-profit organizations.

Key words: mergers, non-profit organizations, synergy.

J.E.L. Classification: A10, M20

1. Introduction

Non-profit organizations have drawn attention in recent years due to the widespread "state crises". This has manifested in the last two decades in all parts of the world. In northern Europe, the non-profit sector has come to grips with the questioning of traditional policies of social protection. In the southern, central and eastern European countries, highlighting the non-profit sector has been marked by a permanent concern for the environmental degradation that continues to threaten the health and safety of people everywhere. In addition to stimulating support for market-driven economic policies, this questioning of the state has again brought attention and made new hopes for civil society organizations operating in most societies around the world (Salamon and Anheier 1997).

The non-profit sector, also known as a voluntary economy or social economy, civil society, third sector, non-profit or charitable sector, influences national and global economies, regardless of its title (Schmid, 1995).

Failure theories suggest that non-profit organizations survive in a space where government and free markets fail (Weisbrod, 1997). According to this philosophy, NPOs provide goods and services to society that are not profitable for businesses and which are underfunded by government agencies due to political realities. (McCormick, 2001).

The emergence of the non-profit sector supported the idea that neither the public nor the private sector cannot cover all the needs that exist within society (Brinkerhoff and Brinkerhoff, 2002, p.4)

The non-profit organizations are treated as non-governmental entities established "as a form of charity which doesn't seek profit for owners and whose principal purpose is the provision of public services or the defense of a cause. Therefore, they are considered to be private organizations, but aimed to fulfill public or quasi-public goals" (Vlăsceanu, 1996, p.19).

In terms of efficiency, the association of several economic entities shows that their effectiveness is greater than the effectiveness of each individual. Specifically, the value of the firm A summed up with the value of the firm B taken separately have a lower value than the combined value, the value after the merger (Sherman, 2010).

Merger operations are one of the external growth mechanisms through which businesses can better meet the purpose for which they are set up (Georgescu and Chiriac, 2013). Broadly, the merger refers to two companies that come together to become one (Sherman, 2010).

Specifically, a merger is a combination of two or more companies in which the assets and liabilities of the target firm are absorbed by the acquired firm. Although, the acquiring firm may be a significantly different organization after the merger, it retains its original identity (Sherman, 2010). Aldrich (2008) believes that firms can merge either by absorbing one another, and in this case we are talking about an acquiring firm and a target firm (one that will cease to exist) or a merger where two or more organizations will cease to exist to form a new one. Some authors believe that by merging an organization can buy another one (Singer and Yankey 1991). Often, in literature and practice, the merger term is associated with the acquisition one. Mergers refer to joining two or more organizations to establish a new organization, and the acquisition refers to the absorption of one organization by another (Ansoff and McDonnell, 1988; Golensky and DeRuiter, 1999).

There are three types of mergers between companies: horizontal, vertical, and conglomerate (The Economist Dictionary). A horizontal merger takes place when two companies are in a competitive position and offer the same services in the same geographic region. Vertical mergers are combinations of companies that have a buyer-seller relationship and are not competing with one another. Conglomerate mergers take place when companies are not competing and do not have a buyer-seller relationship, offering different products on different markets, with the goal of diversifying activity with minimal risk (Gaughan, 2010).

Finally, it is important to underline that in a successful merger, the organizations involved will negotiate a structure that is mutually beneficial and helps all parties to achieve their goals (Cartwright and Cooper, 1993).

2. Aspects of mergers in non-profit organization

Defining

Government funding to social service agencies has been on the decline in recent years (Xiaocong and Ming-Chao, 2004), and this trend has been exacerbated by the economic downturn (Guidestar, 2009). A recession was officially declared at the end of 2007, but many states began to feel the effects of the economic downturn before 2007. This situation has affected, in the same time, the collection of funds at the non-profit organizations. The low level of resources gathered by NPOs as well as the diminishing of the funds received from the state budget forced the actors of non-profit sector to collaborate each other in order to achieve the social goal for which they were set up. More than that, non-profit organizations have been forced to merge in order to stabilize funding and to cope with changes in the economic climate. Such changes are often stimulated by new legislation and fluctuations in government funding (Golensky and DeRuiter, 1999).

Mergers between NPOs can be viewed as formal alliances used to capitalize on the strengths of organization's competitors while also making the merged organization more attracting to funders by decreasing replication of services, increasing the ability to serve more clients efficiently, and reducing overhead expenses (Inspiration Corporation, 2006). Mergers are seen as a viable option when non-profit organizations experience increased transition costs from uncertainty in service demands, client needs, and funding (The Boston Foundation, 2009). Progressively, more NPOs have merged together as a way to address declining funding, increased competition for scarce financial resources, and expanding demand for services (Golensky and DeRuiter, 1999).

Mergers are often described as a last solution for survival in the face of intense resource competition (Singer and Yankey, 1991; Golensky and DeRuiter, 1999). More than that, mergers can be used as a strategic option by all parties not simply to grow or survive but to accomplish specific mission goals and increase impact (Cortez et al., 2009).

In Romania, the legal regulation states that the merger is done by absorbing a foundation by another one or by merging two or more foundation to form a new. Forwards, the decision to merge shall be adopted if at least two thirds of the total number of members of the management body agrees. Reorganization of non-profit organizations in a federation must not be confused with merger, because NPOs constituting in a federation retain their own legal personality, including

patrimony (Ordinance 26/2000).

Benefits and limits

The main reason for mergers is economic uncertainty, market fluctuations, lack of resources and dependence on common sources of financing (Bastien, 1987). Economic and political uncertainty forces organizations to combine so they can ensure a steady stream of resources that they need to survive. The activity carried out together can allow merging organizations to achieve synergies such as economic synergies, financial and technological ones that help to strengthen their position on the market. (Cortez et al., 2009; Singer and Yankey, 1991; Jenkins, 2000).

Mergers aim achieving economic benefits, economies of scale, greater spread and market recognition (Kanter and Seggerman, 1986; Gaughan, 2010).

Singer and Yankey (1991) identified several reasons that may lead to collaboration or merger. Two of these reasons are increasing efficiency of the organization's activities and the ability of building a monopolistic position based on a common vision. Cowin and Moore (1996) in their study confirmed these findings. Schmid (1995) identified as additional reasons, the potential for spreading general spending, achieving scale economies, opportunities to increase lending capacity, and geographical and sectoral expansion. In case of for-profit entities, the main rationale reasons for achieving merger are the future economic benefits, while for non-profit organizations, managers may be interested in identifying an additional impulse that would lead them to merger (Cowin and Moore, 1996).

Jenkins (2000) identifies five benefits of non-profit organizations mergers highlighted bellow.

a. Efficiency Gains through Economies of Scale

The merger of two or more non-profit organizations into one often leads to considerable efficiency gains through economies of scale. The new organization is able to deliver services more efficiently by reducing administrative costs, development costs, and/or overhead expenses. Economies of scale are later achieved through the efficient allocation of labor and resources. A well-trained and motivated staff is an influent factor to success, both in the for-profit and non-profit sector. In case of organizations seeking to focus on the effective use of technological innovation, human capital, and personnel issues, mergers may provide a means to gain sufficient scale to address such problems efficiently.

Strategic mergers can provide NPOs the means to achieve minimal level of staff size, fiscal resources, and expertise to develop the organizational capacity to undertake and to sustain constructive and sophisticated evaluation initiatives, staff development and training programs, and to harness the advantages of modern technology.

b. Efficiency Gains Through Economies of Integration

Mergers can help NPOs taking advantage of vertical integration, known as the combination of distinct related processes or services within the borders of a single organization concerning the improvement of the delivery of client services and developing of their social goals. The majority of these services can be provided by multiple NPOs, but a fragmented system is inefficient and often difficult and frustrating for clients. Mergers in NPOs may lead to better coordination, linked services, or co-location which, in turn, will likely lead to a higher level of service, treatment, and benefit for the client.

c. Salvaged Public Resources

Permanent concern for the citizens' social interest is the reason why NPOs have advantageous tax treatment. When the resources of the NPOs are effectively used, the local community and society have major benefits. The public interest is not fulfilled when a failing non-profit organization struggles to maintain its corporate existence and imprudently expends scarce resources that might have been better used by another organization achieving the same or similar mission. Those valuable public resources are permanently forsaken.

d. Enhanced Community Position

Increasing the size and impact of an organization following a merger can lead to greater visibility and market recognition. A broader, more efficient non-profit organization often wields more clout, maintains political power, and lends a stronger voice which can permit the organization to influence government affairs, media relations, and public education initiatives. A merger may also provide a means to build a brand image or expand an existing platform (Jacobs, 2000).

e. Incentives to Management

Creating an environment where NPOs mergers take place more often may indirectly improve non-profit management. Some authors sustain that in the corporate sector, takeover activity drives managers to maximize shareholder wealth and increases "the pressure applied to managers to pursue projects that maximize market value" (Cook, 1987). Non-profit organizations, in many cases, have suffered as a result of inefficient management decisions in terms of adequate resource use or identifying innovative solutions to solve problems, or both. The decision to merge may lead to additional benefits for non-profit staff. In this respect, it is ensured that the activities they carry out create public value in order to avoid being viewed as a ripe takeover target or becoming a disposable of an employee in the event of a merger.

Cortez et al. (2009) identified the following types of strategic benefits that non-profits should seek: quality improvements in existing services; improved efficiency in existing services; increased funding; development of new skills; entry into new geographies.

Although, most studies show a high efficiency of mergers operations, empirical studies of NPOs mergers have revealed a high failure rate. Between 60% and 80% of the mergers were defined as organizational failures in achieving the expected results, cost efficiency, market control and diversification (Singer and Yankey, 1991; Pritchett, 1985; Kanter and Seggerman, 1986; Marks and Mirvis, 1986; Napier, 1989).

Failure to achieve economic stability and financial gains is often accompanied by personal disillusionment, which can lead executives and staff to leave the organization. This generates hostility as well as barriers in interpersonal communication, integration and productivity. Such disappointment also accelerates the failure of the merger (Paine and Power, 1984; Cartwright and Cooper, 1993).

Uniting different types cultures and the incapacity or lack of motivation to integrate new values and standards creates tensions and conflicts that can disrupt the merger process and even cause organizational failure (Wishard, 1985; Smircich, 1983; Mirvis, 1985).

A main disadvantage to a merger is that the surviving entity inherits all of the liabilities of the merged out entity and it is not easily possible to unwind the arrangement if it is later determined that the combination has not resulted in the benefits the parties expected. As a result, it is extremely important as part of the due diligence process to determine what assets and liabilities might be assumed by the surviving entity (Willard Boyd III, 2014).

3. Conclusions

The merger of two distinct organizational ideologies is problematic and creates conflicts at the structural and personal levels. The organizations with different goals encounter difficulties in accepting mutual ideologies. The inability or rejection of organizations to deal with issues related to the ideology and value of merging organizations may ultimately lead to the failure of a merger.

The success of a merger is, in a large extent, determined by the organization's ability to achieve structural integration and provide services to clients which can cover their needs. The merger of two organizations is not necessarily cost-effective, nor should it be associated with increased efficiency, effectiveness or performance. The merger directly contributes to increasing the number of organizational tasks and speeding up structural differentiation. Large organizations are experiencing functional difficulties, such as lack of flexibility and an inability to provide rapid answers to the various changes that may arise. Adopting a formal mechanical approach as a result of fast expansion is likely to cause functional problems that can be solved more effectively by a smaller organization, more flexible.

Finally, the merger should not be a purpose itself, but rather a means of achieving the objective of improving customer services. The fighting which continues to control strategic positions, resources and policy-making authority may cause merged organizations to deviate from their sustained goals. This poses a threat to the legitimacy of the organization and, ultimately, to its survival.

Further research is needed on the relevant factors for successful and unsuccessful mergers. Current literature provides leaders with guidance on human staff-related elements to adapt to change, also managing their own anxiety and confusion.

Non-profit mergers should be less frightful and stressful on a personal basis than for-profit mergers. While cutting costs and taking advantage of economies of scale are important, due to NPO's focus on mission there is usually no stated goal of downsizing staff or significant reduction in services. The factors that produce fear in those caught in for-profit mergers, such as loss of jobs, relocation, reduced pay, and less authority and responsibility in positions, are rarely a significant, direct result of a merger in NPOs.

In the present paper, based on a qualitative research, a number of advantages and disadvantages have been identified regarding the merger of non-profit organizations. We have noticed that some authors, based on conducted studies, believe that merger operations would lead to considerable benefits in terms of achieving the proposed goal, while other authors see the merger as a failure. In view of these assertions, we believe that it would be appropriate to analyze the merger projects carried out between these types of organizations. Analysis before and after the merger could lead to clearer results with regard to the subject concerned.

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Fiscal and Accounting Aspects Regarding the Tax Specific on Certain Activities

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Abstract

The purpose of the paper is to analyze the new tax introduced from 1 January 2017 in the tourism, restaurants and catering sector, namely the tax specific on certain activities. The main objectives aimed were the theoretical presentation of the scope, taxpayers, as well as of its advantages and disadvantages for the paying entities. The case study presented provides an analysis of the tax specific on certain activities to be paid for a hotel located in Alba Iulia, Romania, compared to the income tax paid in the fiscal year 2016. The issues addressed are both from a fiscal point of view regarding its calculation and declaration, as well as the accounting method. The scientific approach is based on information from the national specialized literature, as well as from the practical documentation carried out through the case study presented.

Key words: tax, tax specific on certain activities, profitability, accounting

J.E.L. Classification: D12, C58, G21

1. Introduction

Tax is a form of compulsory and unconditional collection of part of the income and wealth of individuals and / or legal entities, to the satisfaction of the general understanding of society (Risti, 2009, p. 27).

Taxes are the form of taking a part of the income or wealth of a natural or legal person, which is binding, is made in a non-reimbursable way and without direct contraption and in equal amount from the State "(Vintilă et al, 2013, p. 9).

According to the background and formality, the taxes are classified into two categories: direct taxes and indirect taxes. Direct taxes are the category of taxes that are nominally determined by individuals and / or legal entities, depending on their income or wealth, being cashed at certain specified deadlines (profit tax, income tax on microenterprises, income tax). Indirect taxes are levied on the sale of goods and services, paid to the budget of producers, traders or service providers, but borne by consumers of taxable goods and services due to the inclusion of such taxes in the commodity price or service tariff (VAT, excise duties, customs duties) (Dănulețiu, 2016, p.83).

The changes in financial intermediation structures have extended considerably the access to financing and contributed to social welfare (Iuga, 2016, p. 556).

From January 1, 2017, a new tax category is introduced into the category of direct taxes, i.e. tax specific to certain activities.

The legislative route of this tax was a fairly long and intensely debated one. It was submitted to the Senate of Romania in October 2015, and in its initial form it also targeted microenterprises. After long debates, Law no. 170/2016 on the specific tax on activities that apply to businesses operating in the tourism, restaurants and public catering sector, and not to micro-enterprises (Popescu, 2016).

Taxes specific to certain activities are paid by Romanian legal entities that carry out tourism, restaurants and public catering activities depending on certain variables such as: the rank of the settlement, the useful area, the number of rooms, the seasonality.

To whom does this tax apply? What are the advantages and disadvantages of introducing this new tax? What will be the financial impact on state budget revenues? These are a few questions that we will try to find an answer to this article.

2. Taxes specific to certain activities: characteristics, taxpayers

The beginning of the fiscal year 2017 brings a legislative novelty by introducing the tax specific to some activities. The legal basis is represented by Law no. 170/2016 on the specific activity tax and the order for the approval of the Methodological Norms for the application of Law no. 170/2016 on tax specific to certain activities.

According to Article 3 of the Law no. 170/2016 regarding the tax specific to certain activities, are obliged to pay this category of tax, the Romanian legal entities which on 31 December 2017 fulfilled cumulatively the following conditions:

1. Have registered in the instruments of incorporation as main activity or as secondary activity one of the following CAEN codes (Classification of Activities in the National Economy):

- 5510 - "Hotels and other similar accommodation";
- 5520 - " Accommodation facilities for holidays and short-term periods";
- 5530 - " Parks for caravans, camps and camps";
- 5590 - " Other accommodation services";
- 5610 - " Restaurants";
- 5621 - " Catering for events";
- 5629 - " Other catering services";
- 5630 - " Bars and other beverages".

2. Is not in a state of liquidation.

Thus, Romanian legal entities that meet the conditions listed above pay for this new tax category activities. The mere existence of these codes in the company's constitutive act is not enough for the application of this tax. Also, Romanian legal entities no longer apply this taxation system from the year following the year when they no longer fulfill one of the two conditions (Grama Cornel, 2016).

3. Fiscal aspects of tax on specific activities

The Romanian legal persons had the duty to notify the territorial tax authorities by 31 March 2017 of the application of the tax specific to certain activities. If on 31 December 2017 no longer meet the conditions for the application of this tax, the notification of the bodies within the respective territorial area shall be made by 31 March of the following year. Taxes specific to certain activities are calculated, declared and paid half-yearly until the 25th of the following month.

Regarding the declaration of the tax specific to certain activities, this is done through Declaration 100 on the payment obligations to the state budget, as follows:

The screenshot shows the ANAF (Agenția Națională de Administrare Fiscală) tax declaration form titled "DECLARAȚIE PRIVIND OBLIGAȚIILE DE PLATĂ LA BUGETUL DE STAT 100". The form is displayed in Adobe Acrobat Reader DC. The title bar shows "D100_710_XML_2017_140317.pdf - Adobe Acrobat Reader DC". The form includes sections for reporting period (Anul: 2017, Luna: 06), taxpayer identification (Cod de identificare fiscală: RO), and tax details (Denumire creanța fiscală: 130--Impozit specific unor activități). A right-hand sidebar shows the "Export PDF" tool interface with options to convert to Microsoft Word or Excel Online.

The calculation of the tax specific to certain activities is based on certain variables. It is calculated differently according to the activity performed by the CAEN code (Classification of Activities in the National Economy).

When calculating the specific tax, taxpayers are obliged according to Article 12 (3) of Law no. 170/2016, to draw up the tax records register, which specifies the factors that are taken into account in determining the tax, such as: the types of activities carried out, the coefficients and the variables used for each activity subject to the specific tax, The number of units, the areas of activities, as well as tax depreciation.

Romanian legal entities paying taxes on certain activities must comply with the provisions of the Fiscal Code approved by Law no. 227/2015 regarding the calculation of tax depreciation and the calculation, declaration and payment of the tax on dividends. Regarding the recovery of tax losses, Law no. 170/2016 makes the following statement: "Taxpayers who were tax-payers specific to certain activities and who previously incurred a tax loss recover the loss from the taxable profits obtained over the next seven consecutive years from the date when they returned to the tax system regulated by Title II (Profit Tax) of Law no. 227/2015, as amended and supplemented. Tax loss is recovered in the period between the date of registration of tax loss and the limit of 7 years "(Article 9 of Law No. 170/2016).

If in the following fiscal year, the Romanian legal entities obliged to pay the specific tax no longer fulfill the conditions, they apply the system of declaration and payment of the corporation tax provided by Law no. 227/2015 regarding the Fiscal Code, as subsequently amended and supplemented.

4. The advantages and disadvantages of tax specific to some activities

As a tax calculated on the basis of certain variables, it does not take into account the income and expenses of the paying legal entity, hence its profitability. Introducing this tax will bring financial difficulties for small entities that are likely to be forced to pay more than they were paying in the tax year 2016, whether we are talking about corporate income tax or corporate income tax.

The amount of the specific tax varies according to the area where the business is located, so four zones have been established with different coefficients:

- Bucharest and the 8 poles: Brasov, Cluj, Constanta, Craiova, Iasi, Ploiesti, Sibiu, Timisoara;
- Municipalities and cities;
- Tourist resorts of national interest;
- Villages, communes and tourist resorts of local interest.

The purpose of introducing this tax was to benefit those who have business in resorts and communes, where the tax is considerably inferior to those who carry out activities in Bucharest or large cities. There are also views that claim that investment will decrease due to the introduction of this tax, as restaurants and hotels of 3-4 stars, as well as those in tourist resorts of national interest, will pay a much higher tax compared to the ones in the years Past, and thus will not be able to invest in the quality of the products and services offered. As the new measures in force do not take into account the profits made or not by the entities concerned, it results that large businesses, that is, those units that have large spaces and have profitable profits, are advantaged, while small firms risk losing out (Popescu, 2017).

Taxes specific to certain activities apply only to tourism and catering companies that were paying tax on profits on 31 December 2016 and not micro-enterprises.

According to Article 6 paragraph 7 of the Law no. 170/2016, hotel taxpayers, apartment hotel, motel, tourist boarding houses, rural tourist boarding houses, tourist boarding houses, agritourist hostels, apartments for rent, youth hostels, bungalows, villas representing tourist accommodation structures Which are provided in buildings or buildings, which provide to tourists accommodation and catering spaces of the type of restaurant, bar, all of these specific services being activities of the same company which carries out the activity of accommodation, not being the object of renting or associating to / With other companies, determines the specific tax only for the accommodation activity.

In this case, those hotels, boarding houses and a restaurant and bar within the same hotel complex are very advantageous in terms of taxation, the taxation not being separate for each activity. However, taxpayers with multiple units determine the specific annual tax by summing the specific tax for each unit, calculated according to the formula set out in the appendix to the CAEN code, so only when there are several distinct units (Grama, 2016).

5. Case study: Comparative profit tax versus tax specific to some activities

We continue to present a comparative analysis of the hotel tax due in 2016 and the specific tax payable for some activities due for 2017.

The comparative analysis presents tax issues, related to the calculation and declaration of the two categories of taxes, as well as the way of recording in the accounting of the respective entity.

The case study is a hotel with 3 star hotel located in Alba Iulia, Alba County, Romania. The main activity of the hotel is CAEN 5510 - "Hotels and other similar accommodation", and as secondary activities are: CAEN 5610 - "Restaurants" and CAEN 5630 - "Bars and other drinks".

The hotel has a restaurant with an area of 190 meters square, an area of 15 square meters and a number of 38 accommodation places.

Calculation of profit tax for the year 2016

Because in 2017, the hotel's turnover was 2,290,000 lei (exceeding the 100,000 euro ceiling for microenterprises), the company is taxed on profit.

According to Article 19, paragraph 2 of the Law no. 227/2015 on the Tax Code, the tax return and the profit tax are calculated and paid quarterly cumulatively from the beginning of the fiscal year. This rule applies to the first three quarters, for the fourth quarter, it is calculated and a final tax is paid.

Thus, for the first three quarters, the entity calculates, declares and pays through Statement 100 on State Budget Payments, a tax amounting to 56340 Ron.

Until March 25, 2017, the entity had the obligation to determine the annual profit tax through the Corporate Tax Statement 101. The elements contained in Declaration 101 and the Fiscal Register which formed the basis of the determination of the final profit tax was:

- Total revenues: 3031000 Ron;
- Total expenses: 2413000 Ron;
- Tax deductions (tax amortization): 170000 Ron;
- Non-taxable income: 0 Ron;
- Non-deductible expenses (accounting depreciation, protocol expenses, sponsorship, fines): 31800 Ron;

- Taxable income: 479800 Ron;
- Profit tax: 76768 Ron;
- Profit tax for the year 2017: 75768 Ron (the amount diminished with sponsorship expenses in the amount of 1000 Ron registered by the entity);
- Difference in paid corporate tax = 75768 - 56340 (paid for the first three quarters) = 19428 Ron.

We can see that in 2016, the entity owed a profit tax of 75768 Ron. It was calculated taking into account the impact of tax deductions as well as non-deductible expenses incurred during the year 2016 on gross profit.

The accounting for the profit tax is made according to the following accounting formula:

<u>691 „Income tax expenses”</u>	=	<u>4411 „Income tax”</u>	75768
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Calculation of the tax specific to some activities for 2017

Having registered in the articles of incorporation as core business as well as secondary activities the NACE codes for which the specific activity tax was applied from 1 January 2017, the entity had the obligation to notify the territorial administration bodies of the application of this new tax.

Taxation of specific activities is declared through Statement 100 on payment obligations to the state budget, half-yearly.

The entity benefits from the facility provided by Article 6 (7) of Law no. 170/2016 on the specific tax on certain activities which states that if the hotels offer a restaurant, bar and accommodation within the same hotel complex, they will pay tax only for the accommodation activity.

Thus, for the year 2017, the entity will pay tax only for the 38 places of accommodation. The formula for calculating the tax is given in Annex 3 of Law no. 170/2016, namely:

$$\text{Annual specific tax / unit} = k * \text{number of Accommodation places}$$

Where: Standard specific tax - k - LEI / accommodation / year

Based on the value of the standard (k) standard tax for a 3-star hotel located in a city (224 Ron), there is a tax payable by:

$$\text{Annual specific tax / unit} = 224 * 38 = 8512 \text{ Ron}$$

These calculations regarding the method of determining the tax specific to certain activities are the same as for the calculation of the corporation tax in the tax records. Thus, the entity pays a tax of 8512 Ron. The payment of the tax is made half a half, i.e. 4256 Ron, until 25 July 2017, and the other half until 25 January 2018.

The accounting for the tax specific to certain activities is as follows:

<u>635 „Expenses with other taxes, fees and similar charges”</u>	=	<u>446 „Other taxes, taxes and similar charges”</u>	8512
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Due to the granted facility, the entity owes a specific tax to activities of 8512 Ron, much lower compared to the profit tax paid in 2016 of 75768 Ron.

The conclusion drawn from the analysis is that for this entity, the introduction of the tax specific to some activities represents a financial advantage paying a lower tax than that of 2016. This is due to the fact that the entity disposes of the same complex Restaurant, bar, and accommodation facility. The tax owed would have been different if the entity did not have in the same complex all the facilities offered, the number of stars, the rank of the locality, the surface, etc.

6. Conclusions

The hotel and restaurant tax, whose application rules have been recently made public, will stimulate investment growth in the opinion of hoteliers, and in others, it will have the opposite effect. Some say that those who are not good at the management will try to sell their assets and the market will remain high quality services, while others believe that the tax will disadvantage tourism business in relation to other types of business (Iancu, 2016).

The tax on certain activities is a tax that does not take into account the taxpayers' income and expenses, and therefore their profitability. This is a flat rate tax, calculated on the basis of certain variables such as the rank of the settlement, the area, the number of accommodation units, being a fixed fee, calculated according to certain mathematical formulas. Taxpayers will have cash flow difficulties and investment will continue to be reduced. Taxpayers with multiple units determine the annual tax by summing the specific tax for each unit.

Generally speaking, the tax specific to some activities is influenced by certain variables such as: hotel star rating, hotel / barrier area, town rank, seasonality, number of accommodation. In case of case study presented, the specific tax due to some activities owed by the restaurant for the year 2017 of 8,512 lei far lower than the profit tax paid in 2016 by 75,768 lei due to the fiscal facility offered.

The tax differences between the two categories of taxes refer to:

- calculation method;
- Declaration (Statement 101 - Income Tax vs. Statement 100 - Activity Tax);
- payment term: quarterly/yearly - profit tax and half-yearly - tax specific to certain activities;
- Legal basis: Law no. 227/2015 regarding the Fiscal Code - profit tax and Law 170/2015 - the tax specific to certain activities.
- accounting registration.

The similarity between the two categories of taxation can only be adapted from the fiscal point of view, namely: the drawing up of the fiscal record and the calculation of the tax depreciation.

A range of business services such as car vaultings, hairdressers and hairdressing salons could be taxed in the future on a useful commercial surface, not on profit, as it is today (Iancu Liviu, 2017).

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True and Fair View: Incentive or Inhibitor for Creative Accounting?

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Abstract

The objective of accounting is to present information about the financial position, changes for the financial position and performance of an economic entity and the financial statements must present a true and fair view of the economic reality for the enterprise concerned. Creative accounting is a present issue, a phenomenon that increases users mistrust in financial statements, being considered a manipulation of figures in order to obtain a favorable image, far from being true. In order to address this issue, we analyzed several definitions and forms of this concept, and followed how they relate to the objective of the true and fair view. The paper points out that the interaction between creative accounting and true and fair view can be regarded in a double way: on one side, taking into account the influence of creative accounting on the objective of the true and fair view, and, on the other side, considering the influence of the perception of the true and fair view on the choice of these techniques.

Key words: creative accounting, big bath accounting, true and fair view, financial statements;

J.E.L. Classification: M41.

1. Introduction

The 21st century brings to light a new step for human civilization, a stage in which information, knowledge and communication are the key to social development, an era in which information represents power. But what happens when the information we rely on is altered, when someone manipulates us to make certain predetermined decisions? Known from the early 1970s, the expression „creative accounting” made sense in the UK at the time when these country had seen obscure business (Collase, 2009, p. 120) and it grew in size with the big corporate scandals. A phenomenon involving the use of the imagination of professionals in this field, sometimes risking to go beyond the limits of legality, creative accounting was noted many times and has been addressed in the accounting literature in a multitude of books and articles, by many authors, with different nationalities, debates that show the professionals' interest in this controversial concept.

In this paper we focus on the interaction between creative accounting and the ultimate goal of financial reporting, the true and fair view. We aim to explain the relationship between the two concepts, to show how the use of creative accounting techniques is influenced by the confusion and incongruity caused by the need to build a true and fair view of the financial statements.

The paper is divided in the following way: section two presents the methodological approach followed in the elaboration of the paper, the third section which presents the conceptual delimitations of the creative accounting and its forms, the fourth section presents a comment on the subject of true and fair view and ethical issues that conflict with creative accounting and the last part presents the conclusion.

2. Methodology

This paper introduces some definitions of creative accounting and true and fair view present in the accounting literature, the main components of creativity, starting from the Riahi-Belkaoui classification, the reasons why the professionals in this field choose these techniques and the

problem of the true and fair view position in the struggle with the phenomenon of „creative accounting”.

The methodological approach is inductive and refers to exclusively qualitative methods, the main ones being the documentation (analysis of the specialized literature) and the comparative analysis by appeal to a critical examination.

3. Reasons for creativity in accounting profession

Creativity in accounting is seen as a „misleading practice”, a makeup applied to the true accounting situation (Cosenza, 2002, p. 64). It embraces practices in the gray area of the accounting profession (Collase, 2009, p. 121), practices contrary to ethics, found at the limit of legality, whose passage to illegality cannot be easily demonstrated.

In his work, Riahi-Belkaoui (2004) described creativity as a liberal interpretation of accounting rules and divided it, according to the objectives of those who prepare the financial statements. Thus, he proposes two major groups: *creative accounting* and *big bath accounting*. Creative accounting, in his view, is only a popular term in the press, that journalists have used to explain what they suspect that professional accountants do to make financial performance look better than reality (Riahi-Belkaoui, 2004, p. 57).

Defining the concept of „creative accounting” may seem, at first sight, an extremely simple thing. A present topic in the literature, an actual phenomenon that has been shaped mainly by large-scale scandals such as the Enron, Parmalat, or Andersen's consulting firm, does not have a single definition for all the aspects that compose it. Many authors have built definitions to explain this concept, being described either as *a process by which the management of an enterprise takes advantage of the shortcomings or uses the blurs in the accounting rules to present a modified image of the results*; (Shah, 1998, pp. 83–84) or as *a transformation of annual accounts using the accounting options, estimates or other practices accepted by accounting regulations* (Amat & Gowthorpe, 2004, p. 5). The most complete, comprehensive definition belongs to Kamal Naser who considers creative accounting:

1. the process of manipulating accounting figures by taking advantage of the loopholes in accounting rules and the choices of measurement and disclosure practices, in order to transform financial statements from what they should be, to what managers want them to express;
2. the process by which transactions are structured, to produce the required accounting results rather than reporting transactions in a neutral and consistent way (Naser, 1993, p. 59).

Big bath accounting is considered, by most papers, a creative accounting technique that refers to the drastic reduction of profits in a period of time, to cause their growth in a future period (Riahi-Belkaoui, 2004, p. 58), being a fairly common practice, especially for newly elected managers who need to stand out. Using tools such as provisions, and the various depreciation adjustments, the managers could reduce the outcome either to distribute less to shareholders as dividends or to put themselves in favorable posture in a future period when the results will not be satisfactory. Ingenious in attracting investors, managers promise large dividends that include unrealized gains and sooner or later lead to the collapse of corporate giants. This practice proved to be very useful in times, when the distribution of fictitious dividends was in great demand. The normalization of accounting and the recognition of prudence reduced this distribution, but paved the way for new manipulations, which this time led to the creation of hidden reserves, accelerated depreciation and oversized or fictitious provisions, meant to diminish the distributable outcome at all costs. As a practice, „big bath accounting” has been dealt with in several specialized papers, and even more, in several speeches held over the years (Hirvonen *et al*, 2010; P. Lee, 2006; Walsh *et al*, 1991). IASB Chairman, Hans Hoogervorst expressed his dissatisfaction with the use of this practice, and has presented solutions to stop its use (Hoogervorst, 2015).

Cited in Riahi-Bealkoui (2004), Meehan stated that the use of this practice usually occurs during certain periods: when company managers are changed (new leadership is tempted to use this technique to demonstrate improvement in results in the years to come), when accountants register a nonconcurring gain, for which they are tempted to record large expenses to hide it, and there are times when earnings are weak and management finds it appropriate to add other expenses that normally fall for a future period (2004, p. 58).

In addition to Big Bath accounting, Breton and Stolowy also talk about three other techniques of creativity manipulation: earnings management that involves getting a desired level of business earnings, smoothing income that minimizes earnings variation and window dressing to get the desired financial reports (Breton & Stolowy, 2008, p. 6). The authors consider these techniques quite similar, notably earnings management, income smoothing and big bath accounting, which in one way or another target the manipulation of a company's profits. The dividing line between these three methods is very thin. Some authors consider income smoothing as a component part of earnings management, earnings management actually being, in the case of change of management, a case of big bath accounting.

Whether we are talking about manipulating earnings by increasing or minimizing them, smoothing them to eliminate fluctuations, or balancing financial statements, there is always a reason why managers choose this path. Among the most common reasons, raised by the accounting literature, we encounter: to benefit from certain tax benefits, to please the stakeholders, to maintain stable the price of shares, thus pacifying investors, and accessing loans, to position themselves favorably, in less favorable times. Regardless of the reasons given by the management of the entity, the use of these techniques should not be used under the auspices of the „purpose excuse the means” as they reduce the reliability of the accounting information. Aligning with Cosenza's conclusions (2002, p. 64), creative accounting is a kind of fraud every time it alters reality, a deceptive practice because it tends to induce users to make decisions based on false accounting information and can be understood as an intention to hide something, whenever no additional explanatory information is provided.

4. A short intake on the influence of true and fair view on the creative accounting

Although it has a long history in the evolution of the Anglo-Saxon accounting system (the first references to the concept being seen as a combination of the words „correct”, „true”, „honest” and „total” in UK regulations, in the Joint Stock Companies Act 1844), the true and fair view is still not clearly defined, both in the Anglo-Saxon and European accounting systems. It is interpreted as an imperfect translation of a philosophical concept of „common law” into a norm of „Roman-German law” (Honigman & Mondino, 2009, p. 39) and one of the few definitions given to the concept, published in 1981 in Lee's work, describes it as a „term of art”. Lee asserts that the true and fair view requires the presentation of accounts, drawn up in accordance with General Accepted Accounting Principles, using as accurate figures as possible, reasonable estimates, thus arranging them so that the resulting image would be the most objective possible, without errors, omissions, distortions or manipulations. Both the letter and the spirit of the law must be taken into account (Lee, 1981, p. 270). In their work, Alexander and Archer assert that it is impossible to know, to predict exactly what information will be meaningful to users from one year to the next. It is therefore impossible to establish exactly what will be required to convey a fair view (1998, p. 207). The statement of the two authors can be considered a reason why this concept is not clearly defined. Not knowing the information necessary to users from one accounting period to another leads to the risk that no definition will be complete and include all the situations. Moreover, establishing a clear definition for the concept of true and fair view can transform it in a „rigid concept, not susceptible to future evolutions” (Toma, 2001).

One could say that the link between this concept and creative accounting is interesting and that there is more than one fair view, but, out of many others possible to be presented, a professional accountant can choose only the one that represents, in the most objective way, the economic reality of an entity. Using the options in the accounting regulations can lead to one fair view which, from the point of view of those who prepare the financial statements, is the correct and objective one. Following this assertion, Amat and Olivares have analyzed Lee's definition of true and fair view in order to determine if it is an incentive or an inhibitor of creative accounting (Amat *et al.*, 1999, p. 9). So:

- The authors consider that the references to „the most reasonable estimates” and to „within the limits of current accounting practice” make the true and fair view an incentive for creative accounting. The existence of this tolerance can be considered the reason why, at the recommendation of the Institute of Chartered Accountants in England and Wales, the notion of

„true and correct view” has been changed to „true and fair view”, „correct” being considered to be a too powerful and precise attribute to reflect the practices of this profession.

We could say that Alexander and Archer's statement that you cannot know exactly what information will be meaningful to users from one year to another, so it is impossible to determine what will be necessary to convey a true and fair view, may also support the theory that this concept supports creative accounting. The fact that there is no constancy in the composition of the true and fair view only induces confusion and blurring, leaving room for interpretations that can help changing the image of the results.

- Lee talks about „an image as objective as possible, free from willful bias” i.e. neutrality, which is regulated, and implies that the financial statements do not influence decisions and judgments leading to a predetermined outcome. The fact that the information has to be presented in neutral form makes the true and fair view an obstacle to creative accounting.
- The references to „omissions” and „the spirit of the law” made some to consider the „true and fair view” more powerful, rigorous than the previous forms, „true” meaning the letter of the law, and „fair” its spirit. This interpretation makes the true image a tool against creative accounting.
- Lee also talks about „accounts prepared in accordance with the General Accepted Accounting Principles” and explains that if a court should decide whether a company's financial statements give a fair view or not, that would be the criterion by which the decision would be taken, making it difficult to identify other criteria. Given that it is a vague criterion, we can say that, from this perspective, the true and fair view is an incentive for creative accounting.

If so far we have determined to what extent the true and fair view influences creative accounting, consideration should also be given to the effect of creative accounting on the ultimate goal of financial reporting: the true and fair view. Article (9) of the Directive 2013/34 / EU specifies that „it is possible that, in exceptional cases, a financial statement does not give such a true and fair view where provisions of this Directive are applied. In such cases, the undertaking should depart from such provisions in order to give a true and fair view”, a statement that would allow us to understand that, under certain conditions, creative accounting can be considered a tool for obtaining a true and fair view (Paşcu, 2014, p. 136). It can be said that creative accounting has a dual role: positive and negative (Horomnea *et al*, 2012, p. 47), positive when helping to achieve the objective of true and fair view and negative when pursuing financial reports in favor of a small number of users, taking advantage of the flexibility allowed by accounting rules. There is a possibility that, when a professional accountant chooses a solution that better reflects reality, creative accounting being applied in this case knowingly and with good intentions, he could obtain more reliable results than in the case where he would have respected the strictness of legislative regulations.

5. Conclusions

Accounting practice around the world is abounding in negative examples. Whether it is about earnings management, income smoothing, big bath accounting or window dressing, creative accounting techniques are becoming more and more popular. Starting from the premise of „a thief passes for a gentleman when stealing has made him rich”, managers are trying their luck every time they turn to these techniques. Although creative accounting is still a legal form to circumvent the economic reality, from it to fraud it is just one step, and the users of accounting information are willing to drastically sanction these behaviors, which can sometimes make them lose. To use the true and fair view as an excuse for a better appliance of the accounting regulations makes its presence in this case not the happiest, and it is often in the situation to facilitate the use of such techniques. On one hand, the lack of a definition, a contradiction in building a fair view from one period to the next, and the references to the most realistic estimates cause confusion and at the same time pave the way for unfair techniques. On the other hand, it is recommended to deviate from accounting regulations if they are considered not to correctly reflect reality, thus encouraging creative accounting. In this case, we plead for a better understanding of the positive sides of the creativity, which can lead to a reliable, faithful representation of a company's financial position and performance.

Like every aspect of this world, creative accounting has its yin and yang, a bright side and a dark side. Nonetheless, to believe that you can surprise its valences from one side, it is impossible. Thus, the negative side of creative accounting can only be removed by stopping the causes that led to its emergence, which takes time and it must be encouraged by people who are not willing to give up the benefits of these techniques.

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The Right for Deducting VAT

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Abstract

Romania must comply with the VAT Directive, the judgments of the Court of Justice of the European Union and the European Court of Human Rights on VAT matter, that includes the matter of VAT deduction. The right to deduct VAT, in principle, cannot be limited for a taxable person and it is an abuse of law made by tax authorities when refusing this right. There are exceptions though, when the substantive and/or formal requirements are not met, the taxable person was involved in a VAT fraud or its supplier incorrectly drawn-up the invoice. The substantive requirements are: the purchases must be from a taxable person and must be used for taxable activities. The formal requirements are the obligations relating to accounting, invoicing and tax declarations. If tax authorities discover a VAT fraud or/and that a VAT liability has not been declared they must take immediate measures, impose compliance and collect the corresponding sums from the responsible person.

Key words: VAT, VAT deduction, VAT fraud, CJEU, ECHR

J.E.L. Classification: H25, H26, K40

1. Introduction

This article will clarify the rules for deducting the value added tax (VAT) according to the Jurisprudence of the Court of Justice of the European Union (CJEU) and the European Court of Human Rights (ECHR). The research is based mainly on the cases that CJEU and ECHR ruled on. From analysing the tax authorities' inspections results in the past few years it was concluded that they tend to become increasingly abusive and they cancel and refuse the right of taxpayers to deduct VAT. Therefore, it is necessary for the rules of deducting VAT and the right of the tax authorities to cancel the right of taxable persons to deduct VAT to be clarified – for the advantage of both the taxpayers and tax authorities.

It is essential for the EU countries to ensure uniform application of the common VAT system. Its' implementing measures are appropriate to realise that aim (VAT Directive 2006/112/EC point 61). Romania must comply with the common system of value added tax (VAT), which includes the VAT Directive 2006/112/EC and also the judgments of the Court of Justice of the European Union (CJEU), and the judgments of the European Court of Human Rights (ECHR). Thus, it is mandatory for Romania to apply and respect the EU common rules of the VAT, including the right of taxable persons to deduct it.

The right of taxable persons to deduct the tax paid or payable for goods or/and services purchased for use to taxable transactions is a fundamental principle of the common VAT system. The VAT essence consists in deducting the tax for upstream purchases from non-consumers (Terra *et al*, 2015, p. 991). The right to deduct VAT is an integral part of the EU VAT mechanism and in principle cannot be limited (CJEU Joined Cases C-110/98 to C-147/98 - Gabalfrisa SL and Others). This right shall arise at the time the deductible tax becomes chargeable (VAT Directive 2006/112/EC Article 167). This right is exercisable immediately in respect of all the VAT charged on transactions relating to inputs (CJEU Case C-437/06 - Securenta point 24, Case C-102/08 - SALIX Grundstücks-Vermietungsgesellschaft point 70). The rules of deduction of the VAT are meant to entirely relieve the trader of the burden of the VAT payable or paid in the course of all its

economic activities. The common system of VAT consequently ensures complete neutrality of taxation of all economic activities, whatever their purpose or results, provided that they are themselves subject in principle to VAT (CJEU Case C-137/02 – Faxworld point 37, Case C-268/83 - Rompelman point 19, Case C-153/11 - Klub point 35, OPINION OF ADVOCATE GENERAL Sharpston delivered on 13 March 2008, Joined Cases C-95/07 and C-96/07, Ecotrade SpA point 49).

A person who has the intention, confirmed by objective evidence, to start independently an economic activity and who starts to incur costs and/or makes the necessary investment to initiate that economic activity must be regarded as a taxable person. That taxable person is entitled to deduct the tax due or paid in respect of expenses and/or investments made for the purposes of the operations which it intends to carry out and which give rise to a right of deduction without having to wait for the start of the actual operation of his business. For this purpose, the Court of Justice of the European Union ruled in the Case C-110/98 - Gabalfrisa.

If, as a result of Tax Authority inquiries, there is a VAT liability that has not been declared, it is obvious that the Authority can - and indeed must - impose compliance and collect the corresponding sum. The discovery of liability cannot impinge the potential right to deduct the input tax, which does not depend on the liability. The right to deduct the VAT cannot be refused if the verification results in a VAT liability which has not been declared and which, if it had been correctly declared, would have entailed a concomitant right to deduct but, in the absence of such liability, no right to deduct could exist. In such cases, the failure to exercise the right to deduct is indissociable from the failure to declare the tax liability which the authority now seeks to enforce. The Tax Authority must take into account that to enforce the liability and at the same time to refuse the right to deduct VAT would, moreover, run completely counter to the principle of neutrality which is fundamental to the whole VAT system. If the taxable person would not be allowed to deduct the VAT for inputs, then it will double the amount of VAT that the Tax Authority would cash in the sense that the VAT would be collected both from the supplier and from the taxable person (OPINION OF ADVOCATE GENERAL Sharpston delivered on 13 March 2008, CJEU Joined Cases C-95/07 and C-96/07, Ecotrade SpA points 45-50).

Regarding all these aspects the CJEU ruled that there are two main requirements categories that govern the right to deduct the VAT, the substantive requirements and the formal requirements. The tax authorities cannot pass over these two requirements categories.

2. Substantive requirements for VAT deduction

In order to have the right to deduct VAT, first the substantive requirements must be first met. The taxpayer must be a taxable person and the goods and/or services (inputs) must be purchased from another taxable person. The purchased goods and/or services (inputs) must be used for taxable economic activities. So, the substantive requirements consist in the fact that it must be a connection between the purchasing of goods and/or services (inputs) and the taxable economic activities of the taxpayer.

The substantive requirements for the right to deduct the VAT are those which govern the actual substance and scope of that right, such as those provided for in Chapter 1 of Title 10 of the VAT Directive 2006/112/EC, entitled 'Origin and scope of the right to deduct' (CJEU Case C-590/13 - Idexx Laboratories Italia points 41 and 42, Case C-332/15 – Astone point 47).

About the substantive requirements of the right to deduct VAT, the CJEU has also ruled on other CJEU Cases - Case C-338/98 - Commission v Netherlands point 71, Case C-438/09 - Dankowski, points 26 and 33, Case C-274/10 - Commission v Hungary point 44, Case C-280/10 - Polski Trawertyn points 43 and 44.

If the Tax Authority has the information necessary to establish that the substantive requirements are met, in respect of the right of the taxable person to deduct that tax, it may not require additional conditions which may have the effect of extinguishing the exercise of that right (CJEU Case C-284/11 – EMS -Bulgaria Transport point 62).

If the purchased goods and/or services (inputs) are used for taxable economic activities of a taxable person, that taxable person has the right to deduct the VAT from the liability. Tax authorities cannot refuse or cancel the right to deduct VAT if the goods and/or services (inputs) are used for taxable economic activities by a taxable person.

3. Formal requirements for VAT deduction

In order to have the right to deduct VAT the formal requirements must also be met. The formal requirements for the right to deduct the VAT regulate the rules governing its exercise and monitoring thereof and the smooth functioning of the EU VAT system, such as the obligations relating to accounting, invoicing and tax declarations (CJEU Case C-590/13 - Idexx Laboratories Italy points 41 and 42, Case C-332/15 – Astone point 47).

With regard to the formal requirements of the right to deduct VAT, the CJEU has also ruled on other CJEU Cases - Case C-338/98 - Commission v Netherlands point 71; Case C-146/05 – Collée points 25 and 26, Joined Cases C-95/07 and C-96/07 Ecotrade SpA points 60-65, Case C-385/09 - Nidera Handelscompagnie points 47 to 51, Case C-280/10 - Polski Trawertyn points 41 and 48, Case C-324/11 - Tóth point 33.

The CJEU ruled that (CJEU Joint Cases C-80/11 and C-142/11 - Mahagében and Dávid) the right to deduct VAT cannot be cancelled or refused because the taxable person doesn't have other documents, than invoices, to prove that the transactions really took place. The issuing of the invoice by the supplier of the goods and the receipt thereof by the beneficiary consents and demonstrates that the delivery has taken place. For this purpose, not further documents are necessary in order to prove the delivery.

VAT cannot be deducted by a taxable person if an invoice was incorrectly drawn-up by the supplier because the VAT fiscal regime wasn't correctly applied. CJEU ruled that in a transaction subject to the reverse charge regime the VAT Directive 2006/112/EC and the principle of fiscal neutrality do not preclude the recipient of the services from being deprived of the right to deduct the VAT which he paid when that tax was not due to the services or/and goods supplier on the basis of an incorrectly drawn-up invoice (CJEU Case C-424/12 – Fatorie point 44).

If the substantive and formal requirements, for the right to deduct VAT, mentioned by the VAT Directive 2006/112/EC are met, the right to deduct VAT cannot be refused because the taxable person has not ensured that the issuer of the invoice, relating to the goods for which the right to deduct VAT is claimed, is a taxable person, that it really owned the goods and could deliver them. Also, this right cannot be denied for the reason that the taxable person didn't make sure that the supplier declared and paid the VAT or because the taxable person doesn't have other documents than invoices to prove that the goods were delivered or because the taxable person does not have evidence to justify the assumption of irregularities or fraud made by the issuer of the invoice (CJEU Joint Cases C-80/11 and C-142/11 - Mahagében and Dávid).

4. VAT fraud

VAT fraud is a major problem for the EU Member States' budget revenues and for the proper functioning of the internal market. Every year, VAT fraud brings damages of billions of euros to the EU finances. This is often organized on a large scale, sometimes by criminal organizations (Deliman *et al*, 2014, p. 244). The fraud in deducting the VAT means that the right is fraudulently or abusively invoked.

According to the Court of Justice of the European Union (CJEU) rulings, tax authorities can refuse the right to deduct VAT if, in the light of objective evidence, that right is fraudulently or abusively invoked – matter which is for the Romanian referring court to ascertain (CJEU Case C-285/11 - Bonik, Case C-107/13 - FIRIN, Case C-277/14 – PPUH and Case C-332/15 - Astone).

Tax authorities must prove with robust evidence the existence of a fraud or the participation of a taxable person to a possible fraud between supplier and buyer. The right to deduct the VAT that was paid by the taxable person to the supplier cannot be refused by tax authorities if such evidence does not exist.

If an invoice for purchasing goods was issued by an 'non-existent trader' or it is impossible to establish the real supplier of the goods, the right to deduct the VAT cannot be refused and the taxable person cannot be asked to make inquiries it shouldn't (CJEU Case C-277/14 – PPUH). An Exception is the situation in which it can be proved that the taxable person knew or it should have known that the delivery of the goods was implicated in VAT fraud, matter which is for the Romanian referring court to ascertain (CJEU Case C-277/14 – PPUH).

Constantly the CJEU ruled that, since the refusal of the right of deduction is an exception to the application of the fundamental principle constituted by that right, it is incumbent upon the competent tax authorities to establish, to the requisite legal standard, the objective evidence needed to substantiate the conclusion that the taxable person knew, or should have known, that the transaction relied on as a basis for the right of deduction was connected with VAT fraud committed by the supplier or by another trader acting upstream or downstream in the chain of supply (CJEU Case C-285/11- Bonik point 41, Case C-107/13 - FIRIN point 42).

Romanian courts also ruled on this matter. We retain the judgement of the High Court of Cassation and Justice (Decision No. 7405/22.11.2013 of the HCCJ - Administrative and Tax Litigation Chamber), which concluded that the granting of the right to deduct value added tax is conditional on the fulfillment of both the substantive and formal requirements, the former referring to the very existence of the right to deduct, and the other conditions for exercising it. The right to deduct VAT can no longer be refused, once all the formal and substantive requirements imposed by the law have been met, unless the tax authority has established, based on objective evidence, that the taxable person knew, or ought to have known, that the transaction relied on to justify the right to deduct was involved in fraud committed by the issuer of the invoice or another upstream operator.

In VAT matter, it was concluded that measures to prevent tax evasion or avoidance may not, in principle, derogate from the basis for charging VAT except within the limits strictly necessary for achieving that specific aim. They must have as little effect as possible on the objectives and principles of the VAT Directive 2006/112/EC and may not therefore be used in such a way that they would have the effect of undermining VAT neutrality (CJEU Case C-588/10 - Kraft Foods Polska point 28 and Case C-271/12 Petroma Transports and Others point 28).

Similarly, the European Court of Human Rights (ECHR Case *Bulves AD v. Bulgaria* App no.3991/03 22 January 2009, points 69 to 71) ruled that is a violation of Article 1 of Protocol No. 1 if the right to deduct the VAT paid upstream is refused by the tax authorities in case the taxpayer didn't know that there was an upstream VAT fraud.

ECHR accepts that when tax authorities possess information of VAT fraud by a taxpayer, they may take appropriate measures to prevent, stop or punish it. However, it considers that in the absence of any proof of direct involvement by a taxpayer in VAT fraud in chain of supply, or knowledge thereof, the tax authorities cannot hold a taxpayer responsible for the supplier's fraudulently behavior over which it has no control and in relation to which it has no means of monitoring or securing compliance. ECHR notes that if the taxpayer has absolutely no power to monitor, control or secure compliance by its supplier with its VAT reporting, filing and payment obligations then it cannot be held liable.

Using the same reasoning ECHR resumed that (ECHR Case *Business Support Centre v Bulgaria* App no.6689/03 18 June 2010 points 23 to 27) once tax authorities discover the supplier's failure to fully and timely discharge its VAT reporting and payment obligations, they can initiate a tax inspection and start the procedure against it in order to recover any such late payments together with interest. A practical application of that jurisprudence can be the case where the right to deduct VAT is refused to a taxpayer who has purchased goods from a supplier and the latter has no warehouses and tax authorities cannot establish the chain of supply and the places of loading and unloading of the goods.

The Court of Justice of the European Union (CJEU) ruled that an abusive practice can be found to exist only if, first, the transactions concerned, notwithstanding formal application of the conditions laid down by the relevant provisions of the VAT Directive 2006/112/EC and Title VII from the Romanian Tax Code, result in the accrual of a tax advantage the grant of which would be contrary to the purpose of the relevant provisions of the VAT Directive 2006/112/EC and, second,

it is apparent from a number of objective factors that the essential aim of the transactions concerned is solely to obtain that tax advantage (CJEU Case C-277/09 - RBS Deutschland Holdings point 49).

From this perspective, it must be kept in mind that the substantive of transactions must take precedence over the form in commercial contracts. It must be determined on a case-by-case basis if the manner, in which those transactions were structured and the persons involved, was exclusively pursued to obtaining a tax advantage represented by the VAT deduction of payment to the state budget.

So, if it cannot be objectively established that transactions are not subject to economic content, since the tax advantage obtained is merely a subsidiary effect of the transaction, and not its purpose, then tax authorities cannot reconsider a transaction from an economic point of view so as to accurately reflect the fiscal burden of VAT. To refuse the right to deduct VAT is an abuse of law made by the tax authorities, which must be penalized by applying the principle of substantive prevalence over the form - without being a tax fraud.

5. Conclusions

Both taxpayers and tax authorities in Romania must comply with the VAT Directive 2006/112/EC, the judgments of the Court of Justice of the European Union (CJEU) and the European Court of Human Rights (ECHR) regarding the deduction of the VAT.

The right to deduct VAT in principle cannot be limited but there are exceptions regarding the substantive and formal requirements, tax fraud and the VAT rules applied by suppliers when drawing-up the invoices.

The substantive requirements for VAT deduction are: the taxpayer must be a taxable person, the goods and/or services must be purchased from another taxable person and must be used for taxable economic activities. The formal requirements for the right to deduct the VAT are the obligations related to accounting, invoicing and tax declarations. These are the only requirements and tax authorities cannot ask for more. But if the VAT rules aren't correctly applied by the supplier and the invoice is incorrectly drawn-up then the VAT cannot be deducted by the taxable person.

Tax authorities can refuse the right to deduct VAT if they prove that the taxable person was involved in a VAT fraud - matter which is for the Romanian court to ascertain. However, the taxable person cannot be held responsible for the conduct of the supplier if it didn't know or it couldn't have known about the VAT fraud. Tax authorities must start the procedure against the fraudulent supplier in order to recover any VAT late payments together with interest.

The tax authority may determine whether the taxpayer's transactions have an economic content and therefore there is an identity between the substantive and the form, based on objective elements.

Without being implicated in tax fraud, a taxpayer can conceive its business so it can lower its VAT.

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Web Controls for Financial Calculations in Visual Studio 2015

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Abstract

ActiveX controls can be placed in Word documents, Excel spreadsheets, PowerPoint slides or Web Forms applications. These controls are selected from the **Toolbox** and they allow user interaction. A control has adjustable attributes (properties) and it detects events (it is "alive"). Controls are associated with code sequences, in the form of certain procedures, called event procedures.

Key words: web, event, control, module.

J.E.L. Classification: C63.

1. Introduction

Microsoft Studio is an application that allows the user to employ advanced calculation means. **Microsoft Visual Basic** is used to improve its default calculation functions. As it relies on visual programming, it allows the users/programmers to assemble the program visually, in a window, using components/elements found in a **Toolbox**, which are useful when creating applications. Among others, the list of instruments includes a text editor for the source program, a language compiler and other facilities to test and verify the application. If **Microsoft Studio** is configured, **Basic** is gets installed as well. This allows you to write code. Therefore, to employ **Basic**, you must launch the **Studio** editing environment and, if you want to write code, you must open **Visual Basic**.

2. Web Forms

The process of creating an **ASP.NET (Web Forms)** application is similar to that of **Windows Forms** Type projects. The steps leading to the creation of a new application are:

File ➤ **New Web Site** ➤ **Visual Basic** ➤ **ASP.NET Empty Web Site**

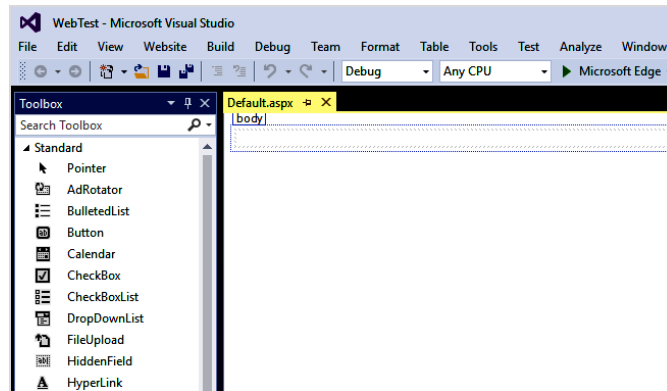
In the **Web Location** box, the user specifies the name of the folder where the project files will be placed (**WebTest**, for instance). Implicitly, the work folder is **Documents\Visual Studio 2015**.

In order to create a **Web** form/document:

Website ➤ **Add New Item** ➤ **Visual Basic** ➤ **Web Form** ➤

The **Design (Default.aspx)** file of the editing environment for **Web** forms is where the controls are placed on the form. When a form (document) is active in the editing environment, the **Toolbox** offers controls and components that can be used in the application. A form can contain many controls (objects), and it could also be considered an object itself. The **Properties** window allows the user to select the object and the particular property they wish to edit (for instance, the **Text** property, which determines the title (**Name**) of a form or object (Figure no. 1.).

Figure no. 1. Web Form Window



Editing **Web** forms is similar to editing texts – it involves using the **Enter** and **Space** keys. By **double-clicking** on the control or using your **mouse** to **drag@drop**, the controls can be included in the text.

3. Web Controls

One can add **Web controls** to **Web Forms**, next to the data they control, so that the act of operating them can be effectuated in a way that is as smooth and explicit as possible.

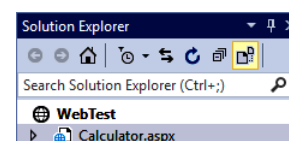
The most important **Web controls**:

- A Label** The **Label** Control displays descriptive texts (titles, short explanations and so on). This control is also useful when it comes to describing other controls, like **ListBox** or **TextBox**. The messages displayed using this type of control could be an answer in real time to an event or process of the running application.
- ab Button** The **Button** control is inserted with the purpose of running a macro and the managed event is a **Click event**. The text displayed on the button is related to the **Text** property, while its name is related to the **Name** property. If the text exceeds the length of the button, it is separated in lines (in this case, one might have to adjust the height of the button).
- abl TextBox** This control is one of the most commonly used controls when it comes to programming graphical interfaces, due to the fact that it offers multiple advantages and alternatives, both to the user, when inserting data, as well as the programmer, when manipulating these data. The aspect of the text is determined by the **Font** and **ForeColor** properties. Similar to other controls, these properties can be edited using a source code, as the application is running. A text box can be used in an active way (the user can access its content) or in a passive way (the user can only see its content, without being able to edit it, since the text is protected).

4. Examples

4.1 Arithmetic calculations

- ☞ Create a **Web** document.
- ☞ The name of the document appears in the **Solution Explorer (Default.aspx)** window. **Rename** it to **Calculator.aspx**.



☞ Activate the **Design** file. The **DOCUMENT** control appears in the list of controls of the **Properties** window.

☞ Introduce the **TextBox**, **Label** and **Button** controls (Figure no. 2., Table no. 1).

Figure no. 2. Document (Calculator) in Design Mode

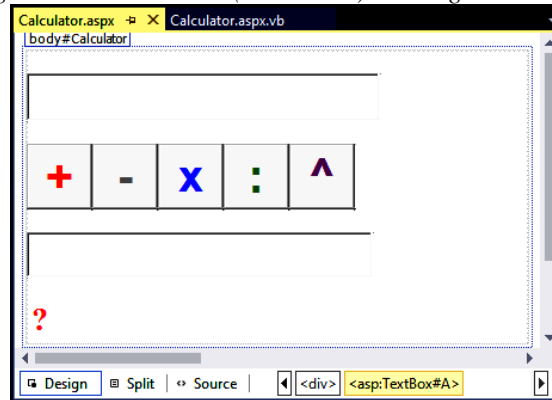


Table no. 1 Controls for Document (Calculator)

<i>Controls</i>	<i>Properties</i>
DOCUMENT	ID Calculator Title Calculator
TextBox	ID A Width 288px Height 34px Font, Bold True Font, Size 15pt
TextBox	ID B Width 288px Height 34px Font, Bold True Font, Size 15pt
Label	ID R Text ? Width 288px Height 34px Font, Bold True Font, Size 20pt
Button	ID Gat Height 55px Width 55px Font 30pt Font, Size 30pt ForeColor Red
Button	ID Dow Height 55px Width 55px Font 30pt Font, Size 30pt ForeColor Gray
Button	ID Mul

Button	Height	55px
	Width	55px
	Font	28pt
	Font, Size	28pt
	ForeColor	Blue
	ID	Div
Button	Height	55px
	Width	55px
	Font	30pt
	Font, Size	30pt
	ForeColor	Green
	ID	Pow
Button	Height	55px
	Width	55px
	Font	30pt
	Font, Size	30pt
	ForeColor	Purple
	ID	

☞ Event procedures:

```
Protected Sub Gat_Click(sender As Object, e As EventArgs) Handles Gat.Click
    A.ForeColor = Drawing.Color.Red
    B.ForeColor = Drawing.Color.Red
    R.ForeColor = Drawing.Color.Red
    R.Text = Val(A.Text) + Val(B.Text)
End Sub
Protected Sub Dow_Click(sender As Object, e As EventArgs) Handles Dow.Click
    A.ForeColor = Drawing.Color.Gray
    B.ForeColor = Drawing.Color.Gray
    R.ForeColor = Drawing.Color.Gray
    R.Text = Val(A.Text) - Val(B.Text)
End Sub
Protected Sub Mul_Click(sender As Object, e As EventArgs) Handles Mul.Click
    A.ForeColor = Drawing.Color.Blue
    B.ForeColor = Drawing.Color.Blue
    R.ForeColor = Drawing.Color.Blue
    R.Text = Val(A.Text) * Val(B.Text)
End Sub
Protected Sub Div_Click(sender As Object, e As EventArgs) Handles Div.Click
    A.ForeColor = Drawing.Color.Green
    B.ForeColor = Drawing.Color.Green
    R.ForeColor = Drawing.Color.Green
    R.Text = Val(A.Text) / Val(B.Text)
End Sub
Protected Sub Pow_Click(sender As Object, e As EventArgs) Handles Pow.Click
    A.ForeColor = Drawing.Color.Purple
    B.ForeColor = Drawing.Color.Purple
    R.ForeColor = Drawing.Color.Purple
    R.Text = Val(A.Text) ^ Val(B.Text)
End Sub
```

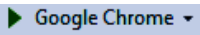
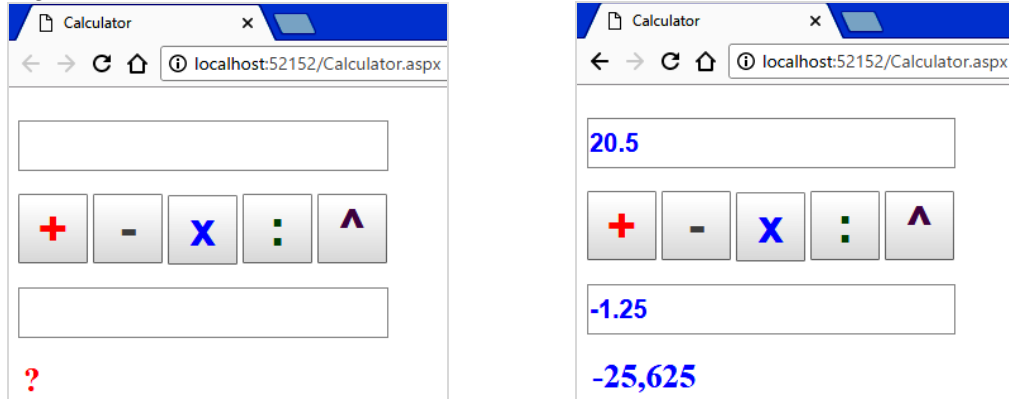

☞ Activate the  button, in order to launch the **Internet browser** (in this case, **Google Chrome**). The project will be compiled, and the generated code will be transferred to the browser (*Figure no. 3.*).

Figure no. 3. Document (Calculator) in Run Mode



☞ Stop the running application, using the  button (**Stop Debugging**).

4.2 Financial Calculations

☞ Create a new **Web** document (**FinancialCalculations.aspx**) - Figure no. 4, Table no. 2.

Figure no. 4. Document (Financial Calculations) in Design Mode

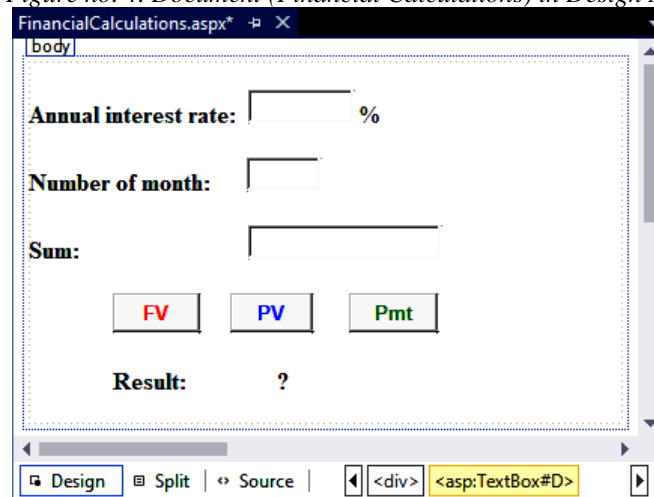


Table no. 2. Controls for Document (Financial Calculations)

<i>Controls</i>	<i>Properties</i>
DOCUMENT	ID FinancialCalculations Title Financial Calculations
Label	ID R Text ?
TextBox	ID D
TextBox	ID P
TextBox	ID V
Button	ID bFV
Button	ID bPV
Button	ID bPmt

☞ Event procedures:

```
Protected Sub bFV_Click(sender As Object, e As EventArgs) Handles bFV.Click
    R.Text = "FV: " & FV(Val(D.Text) / 100 / 12, Val(P.Text), Val(V.Text)) & " Euro"
End Sub
Protected Sub bPV_Click(sender As Object, e As EventArgs) Handles bPV.Click
    R.Text = "PV: " & PV(Val(D.Text) / 100 / 12, Val(P.Text), Val(V.Text)) & " Euro"
End Sub
Protected Sub bPmt_Click(sender As Object, e As EventArgs) Handles bPmt.Click
    R.Text = "Pmt: " & Pmt(Val(D.Text) / 100 / 12, Val(P.Text), Val(V.Text)) & " Euro"
End Sub
```

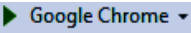
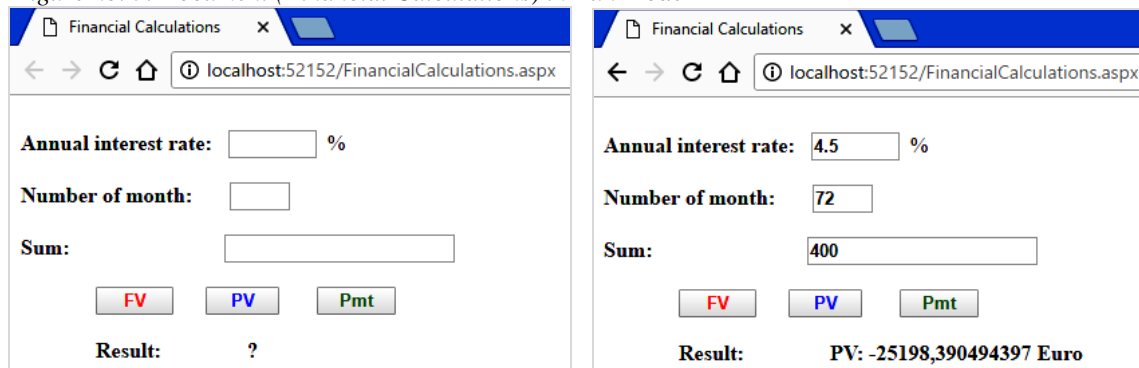
☞ Activate the  button, in order to launch the **Internet browser** (in this case, **Google Chrome**). The project will be compiled, and the generated code will be transferred to the browser (*Figure no. 5.*).

Figure no. 5. Document (Financial Calculations) in Run Mode



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Reflections on Corporate Governance

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Abstract

While approaching a complex topic which has long been debated in the specialized literature, this paper makes an attempt to capture a significant part of the recent shortcomings of corporate governance, in spite of it being recently thought to have reached a considerable level of perfection.

It enumerates some important issues and reflections, while the authors manage to express their own reflections on what else could be done so that corporate governance may become more successful in creating a healthier social and business environment.

The paper at hand emphasizes the fact that learning from the past in the first step towards, in the long run, a future society of responsibility and ethical corporate governance, in which quantity and tight time limits may become obsolete and replaced by a constant concern with sustainable growth as a safe way to maximize the value of certain entities, and to achieve the general interest.

Key words: corporate governance, social and economic environment, ethics

J.E.L. Classification: G34, M40

1. Introduction

Corporate governance is a complex concept, the practice of which has begun along with the first forms of social partnership, although the current notion of corporate governance was only coined in the 1980's. As Tricker showed in his work (2015, p.4), Chaucer, one of the best English poets of the 14th century, who used the concept in his work, was in doubt as for the correct spelling of the word: either "gouernance" or "gouvernaunce". Shakespeare illustrated the paradigm of the practice of this form of entity governance in his play "the Merchant of Venice", by describing the agony which was tormenting Antonio, the merchant, as he saw his ships sail away with his entire fortune, after having entrusted his wealth for others to manage.

If we think of corporate governance in legal terms, we could say that it originated in the legal system, in the concept of "corporate law", which goes back to the middle of the 19th century (https://en.wikipedia.org/wiki/United_Kingdom_company_law). Its object of study was how shareholders, directors, employees, creditors and all the other interested/affected parts interacted with one another (https://en.wikipedia.org/wiki/Corporate_law).

Blair (1995, p. 19) believes that corporate governance is a correlation of legal, cultural and institutional measures which describe what various entities do, the person in charge, how control is exerted, how risks are assigned and how it affects the actions of the respective entity.

Wolfensohn (1999) believes that corporate governance is as important in the economic environment as state governance is in the political world, as it aims to promote corporate correctness, transparency and responsibility.

After what seemed to be the maximum level of appraisal of corporate governance, a series of financial and economic mistakes proved that corporate governance is a double-edged sword. It is not only built around a set of paths leading to performance, but it can also be "the tempting cup" beyond which different opportunistic leaders create different illusions. The latter can, in the long run, prove to be genuine bombs, with contaminating effects, which can make the entire social and economic environment explode.

Within this context, corporate governance is not described as a new paradigm, but day-to-day reality makes it increasingly interesting, given the premises it is able to generate within an entity and its impact upon the economic dynamics in general.

If there is such thing as "the positive effect of crises" (<https://www.ifac.org/global-knowledge-gateway/governance?overview>) or of failure, in relation to corporate governance, it is the fact that they show the uncosmetized face of reality and they create the perfect moment to "change governance policies" (Organization for Economic Cooperation and Development, 2009).

Morariu (2012) describes corporate governance as "encompassing the formal and informal public and private entities of a country, which rule together to govern the relations between the administrators of those corporations and the people who invest their resources in the corporations in the respective country".

A considerable number of interested and/or affected parties, including governments, regulation authorities, surveillance organizations, professional organisms, as well as international agencies and organizations, such as the International Organization of Securities Commissions, Organization for Economic Cooperation and Development, United Nations Conference on Trade and Development, and the World Bank are currently debating the challenges and solutions for an efficient corporate governance (<https://www.ifac.org/global-knowledge-gateway/governance?overview>).

Within this framework, the starting point for the debates regarding corporate governance constituted the failure and weaknesses of corporate governance mechanisms, including the systems of risk management and executive compensation (Kirkpatrick, 2009), as past lessons that can be used to reinforce principles and improve governance practices. Other debates have turned towards the deficiencies of the corporate governance framework and the incompetence of internal and often external audits (Angur, 2009; Afrasinei, 2009; Haspeslagh, 2010; Jones, 2011 and others) as causes of these mistakes.

The International Federation of Accountants and the Chartered Institute of Public Finance and Accountancy (2014) notice the need for an efficient corporate governance in the practice of the entities and feel that it can only be achieved by means of a qualitative, rather than a quantitative approach, which would, in the long run, prove unreasonable. It is already claimed by everyone that it is necessary to base corporate governance upon integrity, objectivity, transparency, responsibility and intellectual honesty.

For instance, in an attempt to identify the best way to practice corporate governance, Armstrong et al (2016) believe that financial reports are essential, as they can contribute to an efficient corporate governance, by ensuring a transparent environment in which, theoretically speaking, the managers' interest can meet the shareholders'. The authors think that, by means of high-quality financial reports, it is possible to soften the informational asymmetry and provide early warnings on profitability and risks to the respective entity, enabling it to intervene in order to remedy the situation. A similar point of view is expressed by Avram et al (2017, p.87), who think that governance also includes the surveillance of the financial reporting process.

In a different train of thoughts, Tricker (2015) suggests a complex approach to corporate governance, structured in three parts: principles, policies and practices. The author's vision includes the origins and evolution of corporate governance within the context of the financial crisis, the legislative framework and case studies related to corporate governance in certain states. The work also brings to the reader's attention the executive compensation systems and brings forth the topic of what can be done for a more efficient corporate governance, as well as the attitude towards risks and the importance of organizational culture within the corporate governance of various entities.

Within this framework, our study makes an attempt at detailing the existing studies regarding efficient corporate governance, while drawing attention to the fact that the principles of an efficient corporate governance are useless in the absence of the necessary key factors enabling entities to implement it. We will also try to express a point of view regarding the way corporate governance can be put into practice.

2. Summary regarding the evolution and contents of the concept of corporate governance

Getting a clear image of the evolution and contents of the concept of corporate governance implies hard work and an ample framework, which will be thoroughly observed during our research activity. Nevertheless, given the fact that such an introduction is imperative to our study, we shall enumerate some of the most important elements related to the evolution and contents of the notion of corporate governance. Thus, in 1992, Cadbury defined corporate governance as "the system used to manage and control entities".

The evolution of the economic environment led to the development of various approaches, resulting in an expression according to which corporate governance is "the set of responsibilities and practices exerted by the Administration Board and the executives in order to provide strategic orientation, reach objectives, manage risks and ensure that the organization's resources are used responsibly" (International Federation of Accountants, 2009).

Hilb (2012, p.7) defines corporate governance as "a system by means of which companies are strategically and integrally managed and holistically controlled in an ethical, entrepreneurial way, according to the given context".

OECD (2015), believes that "corporate governance implies a set of relations between the management of an entity, the administration board, the shareholders and the stakeholders. Corporate governance also assumes the organization enabling the managers to determine the entity's objectives, the means towards these objectives, and to monitor performance".

After having analyzed the above-mentioned concepts, we can infer that the study of the concept of corporate governance has evolved in time, resulting in richer contents. It began with entity administration ("ruled and controlled"), in which the entity's actions complied with strict rules, and went on to ensure sustainability, by considering the interests of the social and economic environment, resulting in responsible decisions and use of the existing resources. Conceptually speaking, this was a happy measure, given the fact that the actions of the parts ("integrally managed and holistically controlled") constitute an entire set, the success of which is largely dependent on the harmony ("set of relations") and approach ("ethical") on the part of those who add value to the contents of any projection: the people.

The entire theoretical evolution of the study of corporate governance led to the idea that "rules and procedures are not enough to ensure a proper workplace behavior (Schu, 2016). Something else is necessary in order to restore business balance. Within this context, "the landscape of corporate governance is changing and we must all make an effort to improve trust in the business environment and to promote a stronger economy" (Financial Reporting Council, 2017).

3. Towards the future of corporate governance: how can we align theory and practice?

In our attempt to reveal this "something else", we are joining those who have noticed that, despite its constant concern with improving, corporate governance has yet failed to prevent the occurrence of economic failure and financial crises. As Broadley mentioned in 2006, no governmental system, regardless of how well it is conceived, will fully stop the greedy, dishonest people from placing their own personal interests above those of the entities in their administration.

Short-term earnings have led the leading structures to venture foolishly into taking exaggerated risks and to invest heavily in unprofitable current assets without holding sufficient information or taking useful hints. It is no surprise the fact that "the way the managers, the monitoring authorities, the financial auditors or the rating agencies carried out their duties", has led to the creation of an unstable environment (Bulata, 2014). The result was a series of business failure: Enron, WorldCom, Tyco, Parmalat, Comroad, the maximum point of which being the financial crisis in 2008. The business behavior which characterized the management structures of these entities is

similar: manipulation, an appetite for fraud and deceit and discarding long-term thinking, in favor of today's benefits. This was bound to undermine value and bring about business failure.

In a more general perspective, it is our belief that the pursuit of immediate, exorbitant amounts of money was made possible by the annihilation of the protection provided by the system of internal control in its largest sense and of the possibility to make an early diagnose of problems thanks to financial auditing. The perversity of the leading structures also contaminated the external audit and converted it to suit their own interest by using a common god: easy money. This was done by means of not only having a certain firm run the external audit, but also acquiring various services from the same firm (such as audit services or business consulting), which enabled the corrupt company to conceal reality in misleading statements which were meant to portray an efficient corporate governance.

Nevertheless, it is our opinion, as well as that of most specialists, that various measures can be taken in order to reduce the risk of fraud and to restore normality to the economic community, given the fact that there are visions and governing principles, but they are not properly put into practice. Within this context, Bulata (2014) believes that the entity's actions should be conducted in transparent conditions, profit should be reconsidered and seen from the perspective of correct accounting practices, just compensation and clear financial reports, which should not mislead the market. Moreover, it would be desirable that all of these elements may not be approached based on the idea that profit is the only performance indicator.

Dennery (2013), believes, and so do we, that an efficient corporate governance should make use of the leaders' judgment. They should learn to distance themselves from the theoretical approaches to corporate governance, implement it effectively in making decisions and taking risks, and start taking ethics into consideration in order to achieve a socially responsible governance of the entities.

Avram et al (2014, p.49) consider that the future of corporate governance can be approached either passively ("we'll see what happens"), or proactively, by setting the premises of bringing forth a more desirable future.

As far as we are concerned, we think that, when organizing and carrying out an entity's actions, it should be taken into consideration the principles and contents of the concept of an ethical corporate governance. It is the only way to create good practices of corporate governance that would serve a social interest.

In our opinion, it is necessary to create a Framework of corporate governance with worldwide applicability, as is the Universal Declaration of Human Rights, based on ethics, morality and professionalism, and the implementation of which should be ensured by a rigorous sanctioning of those who intentionally disregard ethics and the law and go down the road of fraud. Given the fact that we are all responsible for the social and economic environment and for our own welfare, we must not compel the future generations to live in an unbalanced environment with neither social nor economic resources. On the other hand, we think that an efficient corporate governance should be the background of socially responsible organizational cultures created by capable leaders, who would reinforce the system of internal control, in a creative, mobilizing and restoring way, which would eliminate shortcomings and frustration. Also, as indicated by most of the members of the economic community, the economic field will require some highly trained professionals, who may take responsibility for their own decisions.

As Colella inferred in 2017, "using past mentalities to solve tomorrow's issues will undoubtedly fail". We can never have a clear prevision of what the future holds, but one thing will always be certain and true: "ethical management, integrity and wisdom are absolutely essential to the governance of any business".

Corporate governance seems to us to take on the aspect of an eternal topic, as it will long be the object of theoretical research and debate of various professional organisms, in order to provide answers to an entire range of concerns: How can we implement the results of the studies regarding the efficient corporate governance of entities? Who bears the responsibility of monitoring the practices of corporate governance at the national, international or global level? Who should sanction digressions from the principles of corporate governance, and how? Could this monitoring affect the principles of a democratic society and set the premises for tyranny, or for a set of unitary, responsible practices? ...

The main shortcoming of our work is obviously the fact that it does not provide an exhaustive approach, but stays rather principled. However, it is our opinion that this material constitutes a good starting point for further quantitative research aiming at identifying various factors and quantifying their individual and concentrated influence upon the quality of corporate governance. It may also prove interesting to study the comparative analysis of different models or specific cases of corporate governance etc.

4. Conclusions

In the end we have reached the conclusion that corporate governance tends to develop into becoming an institution, with an entire series of complementary elements: leaders, shareholders, stakeholders, legal framework, professionalism, organizational culture, internal control and audit, sustainability, long-term visions, seriousness, responsibility, etc.

The good practices of corporate governance are mere reflections of the theoretical principles in the actions of various entities. On the other hand, it is important to stay reasonable and admit that any system, regardless of how good its intentions are, will always have shortcomings. However, these shortcomings should not be caused by human premeditation, rather they should take on the aspect of a force majeure event.

Our study emphasizes the fact that learning from the past is the first step towards, in the long run, a future society of responsibility and ethical corporate governance, in which quantity and tight time limits may become obsolete and replaced by a constant concern with sustainable growth as a safe way to maximize the value of certain entities, and to achieve the general interest.

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Study Concerning the Measure of Using Accounting, Economical and Administrative Evaluation in Practice

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Abstract

Through genesis, accounting has appeared from the necessity of knowing and managing patrimonial elements of the entities and for this purpose, many methods and techniques have been developing. Such a method of ensuring real information about patrimonial elements is evaluation.

Evaluations, respectively evaluation results, have always had the capacity of significantly influence the decisions taken based on the provided information. Therefore, the evaluators must theoretically and practically know the diverse kinds of evaluation, the main notions used in evaluation, the moments when the evaluation is requested, the extremely diversified gamut of evaluation methods and last but not least they have to keep up with the more frequently legislative changes.

Starting from the purpose for which the evaluation is requested, this can be accounting evaluation, administrative evaluation and respectively economical – financial evaluation. The purpose of accounting evaluation is to elaborate financial reports, and administrative, economical and financial evaluations have the purpose of determining the market value for different reasons.

Key words: accounting evaluation, economical evaluation, administrative evaluation, decisional process

J.E.L. Classification: M40, M41

1. Introduction

In accounting practice and theory, a real informing is realized only when the patrimonial elements are presented at their fair value through the instrument of evaluation. This information are used in the decisional process by different categories of users.

Evaluation is a form of quantification through which the accounting method determines in natural expression the elements of fortune and expresses this size with the help of currency. In this way, through evaluation, all assets, debts and own capitals are homogenized, are expressed by the same gauge and they can be centralized. (Todea, 2009, p.114). Concerning reevaluation, this means evaluating again, regularly it means updating a preexistent value. (Todea, 2004, p.4).

The traditional way of evaluation is an amalgamation between the prudence principle and historic cost and the process of globalization and harmonization concerning evaluation has as coordinate the concept of fair value.

Also for offering useful information to different categories of users, when making an evaluation, one must take into consideration the purpose for why it is made, therefore for making financial statements one applies to accounting evaluation, and for determining the market value for different reasons such as selling, fusion, taxing it is applied to administrative and economical – financial evaluation.

Conceived and structured on a complex matter, this scientific research is considering to present the measure of using the accounting, economical – financial and administrative evaluation in practice.

2. Methodology

The purpose of this scientific research is to present both theoretically and practically aspects concerning accounting, administrative and economical – financial evaluation, as well as the measure of practically using every type of evaluation. The methodology I have used in making this scientific research is based on a theoretical study of the concepts and regulations in this domain, accompanied by an empirical research through which I pointed out peculiar aspects concerning the approached subject. I have applied to studying papers from financial accounting domain elaborated by specialists and theoreticians in this domain, to studying the Evaluation Standards, to analyzing the regulation in the domain, thus being a qualitative, explanatory research and also, for establishing the measure of practically using each type of evaluation, I have applied to a research based on statistical survey through questioning.

3. Aspects Concerning Accounting, Economical and Administrative Evaluation

The measuring of an entity's position and performance is realized by evaluation and analysis, representing the starting point for the diverse categories of users when taking a decision.

Evaluation is of great interest for the economical environment due to the fact that a great deal of operations and transactions cannot be made without a proper evaluation, because otherwise, the decisions don't have a fundament. Among these transactions and operation we recall: placing the shares in the financial market, calculus of different taxes and fees, entity's selling, fusion – dividing operations, making financial reports.

For making financial reports, a financial evaluation is required, as it is provided in accounting norms and standard, taking into consideration the specific peculiarities of each asset and passive asset. These peculiarities may refer to evaluation basis, the values to which certain patrimonial elements may be evaluates and respectively, the methods of evaluation through which certain elements may be evaluated.

Entity's evaluation as a whole is different than the evaluation of balance sheet elements taken separately. The phenomenon of globalization, respectively harmonization had a significant influence on the increase of complexity of the entities' economical – financial activities, of the situations the entities have to deal with. As a result, different techniques, methods and procedures have been developed, which respect the main accounting principles and through which the entities may provide real and complete information to the different categories of users in order to make good decisions. A part of these methods and techniques are specific for economical – financial evaluation.

The phenomenon which triggered the entities' economical – financial evaluation was the merchants' desire to know the size of their wealth or to know which parts of their properties were sold, donated, inherited expropriate or were subjected to taxation. (Cabariu, 2002, p.13)

Economical – financial evaluation has the purpose to individualize the goods, the assets or the entity in rapport to the market. (Todea, 2004, p.7) It represent a complex of techniques, procedures and methods based on multi disciplinary through an asset or an entity as a whole, are brought from the value point of view, to the level of the market and through which is ensured comparison with the market value. (Deaconu, 2002, p.7)

Economical and financial evaluations are the only evaluations based on expertise and diagnosis and which have as a final purpose the determining of market value taking into account the actual condition of goods usage, and the actual conditions of organization and functioning of the entities. (Toma, 2009, p.23)

One of the main users of financial information is the state, which in some cases has different interests than the one of managers, shareholders, and respectively associates. Therefore, if the state wishes to obtain as much income as possible from taxes and fees, the managers, shareholders, and respectively the associates wish to diminish the amount of money which they are to pay to the state, seeking for diverse legal methods such as the ones of creative accounting.

In order to eliminate such aspects, the state applies to administrative evaluation. Administrative evaluation is the one provided through diverse normative documents. As no normative document can provide methods for dimensioning the impact in the administration of each entity, for prices

modifications, ratio of exchange of national currency and management policies, administrative evaluation can only by chance and only from the moment when the normative document has been made, approach the market value of some goods, but never of the one of an entity. (Toma, 2009, p.23)

Normative papers may be enforced by public or local authorities such as ministries, city halls, privatization agencies, fiscal regulations. In this way, the evaluator has to respect first the applicable regulation. There will be situations where might appear diversions from Evaluation Standards, diversions which will not be a breaking of the standards, with the condition that they are reasonable, to respect the ethical principles, and competence limits, and in the evaluation report, there should be included a rational motivation for this diversion. (Anghel et al., 2010, p.20)

Concerning time universe, the data used in the administrative evaluation, are about the past not the future, administrative evaluation being based on a deep analysis of the evaluated property or of its economical perspectives, and the used evaluation methods are the simplest from the totality of the existent methods, consisted of calculations based exclusively on accounting data, on taxpayer's declarations, or on the previous currency at which the entity's share transactions took place.

A comparison between accounting, administrative, economical and financial evaluation points out the fact that the method is the same, but the purpose if different. Therefore, even though accounting evaluation is made at fair value, and administrative, economical and financial ones are made at market value, as method they are the same because concerning the definition of fair value and of market value it is relatively the same: "Fair value is the sum for which an asset may be willingly exchanged, between two interested parts, which are totally conscious, in a transaction in which the price is objectively determined. "(Anghel et al. 2010, p.63) and "Market value represents the estimated sum for which a property could be exchanged at the date of evaluation, between a determined seller and a determined buyer, in an equilibrate transaction after an adequate marketing, in which each part acts fully conscious, prudently and without restraints". (Champness, 1997, p.18)

In order to better understand the definition of market value, but also of fair value, we further present some terms we used: estimated sum / sum – is the payable price in a free transaction, evaluation date – imposes that the evaluated market value is specific to a precise date, determined buyer to purchase – refers to a motivated, but not forced buyer, Seller determined to sell – shows also that the seller is not forced to sell, neither rushed to close the transaction, but is not disposed to wait until he / she gets the price he considers reasonable, interested parts being fully conscious – represent the seller and the buyer in a free transaction – means a transaction closed between parts between there is no peculiar and special relationship which may influence the price, after an adequate marketing – signifies the fact that the asset will be provided on the market in the most appropriate way for getting the best price, where each part acted fully conscious and prudent – the two parts are informed on the business' nature and characteristics and without constraint – each part is motivated to close the transaction, but neither is forced or rushed to do this thing. (Păvăloaia, 2006, p.13)

4. Quantitative Study Concerning Practically Using the Three Types of Evaluation for Taking Different Decisions

In the period December 2016 – January 2017, a survey of 210 people, 30 for each region in the country was sent towards accounting experts, evaluation experts, managers, personnel from the economical – financial department, having the purpose to observe the way in which the evaluation results influence the decisions taken by diverse categories of users.

The questionnaire includes closed comprehensible questions and for the default answers I have used Likert Scale through which it is established to what extent the respondents agree or not with the affirmation within the questionnaire. Subsequently, I used 5 response values, where number 1 is "Very much", number 2 is "Much", number 3 is "Neutral", number 4 is "Less" and number 5 is "At all".

The analysis of the first part of the questionnaire which is consisted of respondents' identification questions shows that 67% of the respondents are accounting experts, 21% are people who are working in the financial accounting department, 8% of the respondents are evaluation

experts, respectively 4% are managers. From the point of view of the experience in the field, the respondents to this questionnaire have mentioned that 75% of them work over 10 years in this domain, 17% of them have an over 5 years experience and 8% less than 5 years.

Depending on the region where the county belongs, respondents have mentioned that 42% of them work in the Centre Region, 17% in the North – Western Region, 17% in the South – Eastern Region, 8% in the North – Eastern Region, 8% in the Western Region, 4% in the South – Eastern and 4% in the Southern one.

The respondents of this Questionnaire mentioned that 54% of them work within a microenterprise, 25% within a big entity, 13% within a middle one, respectively 8% within a small one.

Response rate was 34,28% meaning 72 respondent people.

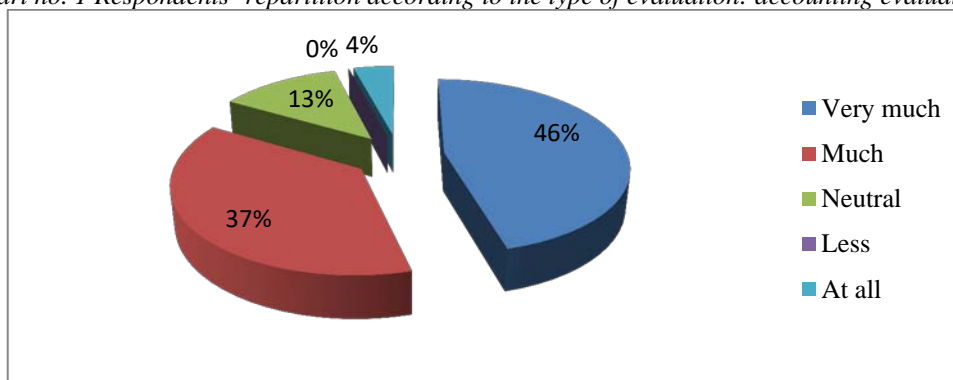
The second part of the questionnaire comprises a number of 19 questions, which have the role to lead or not to lead to the validation of the proposed hypothesis. Among these questions the one referring to the most common type of evaluation may be found.

Question: *In your activity, how much do you use the following types of evaluation: accounting evaluation, administrative evaluation, economical – financial evaluation, juridical evaluation, evaluation for other purposes?*

a) Accounting evaluation

The respondents of this questionnaire have mentioned that 46% of them use very much the accounting evaluation, 37% use accounting evaluation more, and 4% of them do not use at all accounting evaluation. 13% of them prefer not to express their opinion to what extent they use accounting evaluation in their work.

Chart no. 1 Respondents' repartition according to the type of evaluation: accounting evaluation

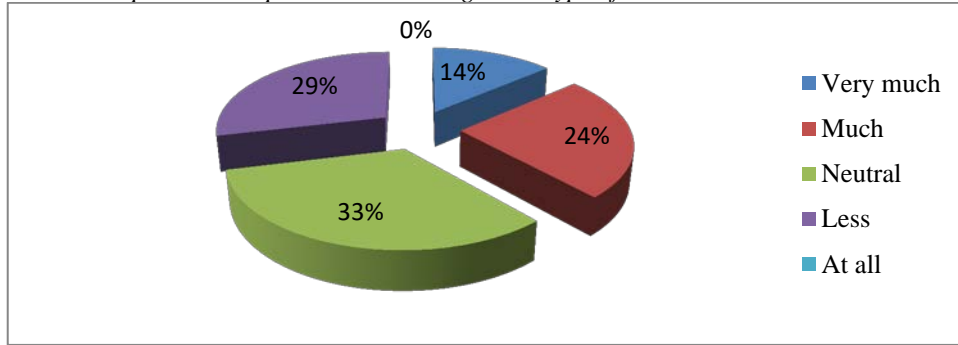


Source: Own processing

b) Administrative evaluation

The respondents to this questionnaire have mentioned that 24% of them use very much the administrative evaluation, 29% use less administrative evaluation, and 14% do not use administrative evaluation. 33% prefer not to express their opinion concerning to what extent they use administrative evaluation in their work.

Chart no. 2 Respondents' repartition according to the type of evaluation: administrative evaluation

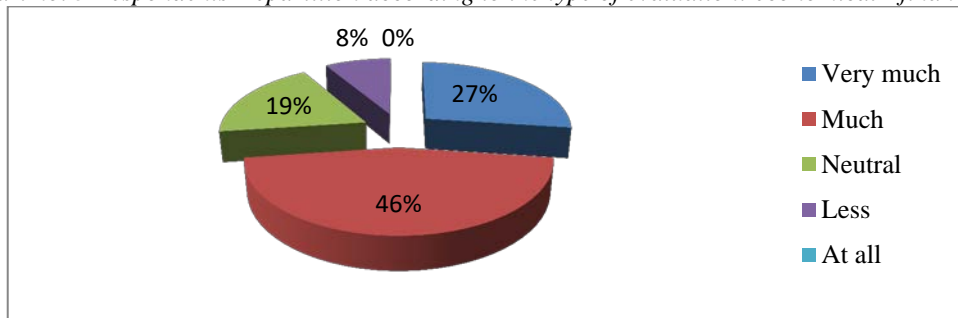


Source: Own processing

c) Economical – financial evaluation

The respondents to this questionnaire have mentioned that 27% of them use very much economical – financial evaluation, 46% use much economical – financial evaluation, and 8% use less this type of evaluation. 19% prefer not to express their opinion concerning to what extent they use economical - financial evaluation in their work.

Chart no. 3 Respondents' repartition according to the type of evaluation: economical - financial evaluation



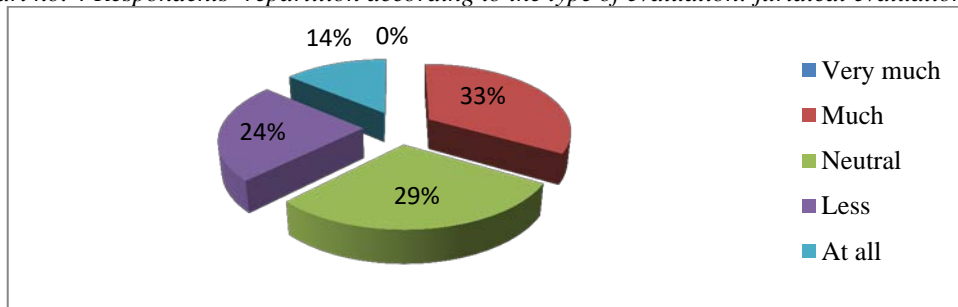
Source: Own processing

d) Juridical evaluation

The respondents to this questionnaire have mentioned that 33% of them use juridical evaluation much, 24% use less this type of evaluation, 29% prefer not to express their opinion concerning to what extent they use juridical evaluation in their work.

The fact that 14% of them do not use at all the juridical evaluation in their work, is worth mentioning.

Chart no. 4 Respondents' repartition according to the type of evaluation: juridical evaluation



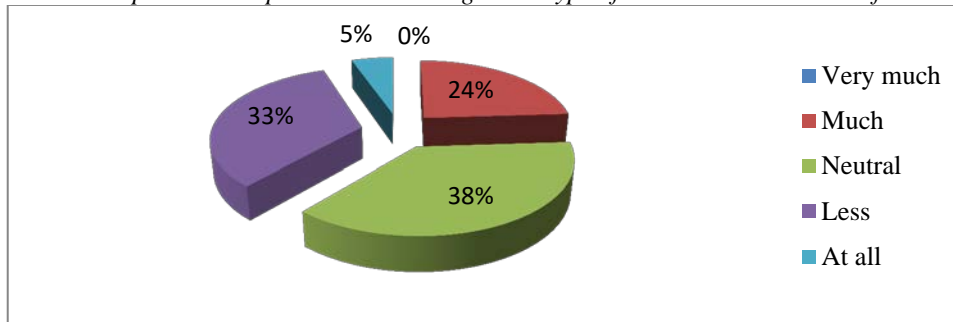
Source: Own processing

e) Evaluation for other purposes

The respondent to this questionnaire have mentioned that 24% of them use very much the juridical evaluation, 33% use less this type of evaluation. 38% prefer not to express their opinion concerning to what extent they use juridical evaluation in their work.

The fact that 5% of them do not use at all the juridical evaluation in their work must be mentioned.

Chart no. 4 Respondents' repartition according to the type of evaluation: evaluation for other purposes



Source: Own processing

Practically, the evaluations are requested by the beneficiaries of the evaluation results for different reasons and purposes. Based on the answers received to this question, one can say that the evaluation beneficiaries request the most the accounting evaluation, then, economical – financial evaluation, followed by the juridical evaluation. Evaluations for different purposes and the administrative one are the least requested.

The extent to which a certain type of evaluation is requested more or less is also due to effectual regulations.

As a result, in conducting the evaluation process, an evaluator must take into account the client's expectations, so that his option in choosing the type of evaluation has to be adapted to the environment, to the objective, respectively to the necessity of the client who requested the service.

5. Conclusions

Information is the key to substantiating decisions, and different categories of users of the information provided by the entities may benefit of real information only when they respect the effectual regulations, the accounting principles, when they realise an adequate evaluation and use the same accounting policies over time.

According to the purpose for which the evaluation is made, this can be accounting evaluation, for making the accounting reports, Economical – financial evaluation, respectively administrative evaluation for establishing the market value of different grounds such as selling, fusion, taxation. No matter the purpose for which the evaluation is applied to, the method of evaluation is the same. Economical realities show us that presently, the most requested type of evaluation is accounting evaluation followed by the economical – financial one, respectively by the administrative one.

Following each type of evaluation, it results information which reflects the real image of the entity, so that each evaluation requester, respectively user of evaluation result information benefits of the information he / she needs in order to substantiate his / her decisions.

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Evolution of the Unitary Value of Net Assets to Pension Funds in Pillar III

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Abstract

In the present paper I proposed to bring to the attention the evolutions of the unit values of the net asset (VUAN) for the facultative pension funds existing on the Romanian market at the end of March 2017. This indicator is defined at the beginning of the paper, and it continues with an analysis of the evolution of each fund over the whole period of existence until the end of the third quarter of 2017. At the same time, the VUAN performances for each fund are observed.

In the second part of the paper I made an analysis of the results for each year of the analyzed indicator and made annual ranking of the voluntary pension funds in Romania.

The paper addresses those concerned with the voluntary private pension market and can be a useful tool in making a decision for those interested in joining Pillar III.

Key words: voluntary pension funds; pillar III

J.E.L. Classification: G23

1. Introduction

As it is known, the unit value of the net asset (VUAN) is defined as the ratio between the net asset value of the pension fund at a given date and the total number of units of the fund at the same date. It expresses the profitability of a pension fund and its evolution shows how the manager, through the investments he made, managed to capitalize the contributions of the participants.

2. Evolution of the Unitary Value of Net Assets to Pension Funds in Pillar III

Based on the data published on the asfromania.ro website, I represented in Figure no. 1 the annual evolution of the VUAN for the 10 private facultative private pension funds from the start of each of them until March 31, 2017. The start-up VUAN within each pension fund was established by law at the level of 10 lei.

From the annual evolution of the unit value of the net asset, we note that for five of the funds it was upward each year, while for the other five there was one year in which VUAN was descendant.

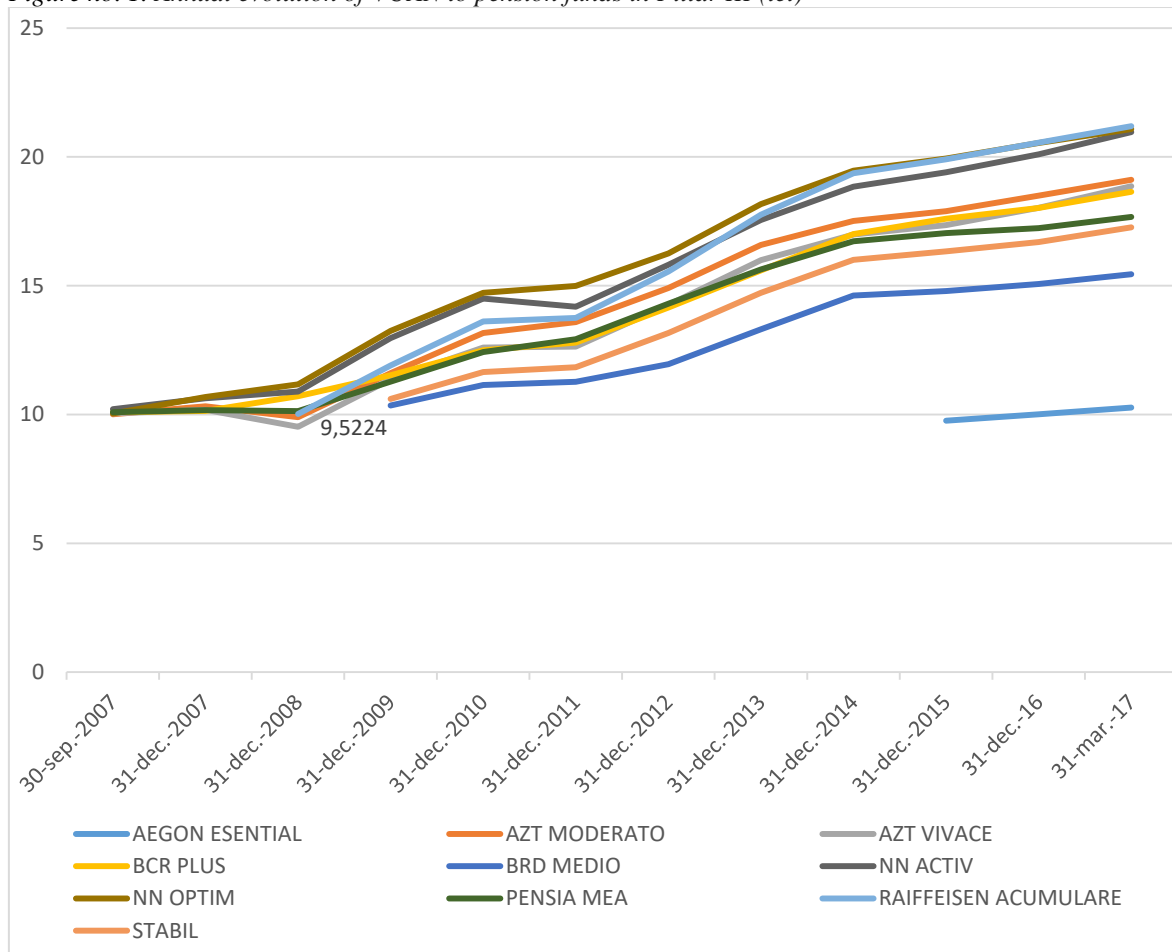
Next, we will analyze the annual evolution of VUAN for each fund.

The NN OPTIM Fund was the market leader until November 30, 2016 when it was overtaken by RAIFFEISEN ACUMULARE, VUAN increasing annually ever since its establishment. In 2009, we recorded the highest increase of 2.075548 lei (from 11.1692 lei to 13.244748 lei), while the weakest increase took place in 2011 and it was 0.263118 lei (from 14.726,382 lei to 14.9895 lei). The increase in 2009 (of 2.075548 lei) was the highest annual increase of VUAN in all years of operation and for all the Pillar III funds existing on the Romanian market on 31 March 2017. This increase was advanced only by the fund CONCORDIA MODERAT (fund absorbed by EUREKO) in 2009, which also set the annual growth record at 2.3510.

The evolution of VUAN for the RAIFFEISEN ACUMULARE fund has increased each year, the most favorable trend being in 2013, with an increase of 2.2049 lei (from 15.553221 lei to 17.758165 lei). The year with the weakest increase of VUAN was 2011, with an increase of only 0.137076 lei (from 13.612872 lei to 13.749948 lei).

On the third position was the second fund of NN, the fund NN ACTIV, which recorded increases of VUAN in each year of operation with the exception of 2011 when it decreased by -0.316595. The best year-on-year evolution was in 2009, with an increase of 2.07455 lei (from 10.8885 lei to 12.96305 lei). As I said, the only decrease of VUAN in the analyzed period took place in 2011 and was -0.316595 lei (from 14.502262 lei to 14.185667 lei).

Figure no. 1. Annual evolution of VUAN to pension funds in Pillar III (lei)



Source: made by the author based on the data published on www.asfromania.ro

In all years of operation, the AZT MODERATO fund recorded annual increases of VUAN, except for 2008, when the only negative evolution of VUAN was recorded, of -0.4255 lei (from 10.3213 lei to 9.8958 lei). The maximum increase was in 2009 of 1,710593 lei (from 9.8958 lei to 11,606393 lei)

For the BCR PLUS fund, the unit value of the net asset increased each year, with the best evolution in 2013 of 1.442558 lei (from 14.150993 lei to 15.593551 lei). The lowest annual growth occurred in 2011 and was only 0.297904 lei (from 12.495554 lei to 12.793458 lei).

An annual evolution of VUAN similar to that of the other Allianz-Tiriatic fund was also provided by AZT VIVACE. It recorded annual increases, of which the most important in 2009, of 1.838721 lei (from 9.5224 lei to 11.361121 lei), with the exception of 2008, when it registered a decrease of VUAN, of -0.6593 lei (from 10.1817 lei to 9.5224 lei).

The VUAN for the PENSIA MEA fund it had an increasing annual growth in each year of operation, except for 2008. Thus, the maximum increase was of 1.378035 lei in 2010 (from 11.274824 lei to 12.426386 lei), and the 2008 VUAN reduction was -0,038 lei (from 10.1678 lei to 10.1298 lei).

The STABIL pension fund had VUAN increasing each year. The best development was of 1.560087 lei in 2013 (from 13.164815 lei to 14.724902 lei), while in 2011 there was the smallest increase of 0.184891 lei (from 11.649504 lei to 11.834395 lei).

Every year he has been active on the market, the BRD MEDIO pension fund has increased VUAN, the best year being 2013, with an increase of 1.353598 lei (from 11.952803 lei to 13.306401 lei), and the year with the weakest growth was 2011, with a plus of only 0.119221 lei (from 11.14802 lei to 11.267241 lei).

Analyzing each year, we notice that at the end of the first year of operation - 2007, the six facultative funds on the market had a positive evolution compared to the initial value of 10 lei and had VUAN in the following order: 1. NN OPTIM – 10.68 Lei; 2. NN ACTIVE - 10.63 lei; 3. AZT MODERATO - 10.3213 lei; 4. AZT VIVACE – 10.1817 lei; 5. My PENSION – 10.1678 lei; 6. BCR PLUS - 10.14 lei.

In 2008, three of the funds had negative developments of VUAN: MY PENSION, AZT MODERATO and AZT VIVACE, the latter had the highest annual VUAN decrease over the period and all funds of -0.6593 lei To 10.1817 lei to 9.5224 lei). The other five funds had favorable evolutions of VUAN, the highest increase being in the BCR PLUS fund, of 0.5704 lei from 10.14 lei to 10.7104 lei).

The ranking at the end of 2008 brings NN OPTIM funds to the first three places as VUAN, with 11.1692 lei (this is also the first fund that exceeded the level of 11 lei), NN ACTIV with 10,8885 lei and BCR PLUS, with 10,7104 lei. The last three places included RAIFFEISEN ACUMULARE funds with 10.0218 lei, AZT MODERATO with 9.8958 lei and AZT VIVACE, with VUAN of only 9.5224 lei.

In 2009, the EUREKO CONFORT fund was the only fund that had a negative evolution of VUAN, of -0.402135 lei (from 8.4127 lei to 8.010565 lei). The other funds recorded increases in VUAN, the highest being NN OPTIM, of 2,075,548 lei (from 11.1692 lei to 13,244748 lei).

At the end of 2009, in terms of net asset value, the first three funds were NN OPTIM with VUAN of 13.244748 lei (this being also the first voluntary pension fund that passed the threshold of 13 lei), NN ACTIV with 12.96305 lei and MODERN CONCORD with 12.467,121 lei. On the last places were the STABIL funds, with lei 10.604551, BRD MEDIO with 10.348906 lei and EUREKO CONFORT with 8.010565 lei.

In the following year, 2010, we note the favorable developments of VUAN for all 11 Pillar III funds, the most significant being the RAIFFEISEN ACUMULARE fund, of 1.709763 lei (from 11.903109 lei to 13.612872 lei), in while the weakest evolution was the CONCORDIA MODERAT fund, of 0.71295 lei (from 12.467121 lei to 13.180071 lei).

At the end of this year, VUAN's top-ranked list finds NN OPTIM funds with VUAN of 14.726382 lei, NN ACTIV with 14.502262 lei and RAIFFEISEN ACUMULARE with 13.612872 lei. The last places were occupied by the same funds as at the end of 2009, STABIL with 11,649504 lei, BRD MEDIO with 11.14802 lei and EUREKO CONFORT with 9.223446 lei.

In 2011 there were increases of VUAN for 10 out of the 11 facultative funds, the best evolution having the CONCORDIA MODERAT fund, with a plus of 1.107637 lei (from 13.180071 lei to 14.287708 lei). The only fund whose VUAN registered a decrease was NN ACTIV, with a decrease of -0.316595 lei (from 14.502262 lei to 14.185667 lei).

The first three VUAN funds were, at the end of 2011, NN OPTIM with 14.9895 lei, MODERN CONCORDIA with 14.287708 lei and NN ACTIV with 14.185667 lei. On the last three positions we find again the STABIL funds with 11,834395 lei, BRD MEDIO with 11.267241 lei and EUREKO CONFORT with 9.446852 lei.

Starting with 2012, all Pillar III funds only recorded annual increases of VUAN. Thus, the largest increase in 2012 was registered by the RAIFFEISEN ACUMULARE Fund and was 1.803273 lei, from 13.749948 lei to 15.553221 lei, and the worst was 0.685562 lei from 11.267241 lei to 11.952803 lei of the BRD MEDIO Fund. At the end of this year, the first three VUAN funds were NN OPTIM, with a value of VUAN of 16.250372 lei, followed by NN ACTIV with a value of 15.812898 lei and CONCORDIA MODERAT with a value of 15.685715 Lei. The last positions were occupied by the STABIL fund with 13.164815 lei, BRD MEDIO with 11.952803 lei and EUREKO CONFORT with 10.46641 lei.

In 2013, the maximum increase belonged to the RAIFFEISEN ACUMULARE fund and was 2.204944 lei, while and the minimum increase was 1.266028 lei for the EUREKO CONFORT fund. The end of the year finds the fund NN OPTIM with a value of VUAN of 18.164278 lei, followed by RAIFFEISEN ACUMULARE with a value of VUAN of 17.758165 lei and NN ACTIV with a value of VUAN of 17.549445 lei. The weakest positions were occupied by the STABIL fund with a value of VUAN of 14.724902 lei, BRD MEDIO with a value of VUAN of 13.306401 lei and EUREKO CONFORT with a value of VUAN of 11,732438 lei.

The best increase of the annual value of VUAN in 2014 was 1,610767 lei registered by RAIFFEISEN ACUMULARE fund, while the weakest was 0.9933544 lei and belonged to the AZT MODERATO fund. The highest values of VUAN at the end of 2014 were those of the funds: NN OPTIM, with 19.46348 lei, RAIFFEISEN ACUMULARE with 19.368932 lei and NN ACTIV with 18.845485 lei. The lowest values of VUAN were recorded by the funds: STABIL with a value of 16.004948 lei, BRD MEDIO with 14.618059 lei and EUREKO CONFORT with 12.970177 lei.

In 2015, the VUAN value with the highest increase was registered by the BCR PLUS fund and was by LEI 0.596304, and the lowest was the one of BRD MEDIO by 0.176836 lei. At the end of this year, the first position regarding the value of VUAN was occupied by NN OPTIM with 19.940735 lei, followed by the RAIFFEISEN ACUMULARE fund with 19.908918 lei and by the NN ACTIV fund with 19.403589 lei.

The last positions belonged to the funds: PENSIA MEA with a value of VUAN of 17.041258 lei, STABIL with a value of VUAN of 16.333878 lei and BRD MEDIO with a value of VUAN of 14.794895 lei.

The best increase of the annual value of VUAN in 2016 was 0.6696211 lei registered by the NN ACTIV fund, while the weakest was 0.192742 lei and belonged to the PENSIA MEA fund. The highest values of VUAN at the end of 2016 were those of the funds: RAIFFEISEN ACUMULARE, with 20.5519 lei, NN OPTIM with 20.5374 lei and NN ACTIV with 20.0998 lei. The lowest values of VUAN were recorded by the funds: STABIL with a value of 16.6913 lei, BRD MEDIO with 15.0688 lei and AEGON ESENTIAL with 10.0070 lei. It should be noted that as of November 2016 the NN OPTIM Fund lost the first position in the VUAN rankings in favor of the RAIFFEISEN ACUMULARE fund.

On March 31, 2017 RAIFFEISEN ACUMULARE fund had the highest VUAN, 21.1913 lei (this was the first fund that exceeded 21 lei), followed by NN OPTIM with 21.0837 lei and NN ACTIV with 20.1392 lei, these three funds registering the highest increases of VUAN as compared to the initial value of 10 lei. The last three funds were still STABIL with 16.6913 lei, BRD MEDIO with 15.4443 lei, and AEGON ESENTIAL with 10.2711 lei.

3. Conclusions

In conclusion, VUAN offers a good picture of the overall evolution of a pension fund in terms of investments made. Depending on the total VUAN yields over the lifetime, until 31 March 2017, the first three places were occupied by RAIFFEISEN ACUMULARE, NN OPTIM and NN ACTIV. In fact, the NN OPTIM voluntary fund outperformed VUAN's remaining funds by the end of November 2016 when it was overtaken by RAIFFEISEN ACUMULATION.

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Development of Individual Entrepreneurship in Poland Under Crisis Conditions

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Abstract

In article presented an attempt to analysis and estimation of the crises process on polish enterprises, especially among small and medium enterprise, between 2007-2016 years. Researcher analyzed different side of their activities and financial results. Crisis period had a distinct effect on the deterioration of financial outcomes of enterprises from the private sector, which employ less than 9 people. Small and medium enterprises are doing well with the recession and economic crises. In difficult situations, individual entrepreneurship back to their own reserves quickly start working in other areas of activity, and move easily to new production. In Poland was introduced packet of various activities supporting entrepreneurship, undertaken on both the government, institutional and also European Union levels. External capital from EU found had significant meaning.

Key words: development, crisis, small and medium enterprises.

J.E.L. Classification: F 360, F 340, G 020

1. Introduction

Entrepreneurship is the result of the combination of many different factors, both internal predispositions of people who undertake business as well as external conditions determining the pace of enterprise development. Each enterprise is an open system. It remains in mutual relationships with the environment. External conditions such as the global financial crisis have a significant impact on the survival and development of the company. The entrepreneur must constantly monitor the environment and search the resources to gain new opportunities and find new solutions (Smallbone, 2011. pp.251).Moreover, it is forced to recognize the risks that may adversely affect the business. In the European economy, small businesses are an important subject of researches (Filip at all,2010p.23; Burca,2014,p.134)

Processes of enterprises' activity in the SME sector in Poland date back from1990. It is a result of the fact that in the last two decades conditions of managing economic activities on an international scale has changed, especially for smaller enterprises. Small and dynamic companies more often exploit possibilities of their expansion as a lift to rapid development. New occurrences and tendencies, which have their roots in the globalization process, favor this approach. They are the ability to acquire information; ability to initiate cooperation, creating partnerships, strategic alliances, cooperation and license agreements etc., which favors restocking deficient resources. A small company often doesn't have at its disposal knowledge and experience, as well as an infrastructure required to conduct international operations, therefore building an own network is of crucial importance. The reviewed changes in conditions of managing economic activities, especially the small ones in the internationalization aspect, have been imposed by new occurrences in the second half of 2008. Worldwide economic crisis began to exert negative influence also on the real sphere of Poland's economy. It is depicted by many macroeconomic indicators, including the GDP factor rise which was lower than the results from the previous years. However it should be noted, that at the same time it was one of the best results among countries of the European Union.

2. Methodology

In the study it was assumed that the term "crisis" would refer to the processes occurring in the global economy since August 2008, that is since the time of a sudden plunge of resource prices, credibility breakdown of a number of financial institutions of global significance, large fall of real estate prices, strong decline of indexes on primary global stock markets, increased unemployment indicators on primary markets and, as a consequence, drop of demand as well as a decrease of trade exchange value (Audretsch, 2009, p.178). In the face of world economy instability a question about the place and the role of entrepreneurship in overcoming the crisis result arises. May the crisis be the „chance" for entrepreneurship and what conditionings stimulate creation of new firms and development of already existing ones. An attempt to answer the above questions is analysis and estimation of the crises process on Polish enterprises, especially among small and medium enterprise, between 2007-2016 years. Main purposes of this paper were analyses financial conditions, financial results, their activities and development in this period.

The study in its intent focuses on research concerning business development issues, signs of which are small and medium-sized enterprises, which play a significant role in the economy of Poland and other European Union countries. The results of the analysis may also form the basis for inference about the role of the sector of individual entrepreneurship during the economic downturn.

3. Analysis of changes in the Polish enterprise-results of research

According to representative researches conducted in first years of crises in Poland, small enterprises are characterized by an important factor – during the global finance market crisis and the weakening of world economic conjuncture – their owners are optimists. The research indicates that small and medium enterprises had, in first time after crises has large plans regarding their activities in future years. Almost 75% of SME's had planned an increase of incomes; over expected an increase of profits, a third of them thought that their share of the market would increase (Leviathan, 2009, p.120). Over half planned investments and releasing new products and services on the market. Small and medium companies planned an increase of expenditures to purchase new technologies. They expected limitation of the gray zone. They estimated that access to credits would improve, and the contractors would pay their obligations in time. They also had large expectations regarding access to the European Union funds (Stec at all, 2014, p. 508).

This optimism was confirmed in their activities in 2009-2016 year. The crisis period had a distinct effect mainly on the deterioration of financial outcomes of enterprises from the private sector, which employ more than 9 people. Despite worsening of the conditions of the economic conjuncture the number of newly created enterprises displayed ascending tendencies. The largest amount of entities came into being in the group of small enterprises, employing from 10 to 20 people (28 284 in 2007 against 29 671 in 2012 – a change of 4,9%. In 2016 number of new companies increase than below period 10.2%

Financial data of enterprises from the private sector against a background of change of their numbers in years 2007-2016 shown important changes (table 1). To eliminate the seasonality of selected parameters were examined every five years.

Table no 1. Financial data of enterprises from the private sector against a background of change of their numbers in years 2007-2016.)

Financial indicator	2007	2012	2016
Gross financial outcome (billion zł.)	112,1	118,3	176,4
Net financial outcome (billion zł.)	93,3	90,6	115,8
Rate of gross profit (%)	6,3	6,4	8,4
Rate of net profit (%)	5,2	4,5	6,8
Rate of profitability of actives (%)	7,4	4,9	8,5
Participation of profitable units (%)	72,4	78,1	85,4
Financial result netto on 1 employer (thousand zł) (firm with over 9 employers)	21,8	25,8	33,7
Dynamics of change of the number of enterprises (previous year=100)	101,4	118,3	130,6

Source: Own research on the basis of: financial report based on GUS F-and F-01 from year 2007-2016 and date Ministry of Economy, Warsaw 2016, p. 127-131

Gross financial outcome in this period systematically increased. On the other side net financial outcome had the same position between 2007-2012 and later pic up. Rate of gross profit and rate of net profit (%) showed the same trends. Polish small enterprise growing up after 2012 Rate of profitability of actives was the best in 2016, with level 8.5% Participation of profitable units after 10 years of crisis was set up 85,4% Dynamics of change of the number of enterprises confirm their development. Though one should be aware, that the global crisis exerts a significant influence on the changes of the markets' conditions. Researches indicates that the number of enterprise collapses in the first quarter of 2008 increased by 11% in comparison with the analogous period after five years were observe process of increasing. Only elasticity in activity and quick adjustment to new conditions on the market can helped polish small and medium enterprises survive the economic slowdown period (Grzebyk, 2013, p.21) Those entrepreneurs who treated this time as a challenge to induce a diversity of changes within the company might outdistance the competition in the future and strengthen the company's position on the market (Zoltan, 2009, p.1165).

In Poland, like in other European Union countries, steps have been undertaken to make managing a business easier, on both the state and institutional level (Filip, 2014, p.181) The Polish Entrepreneurship Development Agency (PARP) stepped forth to meet the demands by, in compliance with it's competencies, joining the Ministry of Economy's actions on behalf of stability and development among SMEs . Tasks of this institution focused on making functioning in the conditions of an economic slowdown easier for small and medium enterprises (SME's). PARP's support for the SME's was realized mainly through advice, promoting and finance instruments. The agency's another field of activity, in accordance with the prepared packet was providing SME's with easier access to exterior financing sources. PARP takes part in compiling and implementing functioning standards of loan and guarantee funds, and also works to make them widely. Available asses to finance are important during crises(Kobus, 2013, p.75; Filip, 2013, p.51) Among the sources of financing Polish enterprises for years an important place occupies a traditional bank loan. Very popular is the use of leasing and after the entry into the structure of the EU public funds.

A large opportunity of innovativeness development is created in Poland by structural funds.

Table no 2. Plan of Distribution European Union funds in the 2014-2020

Country	Value of co-financing (mld Euro)	Country	Value of co-financing (mld Euro)
Austria	1,24	Lithuania	6,82
Belgium	2,28	Luxembourg	0,059
Bulgaria	7,59	Latvia	4,51
Croatia	8,61	Malta	0,725
Cyprus	0,735	Germany	19,23
Czech Republic	21,98	Poland	82,5
Denmark	0,553	Portugal	21,47
Estonia	3,59	Romania	22,99
Finland	1,47	Slovakia	12,99
France	15,85	Slovenia	3,07
Greece	15,52	Sweden	2,11
Spain	28,56	Hungary	21,91
Netherlands	1,4	Great Britain	11,84
Ireland	1,19	Italy	32,82

Source: own elaboration on the basis of <https://www.funduszeuropejskie.gov.pl>, Government Policy Guidelines for Small and Medium Enterprises until 2020, p.110

The European Union intends to invest around €960 billion in 2014-2020 years. Of this amount, more than €351 billion will go to the member states for regional policy Allocation of funds with the EU in the Euro currency at current prices shown in the following table 3. Poland received the most money from all 28 member states UE-28, is around €82.5 billion, Italy's second position - € 32.82 billion. In third place was Spain - 28.56 billion Euros. In the new programming period 2014-2020 Poland is undoubtedly the biggest beneficiary of EU funds(Observatory of European SMEs, 2017,p.215)

Polish government was responsible for preparing and implementing a "second chance" policy for entrepreneurs who are bankrupting, or in danger of bankrupting. Activities regarding this policy were be aiming to reduce the number of bankrupting enterprises and also increasing the number of entrepreneurs who are beginning economic activity for the second time. Under the economic slowdown conditions, activities aiming to reduce law, administrative and procedural barriers became more significant. That's many organization takes part in activities of a group for enterprises functioning in the framework of a team for simplifying the system of implementing EU funds and undertakes interior perfecting activities in the range of operations realized by the different agency regarding implementing operating programs.

4. Support for the internationalization of business activities and results.

In open economy, process of globalization and impact crises on this process formulated rules for instruments internationalizing entrepreneurs activities . For enterprises were important information on available instruments for assisting entrepreneurs and institutions which support them (Curran, 2012,p.210) The meaning of securing appropriate conditions for internationalizing activities by entrepreneurs during the globalization era is acknowledged. This fact is fundamental for the economic development of Poland. Assisting the activities internationalization will be conducted by means of supporting export, cooperation with foreign partners, and also by Polish foreign investments.

Table no 3. Indicators of export activity among the group of small, medium, and large enterprises in Poland between 2002 and 2008

Enterprises	2008	2009	2010	2011	2012	2013	2014	2015	2016
<i>Part of export sales in netto income (%)</i>									
10-49 (small)	7,0	7,0	7,3	8,1	8,0	8,0	7,8	8,6	8,4
50-249 (medium)	12,0	12,0	11,2	11,8	12,4	12,6	10,8	11,2	13,0
over 249 (large)	23,0	22,0	18,6	19,6	21,0	17,5	18,8	21,7	23,0
<i>Dynamics of incomes from the entirety of activity(%)</i>									
10-49 (small)	112,0	112,6	115,8	116,1	116,7	119,1	115,3	116,6	119,3
50-249 (medium)	113,7	110,8	108,4	113,4	118,0	101,8	105,6	113,8	111,5
over 249 (large)	115,1	111,2	116,4	116,4	115,6	115,9	118,2	121,1	115,1
<i>Dynamics of export sales (%)</i>									
10-49 (small)	105,9	108,4	107,2	106,8	107,8	112,0	118,3	118,7	115,7
50-249 (medium)	115,0	104,2	109,3	108,1	110,2	103,6	111,5	101,4	110,4
over 249 (large)	114,3	101,0	109,7	111,3	130,2	107,0	127,3	119,4	121,2

Source: Own elaboration based on F-02 (2002) and GUS F-01 (2008-2016) - GUS statistical materials, Poland, Warsaw, from 2008-2016 years.

Analyzing the indicators of export activity among the group of small, medium, and large enterprises in Poland between 2007 and 2016, it must be concluded that small enterprises which employ 10 – 49 people are relatively in the best situation (in dynamics of export sales and dynamics of incomes from the entirety of activity). In the face of the global crisis they recorded an increase of export sales dynamics by 4-5 percent points, as well as incomes from the entirety of activity by 0,5 percent point. Moreover the judgment of investment activity in case of small companies singles them out among other groups, because a 20% increase of investment expenditure was achieved, with an average increase of expenditures by 6% in all enterprises in general. High investment dynamics proves that companies perceived their own condition as relatively good (despite a meaningful rise of finance costs), which translated into an investment tendency. At the same time thanks to an increase (although not large) of finance surplus, it was easier for companies to apply for a loan

By analyzing the role of small and medium enterprises in the economy and looking mainly at the effects that can be achieved, one can distinguish (Safin, 2009,p.50)

- the effect of technical progress -innovation is a condition for the survival and development of the SME sector-small companies have difficulties because they do not carry out research and development and do not have such capital.

- employment effect-small and medium-sized businesses creating jobs provide greater assurance of job security. In addition, in times of crisis, employment in smaller companies is increasing, while in larger ones it is mostly decreasing.

- ecological effect- Smaller businesses have less impact on the environment. Their harmful effects on the environment, such as pollutant emissions, are unmatched in comparison to large enterprises.

- macroeconomic effect-Small and medium enterprises are suppliers of semi-finished products and parts of machines and equipment. In addition, they have a huge share in GDP, new jobs, innovation and productivity.

- stabilization effect- businesses are coping well with the recession, economic crises and poor business conditions. In difficult situations, they go back to their own reserves, quickly start working in other areas of activity, and move easily to new production.

- the effect of regional decentralization- small and medium enterprises do not need special infrastructural conditions to operate. So they can be located anywhere, also where it would not be good for big companies. SMEs limit monopoly tendencies in the economy.

- the effect of mobilizing capital- SMEs most often use their own savings and family, which would be consumed or left on so-called.

- transformation effect- small and medium-sized enterprises have a positive impact on the economy during economic transition. They alleviate the negative effects of reform, support new values and new behavioral strategies in the market. They reduce the unemployment rate by creating new jobs

To be competitive in the global economy, Polish enterprises must be innovative. In order to support this process, new conditions and instruments are created which make implementing new technologies and developing enterprises on the basis of innovative ideas easier. It is of utmost importance that in the near future Poland becomes one of creators of changes, not only it's beneficent. These aspirations should justify Poland's position in the innovativeness ranking of European Union's nations.

Despite many beneficial changes, which were carried out during the previous years, institutional surrounding doesn't entirely support enterprise development. One of the main activity barriers is still the excessively expanded law, and constant regulation changes. The crisis period had a distinct effect on the deterioration of financial outcomes of enterprises from the private sector, which employ more than 9 people Economic regulations which currently are obligatory, generate numerous administrative burdens, regarding for example informative duties.

5. Conclusions

To sum up, the undertaken analysis of the impact the global crisis has on the development of polish entrepreneurship shows it's partly positive results. However searching for a solution to this situation is a more important matter. The key is to aspire for a rise of innovative and creative potential on sources side, which constitutes a basis for entrepreneurial behaviors and competitiveness of the economy. In Poland was introduce packet of various activities supporting entrepreneurship, undertaken on both the government, institutional (also UE institutions), and also European Union levels indicates their relevance, even in fact of Polish experiences. However, in long-term perspective, an improvement of Poland's position in the worldwide innovativeness ranking by means of initiating entrepreneurship may only induce a development of the country's intellectual capital and extending financial capital. This challenge is addressed mainly to the Polish government , which should support proper competencies, such as creativity, ability to analyze problems, or teamwork, which are necessary in the process of creating value added in small and medium enterprises.

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Critical Aspects regarding the Implementation of Managerial Accounting Systems

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Abstract

Implementing a managerial accounting system is a process leading to the introduction of change, which involves the creation of a vision of change and strategy, as well as the stimulation of innovation.

This implementation is a genuine organisational revolution that includes the managerial system used. Any implementation process should take into account the scope of the change in mentality and culture that the people involved should undergo. The implementation should not be made by imposing hierarchically adopted decisions, but focus on the daily contribution of each and everyone. A new system which has not been properly internalised and accepted is doomed to disappear. The training effort should be oriented more towards the change of mentality than on the presentation of the techniques. Within this context, putting the decisions into practice becomes extremely important, especially when it comes to studying the impact on the organisation of the leaders' attempt to impose their vision.

Key words: managerial accounting, implementation, traceability, managerial objectives

J.E.L. Classification: M41

1. Introduction

Within the current context, analysing the objectives and instruments of managerial accounting is leading to a new outlook, with managerial accounting becoming a more complex and qualitative system for ongoing, real-time coordination and piloting (Alazard and Sépari, 2001, pp. 676-677).

The development of the business environment and the richer arsenal of instruments highlight the increasing complexity of the objectives of managerial accounting. Initially, the system had a quantitative structure, its focus being to analyse and compare the activities of the various departments. It is more and more difficult to carry out a structural analysis of the organisation using a single model, since the performance indicators are undergoing significant mutations. The managers are no longer trying to control the results only, because measuring the whole performance of the organisation is becoming a priority. Extending the objectives and the instruments of managerial accounting is already part of a strategic action. The qualitative aspects offer a comprehensive overview and make it possible to conduct a complex analysis of the value chain.

In order to pilot an increasingly complex organisation, operating in an uncertain business environment, managers need an ongoing, real time information system. Measuring the outcomes *a posteriori* is no longer enough and it has become a necessity to provide managers with those tools which would support the decision making activity throughout the operational and strategic processes.

Consequently, managerial accounting is becoming a system meant to analyse the performance of the organisation and to dynamise it, a system adapted to the developments of the business environment. Currently, managerial accounting is understood as an information system, used for collecting and analysing past and present data on an ongoing basis, in order to measure the activity of the organisation. Managerial accounting should be integrated into a systemic approach as a tool

facilitating the strategic decisions and ensuring the coordination and understanding of the organisation as a whole. It should take on the role of dynamising all the participants in the socio-economic systems represented by organisations.

When choosing and implementing a managerial accounting system, one should make sure that it has several essential characteristics (Albu *et al.*, 2003, pp. 243-247): it should be adapted to the type of activities performed by the organisation and to the business environment; it should be compatible with the cultural environment; it should put the strategy of the organisation into practice; the information cost should not be too high; it should be simple as a mechanism, known, understood and accepted; it should not trigger behavioural deviations; it should be extremely flexible in case of abrupt and unpredictable changes in the business environment; it should create value for the organisation. Implementing a managerial accounting system is not restricted to choosing a tool which seems to be the most adequate and putting it into practice. The stakes are huge, as the whole organisational system is involved in a process of cooperation, incitement, learning and putting into practice of the strategic objectives.

2. Research methodology

The two types of research used in the study were experimental research, which involved direct access to the subjects, and case study research, which allowed for the analysis and interpretation of certain existing features. In other words, clinical or action research was performed. This means field work, the major advantage being that of gaining a better understanding of the relationships and processes inside an organisation: the analysed data was collected from 25 Romanian companies in the field of civil and industrial constructions, intermediaries in the wood trade and construction materials. The experimental and case study research covered the period 2005-2015, the subjects being actively involved in this process. The field work aimed at identifying and eventually solving issues related to: the possibility of implementing a managerial accounting system or of changing the existing one (when there was already one in place); designing a managerial accounting system by involving the whole organisation in the process and selecting an adequate tool for the environment in which it was to be implemented; perceiving and understanding the change by the participating actors; the deficiencies and reluctance appeared after the implementation process.

A first analysis of the companies included in the research referred to the specific activities they carried out, since these characteristics have a fundamental impact on choosing, implementing and using a managerial accounting system.

The main objective of these organisations is to constantly increase their market share in the constructions field and to diversify their construction projects and auxiliary activities. Their organisational structure is becoming increasingly complex with the passing of time, but the responsibilities are not clearly defined and the tasks are frequently transferred from one department to another. These slippages are often the source of conflicts and interruptions in the chain of responsibility. One of the weak points of the organisational structure is represented by the lack of clear procedures for defining the responsibility centres and for carrying out and controlling the activities. The work force is characterised by strong fluctuations and by increasingly inadequate professional levels.

3. The current diagnosis and establishing the procedures for implementing managerial accounting systems

As far as the existence of a managerial accounting system within the Romanian business environment is concerned, the following aspects should be highlighted:

- Most companies do not even have an organised managerial accounting system, in spite of it being requested by law;
- The reason for the lack of a managerial accounting system is represented by the logic according to which all the work performed for the beneficiaries throughout a month is invoiced at the end of the respective month, which is obviously erroneous, since there can sometimes be a time gap of a few months between the production and the invoicing;

- The existing managerial accounting systems are more than rudimentary. There is no strict allocation by cost-generating item of the resources used. The production cost is established roughly by taking into consideration certain direct costs, which could be easily identified and which have significant values. Consequently, the production cost thus established is an incomplete direct cost. One effect of this calculation mode is a completely wrong discharge of administration of the production costs corresponding to the invoiced production. In most cases, there is no justification for the structure and manner of calculation of the production cost entered into the financial accounting;
- There is a complete lack of control as far as the consumption of resources is concerned, the governing principle being of the input=output type;
- There is no concern for controlling, identifying and analysing the discrepancies between the effective costs and the standardised costs. The catering and consumption are done just-in-time, but in the chaotic sense of the concept;
- The acute lack of staff in charge of implementing and organising a managerial accounting system;
- As regards the management, there is a strong focus on establishing arbitrary, large enough margins which should cover the more or less calculated or known costs. Another concern of the management is the excessive importance attached to the cash-flow, to the detriment of identifying and analysing the cost;
- The absence of organisational procedures and allocation of responsibilities within all the departments;
- Rejecting the information which is not measured in money, considered to be less legitimate than the non-financial data.
- Perceiving the control as an inspection and therefore focussing on the outcomes and responsibilities to the detriment of the analysis and piloting.

The following aspects related to the implementation of a managerial accounting system can be considered as points of reference (Lorino, 1991, pp. 181-187):

- The implementation of the new managerial accounting systems should be made in stages, one function after another, one objective after another, passing to the next stage only after results have been obtained;
- The active involvement of the top management is required;
- The implementation should also be regarded as a real change of culture, rather than as the mere change of a tool;
- The focus should not be only on implementing a new system, but also on introducing the procedures that will allow this system to evolve in the future;
- Previous to the implementation, the roles of the different departments should be clarified, as more often than not these are not well defined, managerial accounting in particular.
- Whenever certain tools exist already, it is less costly and less risky to use them, instead of resorting to creativity;
- The information systems architecture should follow the organisational options and not the other way round. This should ensure maximum flexibility when coping with present and future highly volatile needs;
- The eventual company adaptation should be treated as pragmatically as possible: there will be only necessary changes, no more than that.

One of the essential conditions of this design and implementation process is represented by the involvement of the top managers of the organisation. They should not only coordinate the implementation process, but also gradually adapt the management style to the cross-functional character of the activities, multiplication of non-hierarchical links, where persuasion, communication, cooperation and delegation replace hierarchical authority.

The new managerial accounting system will have to be permanently maintained, in order to prevent its involution. In this sense, departments should be set up that will deal with the ongoing review of the processes and activities.

Another interesting aspect is the mix-up between financial accounting and managerial accounting. Managerial accounting is a consumer of accounting information, as well as of other types of information regarding quality, production management, human resources management, commercial management. This contributes to defining the most important diagnosis and piloting tools depending on the strategy and has as an objective the overall economic performance. Managerial accounting is not the main user of the information it produces, this being made available to other functions and used for their own administration. A pertinent system contributes to designing piloting and diagnosis tools, but the piloting cannot be done on behalf of the other functions.

The information necessary for a new managerial accounting system should not lead to the configuration of a complex and difficult to understand, unstable system that is undergoing numerous changes due to the high costs and to the need to ensure some kind of continuity and comparability in time. On the other hand, the need to permanently adapt to the changing environment and objectives calls for a flexible and evolving system. The informational architecture should be flexible enough to allow for the evolution of informatic applications and the stability of the basic system. This can be built around a database containing the fundamental information related to the activities and processes.

The implementation, organisation and operation procedures of a managerial accounting system for the entities included in the analysis were included in a manual with the direct contribution of all the actors in the organisation.

4. Critical aspects related to the implementation of managerial accounting systems

A starting point can be considered to be an empirical study regarding the Romanian performances in terms of managerial accounting (Ionaşcu *et al*, 2000, pp. 1-3). Certain results of the study prove that passing from the standard cost accounting to the normalised financial accounting, involving a higher degree of flexibility of the managerial accounting information, resulted in a very low assimilation of the practices related to cost establishing, because accountancy practitioners failed to understand the advanced principles of managerial accounting. Most of the companies which have organised a managerial accounting system are using classical methods for the calculation of costs.

It is more than surprising that although not so many efforts are made to organise a managerial accounting system, not even a classical one, most of the managers are interested and very interested in relevant information related to the production costs.

We believe that the acute need for productivity and competitiveness experienced by Romanian companies will change the current situation of managerial accounting in a radical manner.

It is only natural that we should ask ourselves if a modern managerial accounting system is likely to be implemented in Romania. An eventual answer cannot overlook, first and foremost, the main difficulties that may appear and which are more than predictable: the economic, social and political conditions; the lack of interest of the entity in charge of normalisation to solve such issues; the almost inexistent popularisation of the concepts and practices of managerial accounting; a certain behaviour, formed in time, of Romanian accountants who cannot operate outside the law; the excessive costs that might be generated by the implementation of an effective managerial accounting system and by the adequate training of accountants. In this sense, Feleagă (1996, p. 142) indicates that "it was enough to have an official statement saying that management accounting was free, falling under the responsibility of each company, for us not to know what to do anymore. We abandoned it, although it is very useful. Or we started improvising, like craftsmen do. We haven't defined new objectives for it. As for the old ones, we reacted to them by integrating into the structure of financial accounting certain methods for collecting and allocating the expenditure and calculating the costs, following the tradition of our glorious methodologies."

The biggest obstacle to the implementation of the managerial accounting system is represented by the typically Romanian conservatism of the employees. The heads of the various departments may fear that this system is just a manner by which the top management receives detailed information about ineffective practices which had been initially hidden by the traditional methods. The companies' policy should specify the fact that such information shall not be used against the

various departments. On the contrary, all the staff should be encouraged to discover the dysfunctionalities, so that such practices can be improved and that decisions can be taken to the benefit of the whole organisation.

Those in charge at the lower management levels are part of the team that will implement the managerial accounting system, since everyone will be using the new system. A more diverse group will contribute to a better integration and mastering of this system by the entire company staff. Everyone should have access to the information. Before initiating the implementation process, all the key employees should be persuaded to give the system a chance. In order to obtain the employees' support, the management should try to demonstrate that the information offered by the new system will be used to make decisions and to improve the performances. Whenever the new system promotes changes meant to cut the costs and to eliminate inefficiency, the employees should be explained that their efforts have contributed to the company's increased profitability.

The variety of the fields of activity, of the objectives pursued by each and every company, as well as of the market conditions where the companies operate make it almost impossible to design a universally valid system, capable of meeting the information needs of all managers. However, the existing alternatives in terms of performance measurement and piloting allow every company to choose the tool they consider to be the most adequate. Moreover, due to their sometimes complementary character, a mix of information systems can be put in place in order to offer a clearer image of what the managers should be looking for in terms of their company performances.

An aspect which is entirely unrelated to the capabilities of such tools but plays a major role in their ability to offer information is that they should be well chosen and especially correctly implemented by the interested company.

The strong point of the new managerial accounting system implemented in the companies which were part of the analysed set is the focus on traceability. The expenses recorded in the financial accounting by their nature are grouped by functions. The strict allocation of the expenditure by cost objects makes it possible to avoid that certain costs are considered indirect production costs. When there are doubts or difficulties regarding the allocation of a cost to the cost generating object, this expenditure is taken as a general administrative cost (to avoid the arbitrary allocation of costs). This instrument can be considered a variant of the direct costs method, which takes into account the differentiation between the direct costs and the general administrative costs. The effect of traceability is so strong that whenever expenditure is related to several cost objects, although it could have been considered an indirect production cost, it will be allocated before it is entered into the accounting records. Under these circumstances, the respective expenditure will be classified either as a direct cost (related to one or several cost objects) or as a general administrative cost.

An important advantage of the implemented tool is that it allows for decisions to be made when the cost objects are very different in structure. Also, by allocating only direct costs or costs which have become direct to the cost objects, the conventional character of the indirect production costs allocation is completely eliminated.

5. Conclusions

One of the most important issues of the managerial accounting instruments is represented by the traceability processes and the rational allocation of costs. The accuracy is constantly limited by the costs of gaining access to the information. This aspect is more and more counterbalanced by the information technology, which eliminates the barriers in achieving accuracy. The cost of designing adequate information systems, adapted to the organisation needs, is currently lower than the advantages it can generate. However, the limitations appear in terms of cost accuracy, especially in the understanding of those whose motto is "different costs for different objectives". The costs considered to be useful in some particular situations are not real costs. Cost accuracy is seen more from the decision-making than from the objective view point. The subjectivity of the indirect costs allocation criteria remains unchanged, even during the transition towards evolved production systems. The effect consists in the reduction of direct labour and the increase of indirect costs. Replacing the classical cost allocation base (direct labour) with measures pertaining to the new technology (machine hours, occupied area, installed power, etc.) does not solve the problem. There is still no causation between the value of the used resources and the elements which generated the

respective consumption. The ABC method doesn't always represent a solution, either because of the implementation difficulties or because it cannot be adapted to certain organizational environments. Even this method maintains a certain amount of conventionalism in the allocation of the indirect costs.

Managerial behaviour can affect the practices of managerial accounting, this being obvious especially at national level. Managerial decisions may determine the shape that should be given to the accounting information depending on certain objectives. The managerial strategy which is wrongly reoriented towards the short (and very short) term triggers mutations in the way in which the accounting information is generated. Generally, a manager's perception of the accounting system amounts to the idea that absolutely anything is possible and that the consequences can be easily minimised. Finally, the direction of the cash-flow dictates the form of the accounting information and the performance level.

The implementation of managerial accounting systems at national level is suffering, in the first place, due to the acute lack of professionals in the field and of an adequate managerial vision. The innovative ideas of managerial accounting are penetrating with extreme difficulty in the Romanian environment and they are looked upon with reluctance. The Academia doesn't have enough force yet to facilitate this learning process. The economic, political, legislative and fiscal context is a genuine stimulus for adopting practices contrary to the real performance concept. In our opinion, an implementation can be successful only in multinational companies with a tradition in organising managerial accounting systems. Only the knowledge and abilities of multinational companies can force the Romanian firms to operate within the limits of what should, in fact, be an extremely effective managerial accounting system. Rigidity, reluctance, hostility, inertia, lack of knowledge are the viruses that managerial accounting has to fight against. Forced implementation leads to exploiting the vulnerabilities of the adopted systems and to creating the image of a flawless functionality.

There is a need to stimulate the organisations to be more responsive to the innovations in the field of managerial accounting. Professional accountants and the academic environment should be pro-active in this direction, as more empirical studies and field research are necessary. Research should focus on identifying and assessing the new managerial accounting systems, on the analysis of the emotional factors regarding the inertia manifested during the change process. The aspects related to the implications of human nature in the implementation processes shouldn't be ignored, intensive activities being necessary for becoming familiar with the behavioural manifestations. A major objective should be that of creating an overview of the problems related to managerial accounting, even if some of them have not yet been clarified or will never be. Thus, by means of these warnings, we will be prepared to counter behavioural problems and to avoid them before choosing a certain accounting system.

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Accounting in Historical Costs – since when and until when?

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Abstract

The financial accounting has been thoroughly developed, the accounting methods and instruments applied internationally having been slowly appropriated, to the point that nowadays they have been taken over and successfully implemented by the vast majority of Romanian economic entities. We can say today, that, as a result of a thorough analysis of the economic environment in our country for the last twenty years, it is perceptible a change in the attitude and mentality of the people in general and of the accounting specialists in particular. These changes constitute a cause and a challenge at the same time, for any researcher passionate about the financial field of accountancy - of bringing some added value in an area as contradictory as the asset evaluation.

Key words: historical cost, evaluation, accounting information, accounting reporting

J.E.L. Classification: G3; G32; G34

1. Introduction

The accounting is a technique or in its contemporary dynamics, a techno-science that has continuously evolved. The double entry method, a basic method of the accounting technique has its origins in the Middle Ages. In the accounting theory and practice there have been proposed several bases of assessment, including: historical cost, current cost, achievable value, present value, fair value. The question is which of these evaluation bases will be chosen taking into consideration the advantages and disadvantages of each. Finally, the accounting standard setters have concluded that in the measurement and disclosure of the accounting information, the most appropriate would be the historical cost, because of the advantage given by its reliability, by the clarity of definition, by the verifiability.

Thus, the accounting in historical costs was developed in the nineteenth century as a result of the industrial revolution, but it has its origins in the XV th century, when it was first used in the textile factories. Gradually, the precautionary principle begins to be introduced in accounting, such that, currently, we can not talk of historic costs in accounting without bringing it into discussion. Savary is among the first authors to introduce in accounting aspects related to the principle of prudence.

Therefore, *the historical cost* is the cost of origin – assessed, measured and recorded at the entry of the assets in the entity and at the creation of debt, being the consequence of two fundamental principles: monetary nominalism principle and the precautionary principle.

The principle of monetary nominalism ignores the fluctuations in value of the monetary unit and requests the evaluation of the assets acquired, for consideration, at acquisition cost - of the assets obtained from own production, at production cost, of debt and liabilities at face value. Once determined, the historical cost remains fixed as long as the property is held by the entity.

The precautionary principle requires the accounting of potential value minuses and prohibits the accounting of the dormant positive differences related to assets. Thus, the assets remain recorded at the historical cost if they increase in value, otherwise the assets are valued at the amount of inventory according to Romanian regulations or to its recoverable amount or to the net achievable value in compliance with IFRS standards.

While the first action is simply a "cosmetic" change, the second one is real and costly and it can be in contrast with the interests of the shareholders who want to avoid the existence of hidden reserves. However, there are users of accounting information, such as credit institutions, that agree with the historic costs accounting, partly due to these hidden reserves. The historical cost continues to be for accountants, the basic agreement when it comes to choosing between different accounting treatments. In order to be able to rely on the information provided by manufacturers, both external and internal users must ensure that the information is verifiable and objective. And just the use of the historical cost as basis of measurement allows the manufacturers to provide financial statements, verifiable and objective information.

The historical cost is oriented towards the past, but, unlike the other bases of assessment, it presents a great advantage: it is clearly defined and ascertainable; once established it remains fixed as long as the property is in possession of the entity. Given these advantages, it seemed that nothing could happen to the historical cost. Then which is the great disadvantage that makes obsolete the historical cost value? The answer is: *the inflation*. The determination of the basis of measurement, used for finding various patrimonial elements in the synthesis documents represented one of the most difficult problems of accounting.

In the accounting theory and practice there were accredited more measurement bases: *the replacement cost, the net achievement value, the economic value and the historical cost (diminished by amortization and provisions, if any)*. The question is which of these bases should be used by an accountant? The producers and users of background papers estimated that more useful would be "*the historical cost*". This cost has a great advantage over all the other bases, advantage given by "*its reliability*".

In conclusion, the historical cost is a consequence of the assessment of the various assets and liabilities at the date of their entry in the patrimony. They are valued as follows: goods entered for pecuniary interest (for payment), **at acquisition cost**; goods produced by the enterprise, **at production cost**; incoming goods free of charge, **at utility value**; assets and liabilities **at their nominal value** (stipulated in the contract, order, invoice or any other document).

2. Pros and cons of historical cost

The ability to achieve a proper assessment is in fact the key to success in financial services, since in order to "buy" or "sell" a financial instrument, it is imperative to know its value. Also, after the purchase of a financial asset or the contracting of a financial liability, the evaluation represents "the success in the risk management involved by this element, but also in the reporting of the value created, for the shareholders of an economic entity ". The global economic crisis "revealed" a big problem regarding the evaluation of financial reporting. The problem consists in the lack of provision of necessary information known by investors, lack that would have stopped even the best evaluation technique, to generate a significant level of accuracy.

The transition from an accounting based on historic costs to one based on fair value was classified as a conceptual revolution in accounting. We are increasingly witnessing, nowadays, a restatement of the accounting model over the value, from the specialists in this field, in terms of reconsidering the fundamental principles of evaluation. We notice in the daily practice, the aspect according to which accounting tends to evolve from the system of historical cost to that of current value, that constitutes in fact the cause of frequent scientific disputes between specialists with opposing opinions regarding the means of evaluating the assets of an economic entity, in the current context.

Thus, the supporters of fair value measurement are against applying further evaluation to the historical cost, arguing this point of view by the fact that, the evaluation at historical costs provides a distorted picture of reality, respectively the balance sheet items are undervalued and the expenses, with the stocks and the amortization, in the income and loss account, are also undervalued, while the fair value evaluation aims to improve the quality of the financial statements and attempts to provide reliable and relevant information to all the users. In the first case, the result is overvalued and its distribution leads to distributions of capital.

We must highlight some issues regarding the fair value measurement, consisting of the situation when there is an absence of adequate information on the financial statements, in the explanatory notes, this can be more dangerous than the evaluation at historical cost, leading to a high volatility of the financial result of the economic entity which applies it, unaware of the risks that may arise, due to the inclusion in the result, of some "virtual" elements, generated by market developments, which are potential gains or losses.

Following the impossibility to agree on one or the other, the specialists have reached a consensus regarding the application in the future of both measurement bases, as:

1. The historical cost - which is a fair amount to the initial value (input);
2. The fair value - that is a basis for further evaluation, in relation to its initial one (for financial reporting purposes).

And one of the main features of accounting, implicitly of the balance sheet / the financial situation position is "to express everything by monetary standard, namely to ensure the generalization of data by bringing certain heterogeneous elements, to a common denominator, through currency".

In fact, a proper evaluation is particularly important for accuracy, honesty and timeliness of the information contained in the balance sheet, regardless of whether it is used to reflect the situation (wealth) of the company or to determine the outcome of the exercise. Under current conditions, the issue of the evaluation is even more important as the financial statements become an information element of first degree. The extension and intertwining of the relationships between companies - most often on the international market imposes an accuracy and correctness of the informational data included in the financial statements because, based on this information, it is assessed the economic and financial situation, and the efficiency of the economic activity of these units, and according to them are defined the relations between economic entities.

The advantages of the fair value, which was favored by the development of capital markets and by the improvement of the methods of processing information, are against the historical cost. Thus, the fair value as measurement basis has the most supporters, especially in the countries with economies focused on the capital market, under which it has the following advantages:

- **allows obtaining more reliable financial statements**

In the context of the characteristics of the accounting information, the fair value is relevant and reliable, in the sense that it represents the measurement instrument for which there can be obtained very reliable information, for example, "the fair value allows a reliable accounting treatment for the currency hedging operations".

- **provides greater objectivity and accounting neutrality**

The fair value does not allow the excess of creative accounting, from the management, while the historical cost is based on subjective estimates, subject to the entity's manager regarding the corrections to be made to the records, regarding the adjustment of the depreciation related to assets.

- **allows a better comparability of the fungible assets, especially of the financial instruments**

Regardless of the original date of their registration into accounts, the fungible assets are converted into actual values.

- **it allows a "more economical" vision on the assets and the capital attracted by the entity**

Their fair value is oriented towards forecasting, facilitating an assessment of entity and reflecting *the opinion of the markets, better translates the present value of future cash flows* which helps in the decision making process.

With all the advantages of fair value presented, however it presents some disadvantages among which the most representative are:

- **it does not always provide reliable information**

If we take the example of the present value, it is necessary to estimate the lifetime of the asset, its residual value, the cash flows it will generate in time, respectively the discount rate. The estimates are, by nature, subjective. To this, it can be added the deliberate distortion of some parameters. Thus, the valuation model induces an inherent risk, and another one related to the deliberate manipulation of information. Of course, in order to mitigate this criticism of the models for determining the fair value, there can be remembered the ways of diminishing the risk of the model, that would be effective, namely the establishment of some provisions for this type of risk.

• **it does not allow the reflection of the value of intangible assets**

In this case, some of the assets of this type have not been the subject of accounting records, but they have contributed significantly to the overall value of the business. Examples in this case are: *the qualification and motivation of the staff, the competence of the managers, the quality of good payer of the entity.*

However, it is difficult for the accounting standards and the standard setters to succeed to comply the interests of all users. Although it declares its openness towards all user groups, even IASB favors the investors, in relation to whose requirements, they considered these norms. The same applies to FASB, of the two normalization bodies are, in fact the promoters of the fair value, the proponents of shareholder value and of the importance of the capital markets that are formed and of the reported value. Europeans are more skeptical about the usefulness of the fair value for other categories of users of the accounting information.

Following the arguments against it, it is unlikely for the fair value to be applied within an accounting system in its own right, especially in terms of losing confidence in the capital markets, observed in recent years, exacerbated by the global economic crisis. This is because the fair value is an emanation of the capital market. Even taking in consideration the advantages offered by the fair value system, that are weighed with the disadvantages, it can not be stated with certainty that this is superior to the historical cost system. The latter has an undeniable advantage - that of being known and therefore mastered. The content of the current accounting rules confirms this by providing a combination of fair value and historical cost as evaluation methods: the historical cost and the prudence to calculate the distributable result, and the fair value to calculate the overall result that reflects the creation of wealth for shareholders.

3. The fair value in the current economic climate

To measure an asset at fair value means to assign, as value, the amount for which it could be exchanged freely between the parties previously informed, in a transaction with the objectively determined price. The fair value is most often a market value determined according to the recorded data of the market, through an evaluation, usually by professionally qualified appraisers.

If there is no data available on the market concerning the fair value, because of the specialized nature of the assets and of the low frequency of transactions, the fair value can be determined by other methods, typically used by professionals in the evaluation. The estimated fair value is required for:

- the evaluation of the assets received free of charge or ascertained as plus in the inventory;
- the assessment, in order to report in the balance sheet the tangible assets if the entity uses the fair value model;
- the assessment, in order to report in the balance sheet, the short-term financial investments if they are listed on the regulated markets (the order requires the fair value model in this case);
- determining the inventory value of some categories of assets (Tangible and intangible assets valued at cost, financial assets and short-term investments valued at cost, stocks).

To measure an asset at fair value means to assign as value the amount for which it could be exchanged freely between the parties previously informed, in a transaction with objectively determined price.

Estimating the fair value is required for: *the evaluation of the assets received free of charge or ascertained plus in the inventory; the assessment, in order to submit, in the balance sheet, the tangible assets if the entity uses the fair value model; the assessment, in order to report in the balance sheet the short-term financial investments if these are listed on regulated markets (the order requires the fair value model in this case); establishing the inventory value of some categories of assets (tangible and intangible assets valued at cost, financial assets and short-term investments valued at cost, stocks).*

4. Fair value and creating value

In recent years an idea has become increasingly topical: to account certain elements (especially property) at the estimated value of future cash flows that these can bring to the company, and not at historical cost (evaluation to be done at least at some point, after acquiring the respective elements).

In order to represent as value an asset it is more likely to account future revenues than past expenditures. The strongest incidents of such assessments will be included in the annual reports released by the company.

The investors need information about performance. They must have access to forward-looking information. In recent years, the cash-flow information became useful in order to analyze the performance of a company. This is because the cash flow is an undeniable reality, while the profit is a construction more or less based on this reality.

The development of the role of creating shareholder value makes urgent the review of the accounting model of the value. With the significant increase in the value creation models, there is observed an evolution of the international accounting normalization which seems to evolve in the same direction.

There should however be considered a clarification of the objectives of the accounting model in order to integrate explicitly the need to provide useful information to shareholders using different measurement principles that allow us to respond to two distinctive objectives: the historical cost and the prudence to calculate the distributable result and the fair value to calculate the overall result. This model can not express entirely, however, the wealth created because it is unable to assess the intangible assets that are a primary source of performance.

The accounting should not be limited to only provide historical information about the financial position and performances of the company, but also allow the formulation of predictions about the enterprise itself.

The model of classical accounting refers to a vision of the company that acts in a stable environment and with a higher degree of certainty. Even the specific methods of the financial management of the enterprise, build on the assumption of an efficient market, from where the uniformity of the evolution of some key indicators such as the production cost and the turnover.

The artificial division of the life of the enterprise in annual financial exercises is unable to take into account the complex reality that a large number of organizations are facing today: *environmental turbulences, the extremely wide demand, the strong uncertainty in terms of technology.*

5. Conclusions

The criticism brought to the fair value addresses really problematic situations, but the solution proposed to restrict its usage remains unconvincing from at least three reasons.

They do not bring any viable alternative, ignore the negative impact that would result from the loss of some information that is currently provided in the financial statements and affects the distinction between accounting and the prudential concerns, having in fact different objectives and that should be separated with greater attention.

The opponents of the fair value lose this dispute from the start, because they fail to accompany their arguments with tangible solutions, in other words with a counter offer. If it is easy to identify and highlight the shortcomings of the fair value accounting not quite as easy it is to find an alternative method to better meet the characteristics of relevance, reliability, comparability and understandability that a broad consensus and a series of principles assign to the current standards.

The specialty literature occasionally mentions some alternatives, but the arguments are not convincing enough. The historical cost would provide a significantly lower degree of comparability and relevance of information, being clearly rejected by the users of this information, particularly by the financial investors.

The support that we give to the concept of fair value is not even close to being considered perfect, aware that there will be a number of amendments to the current standards, to be achieved in the future, as the IASB president himself recently suggested.

However, the purpose assigned to fair value and the market-based assessments, does not appear exaggerated if we integrate it in the picture presenting the characteristics of the financial markets in a world in full development, picture which also reflects the lessons learned from past crises. A restriction of the fair value not only would not heal the wounds of the current financial crisis, but, on the contrary, would be likely to worsen them, reducing the level of trust that investors, and others, have in the financial institutions. But other changes are necessary to deal with, the necessary changes following the crisis, changes that should overcome shortcomings disclosed at various levels.

The transition, from a historical cost based accounting, to one based on fair value, was classified as being a conceptual revolution in accounting and not more than that.

The objective of accounting based on fair value is to reflect the market values in the financial statements and its changes in the consolidated statement of the results obtained by the entity.

This role already raises many practical problems because the estimated fair value remains a subjective process, especially if this should be done without the existence of a market, which involves many professional judgments and the possibility of being handled by the one that estimates it.

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GDP Correlation Analysis - HICP Inflation Rate in Romania, Hungary and Bulgaria

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Abstract

The purpose of the present study is to make a comparative account between gross domestic product (GDP) and inflation rate based on the harmonized index of consumer prices (HICP). These indicators represent the main factors for measuring and comparing inflation in the Member States of the European Union, thus reflecting the way to handle the costs of households in the gross domestic product. The survey was conducted over a period of eight years, namely, 2007-2014, and the data were collected from Eurostat and processed using the Eviwes program.

Key words: correlation analysis, GDP, inflation rate, comparative analyses.

J.E.L. Classification: P51; E31; E60.

1. Introduction

The Gross Domestic Product is the most important instrument for measuring the results of a national economy. Its determination is only one of the important aspects that national economies are facing, other important issues being those related to the international comparability of data by expressing in convertible currencies, the determination of annual growth rates of GDP per inhabitant. In Romania, there are several methods of calculation of the Gross Domestic Product: production method, expense flow method, revenue method, value added method.

When public authorities are promoting expansionary fiscal policies to support the economy and money are borrowed, to finance resulting budget deficits, from central banks (generally forbidden by law) or commercial banks and other credit institutions, the broad money supply could grow, thus leading to a possible increase in inflation rate (Bilan & Roman, 2014). Some authors (Anghelache, Sacală, 2016) analyze the interconnection between Romania's Gross Domestic Product and Gross income. Anghelache and Anghel (2015) analyze the Gross Domestic Product through statistical-econometric methods. Anghelache, Anghel and Sacală (2013) describe the evolution of the principal macroeconomic indicator. Hubbard and Sharma (2016) project gross domestic product (GDP) for 140 world economies from 2020 to 2050 based on United Nation's demographic projections, the International Monetary Fund's GDP statistics. GDP may be influenced by other factors such as: investments, legislation, purchasing power of population, infrastructure (Cioca, 2015).

Inflation affects each of us. At the moment of occurrence, an imbalance is created as prices rise and the purchasing power of the national currency decreases. Inflation can be quantified through several indicators. Inflation cannot be explained by a reason-effect argument. It is a process, namely a chain of phenomena that influence each other. The phenomenon that plays the role of triggering inflation can vary both over time and in space, causing prices to rise. The most important are: - consumer goods price index (CPI); - Producer Price Index (IPP); - the general price index (PGI); - GDP deflator.

Consumer price indices (CPIs) are among the key macroeconomic indicators, having a very important role in the implementation of monetary policy and economic analysis. The Consumer Price Index (CPI) is used to substantiate monetary policies at national level (hence the inflation targeting by the NBR), social policies (minimum wage, pensions, social assistance, etc.) and

economic, budgetary and fiscal policies. In this context, each country has developed national methodologies to ensure a clear reflection of price developments from one period to the next one. These methodologies referred to the subject of an internationally focused action aimed at reconciling and harmonizing the methods and techniques used so to guarantee the quality of the entire process of producing consumer price indices. In view of the need for comparability regarding the evolution of consumer price data at European level under the aegis of Eurostat, steps have been taken to create common methodological bases common to all EU Member States, thus harmonizing consumer price indices. The Harmonized Index of Consumer Prices (HICP) serves to internationally compare the inflation rate between the Member States of the European Union and to establish monetary policy at EU level.

Another paper sheds new light on the role of inflation regimes in explaining the extent of exchange rate pass-through (ERPT) into import prices (Nidhaleddine Ben Cheikh, Waël Louhichi, 2016). One of this paper investigates long-run effects of inflation and deflation in a monetary life-cycle model that incorporates both capital stock and elastic labor supply as production factors (Takemasa Oda, 2016).

2. Research methodology

The research methodology we employed for this article consisted of analyzing and systemizing the specialized literature in this field. The data regarding the real GDP and inflation rate are obtained from the Eurostat, The National Institute of Statistics and the National Bank of Romania. The paper concludes with analysis of the correlation between GDP as dependent variables and inflation rate as independent variable. We want to study the relation between the two indicators that represents the most important macroeconomic indicators. We will calculate the correlation between GDP and inflation rate for all analyzed year (2007-2014) and we will also analyze the intensity of the relation between these indicators.

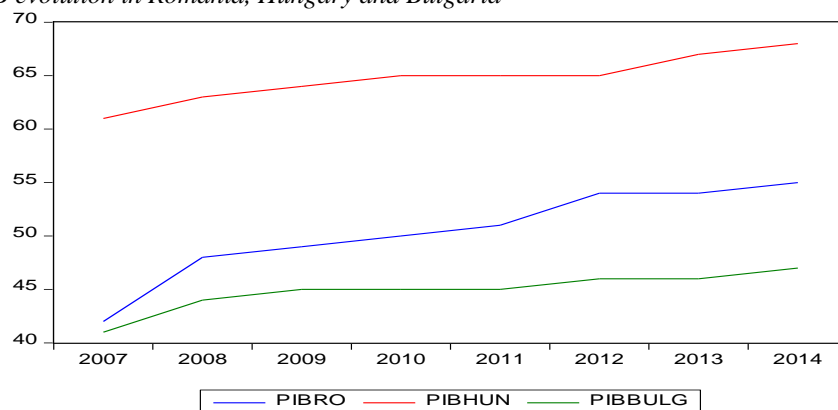
3. Evolution of GDP and inflation rate in Romania, Hungary and Bulgaria over 2007-2014

GDP being the most widely used unit of measure for the overall size of an economy is adjusted according to Euro currency to take account of differences in price levels compared to other EU Member States.

In order to be able to analyse the correlation between the two GDP macroeconomic indicators and the HICP inflation rate, it is necessary to identify a series of particularities that reflect the evolution of each magnitude considered in the timeframe under econometric analysis. In the first step, using Eviwes, we studied the individual evolution of the two indicators.

Thus, the study of the evolution of the Gross Domestic Product in the three countries of Romania, namely Hungary and Bulgaria during the period 2007-2014 allowed the obtaining of the following information and graphic representations.

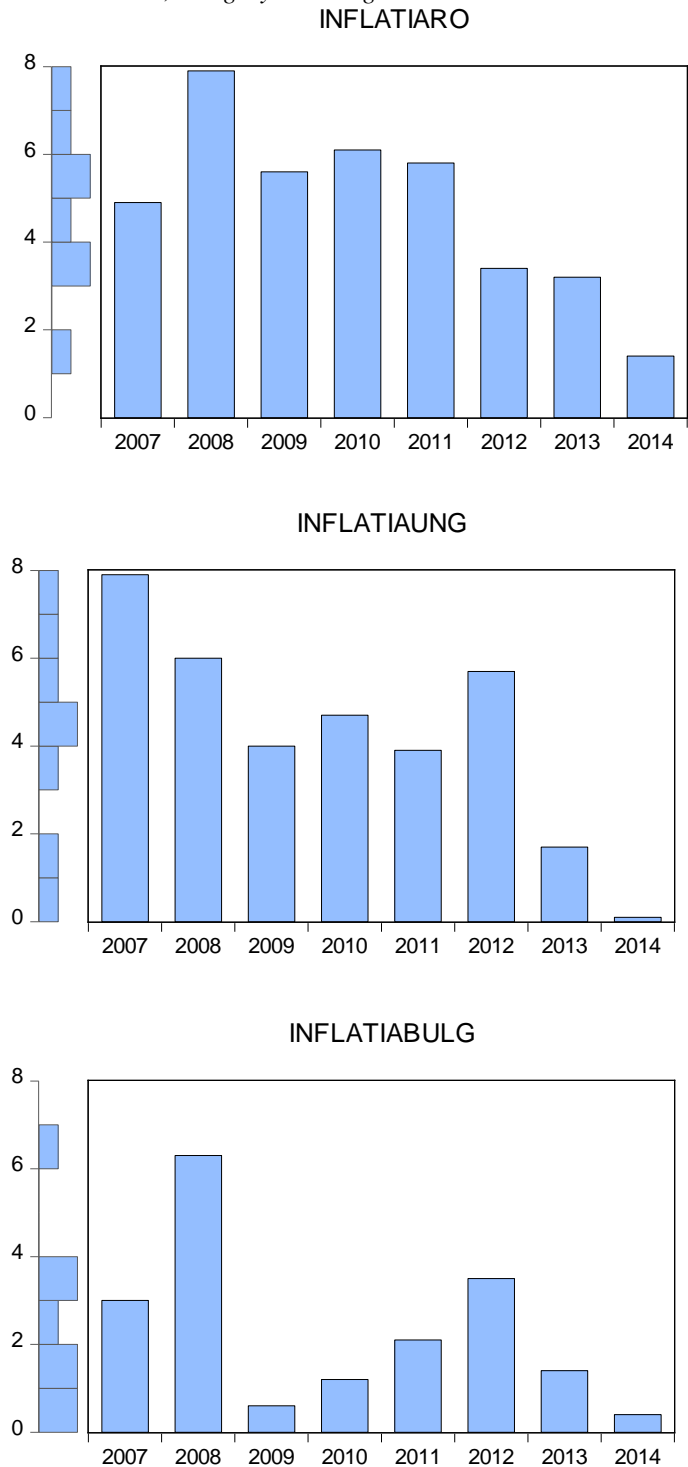
Figure no.1. PIB evolution in Romania, Hungary and Bulgaria



As can be seen in Figure 1, our country's gross domestic product is at a higher level than that of Bulgaria and much lower than Hungary, but Romania is on a steady growth while other countries in 2010- 2012 have remained at the same level.

Below, we performed a more concrete illustration for each country in the case of the inflation rate, which shows that the inflation rate in Romania is the highest due to high prices, very low salaries and other economic factors that negatively influence Romania's economy.

Figure no.2. Inflation rate in Romania, Hungary and Bulgaria



Hungary has the most favourable inflation. Bulgaria, even if it has a lower population than that of Romania, the inflation rate is much lower than our country, due to the fact that the standard of living is more developed and more acceptable. Compared to our neighbours, our country has the highest level of inflation due to high market prices.

We see from the graph that the inflation rate in 2014 is the lowest (below 1%) for both Bulgaria and Hungary, due to the fact that there were decreases in consumer prices.

4. Testing the correlation between GDP and inflation rate

For our country, factorial analysis took place in 99 cases out of 100, we are talking about a probability of about 99% (100-0,122376). The average of variables is 50.375, Schwarz criterion has a value of 5.682778, Sum squared resid is 81.81673. Based on the results in the table, it results that the indicators analysed in the econometric model are representative for the data and show us a clear and accurate picture of the evolutions over time.

Table no. 1 Statistical variables - Romania

Dependent Variable: PIBROM
Method: Least Squares
Date: 06/28/16 Time: 18:18
Sample: 2007 2015
Included observations: 9

Variable	Coefficient	Std. Error	t-Statistic	Prob.
INFLATIAROM	-1.318243	0.463002	-2.847166	0.0248
C	56.74419	2.251107	25.20724	0.0000
R-squared	0.536619	Mean dependent var		51.22222
Adjusted R-squared	0.470421	S.D. dependent var		4.711098
S.E. of regression	3.428367	Akaike info criterion		5.495175
Sum squared resid	82.27591	Schwarz criterion		5.539003
Log likelihood	-22.72829	Hannan-Quinn criter.		5.400595
F-statistic	8.106353	Durbin-Watson stat		1.318208
Prob(F-statistic)	0.024789			

Table no.2 Statistical variables – Hungary

Dependent Variable: PIBUNG
Method: Least Squares
Sample: 2007 2014
Included observations: 8

Variable	Coefficient	Std. Error	t-Statistic	Prob.
INFLATIAUNG	-0.867709	0.103423	-8.389867	0.0002
C	68.36184	0.490049	139.5000	0.0000
R-squared	0.921456	Mean dependent var		64.75000
Adjusted R-squared	0.908365	S.D. dependent var		2.187628
S.E. of regression	0.662223	Akaike info criterion		2.225890
Sum squared resid	2.631239	Schwarz criterion		2.245751
Log likelihood	-6.903561	Hannan-Quinn criter.		2.091940
F-statistic	70.38988	Durbin-Watson stat		2.104426
Prob(F-statistic)	0.000156			

For Hungary, the correlation between GDP and the inflation rate is more intensively analysed with a probability of almost 100% (Prob F-statistic 0.000156). The average is much higher than in our country (64.75, in Romania is 50.375), because it is a much more economically developed country with a much higher population and moderate inflation. From the model, a fall in inflation (-0.867709) can be illustrated in the future and a very good appearance and population growth (68.36184). These values are projected for 2015.

Table no. 3 Statistical variables - Bulgaria

Dependent Variable: PIBBULG				
Method: Least Squares				
Sample: 2007 2014				
Included observations: 8				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
INFLATIABULG	-0.388372	0.344659	-1.126829	0.3029
C	45.77311	1.014187	45.13283	0.0000
R-squared	0.174661	Mean dependent var		44.87500
Adjusted R-squared	0.037105	S.D. dependent var		1.807722
S.E. of regression	1.773867	Akaike info criterion		4.196518
Sum squared resid	18.87962	Schwarz criterion		4.216379
Log likelihood	-14.78607	Hannan-Quinn criter.		4.062568
F-statistic	1.269744	Durbin-Watson stat		1.239659
Prob(F-statistic)	0.302853			

For Bulgaria, the probability of estimation is less than 97% of the cases (Prob F-statistic 0,302853). And the average of variables (44.87500) is lower than in Romania and Hungary. A positive aspect is the rate of inflation much lower than that of Romania, this being due to a good correlation in the economy. The same values as for Romania are the levels of Durbin-Watson 1.239659 test level (and for Romania the registered value is 1,245,778).

This study shows that our country is at a lower level than that of Hungary and higher than Bulgaria.

5. Conclusions

According to the calculations made in all three countries, the inflation rate influences gross domestic product, but not in a sizable proportion, which allows us to assert that it is necessary to analyse the other factors of influence of gross domestic product. The inflation rate remains, however, an important macroeconomic indicator, whose dynamics is important because its effects have an influence both at macroeconomic level, but especially at the microeconomic level. The regression model presented in the article can be improved by using a larger number of factors which influencing gross domestic product.

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Classification After Three Significant Criteria and Calculation of the Frequencies for Direct Procurement Deficiencies, Appealed in the Audit Engagement

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Abstract

The risks of the direct purchase in the SEAP are often repetitive, with a certain frequency. In order to build a significant econometric model for analyzing the direct purchases in the SEAP (Electronic System for Public Procurement) a series of calculations and consolidations are required to be feasible and to provide useful information for building an econometric model.

Key words: costs, value, FIAP (identification and analysis sheets), SEAP (Electronic System for Public Procurement).

J.E.L. Classification: M41

1. Introduction

On the SEAP market (The Electronic System of Public Procurement), as in any market, the demand meets the supply, the buyer (public entities) meets the supplier of goods/services/works (companies). As in any market, there is a competition in SEAP that enhances the buyers, but there is also a risk, as well. A type of purchase used by public institutions is the direct purchase of products from small-scale, or which are used infrequently enough that it does not fall within any of the procurement procedure stipulated by the public procurement act.

To study the risks of direct purchase, the issues listed in 100 FIAP (record identification and analysis of the problem) were firstly centralized according to the results from the work of a public internal auditor. Then, the FIAPs were chosen by the method of mechanical selection, being arranged in the order of their occurrence in time (which provides an initial condition of random choice). After that, all the fourth FIAPs were extracted, until completion of the required number of 100 sheets, which will represent the working sample for the study. It should be made clear that for each FIAP the additional costs arising from the materialisation of risks (without these risks to be identified and stated so far) were estimated as accurately as possible. To determine these additional costs the following procedures were done:

- an average net salary of reference of 2000 lei/month was taken into consideration, for which an average cost of 11.36 lei/working hour results from the accounts;
- the costs of transportation of packages expedition took into consideration the standard price charged by the Romanian Post, at some point, of 10 lei/kg;
- the expenses for return of non complying or damaged goods have been fully covered, following the payment of invoices;

- carrying out a necessary paper has been roughly equivalent to one hour of additional work, respectively to 11.36 RON/paper;

- the estimated cost of consumables was established (for example, the toner required for print/copy was estimated at 20 bani/printed page).

The summarization of the data for those 100 FIAPs was done in a table whose columns have the following meaning:

The 1st column: "The number of the criterion";

The 2nd column: "The product name" – it is the name of the product as it is specified in the SEAP;

The 3rd column: "The product cost in SEAP" – it is the unit cost of the product, in lei/unit, the unit cost of the product includes VAT, in the amount of 19%;

The 4th column: "The required quantity" - represents the quantity ordered by the hospital in a single transaction;

The 5th column: "The total cost of the product" - represents the amount of traded products and results from columns 3 and 4;

The 6th column: "Other expenses" - represent the additional cost with their specification on the types of activities it generates;

The 7th column: "Total other expenses" - represents the total additional cost specified in the previous column, the amount in this column represents the amount spent by the hospital to purchase additional products, and can be considered the loss of the hospital in the transaction;

The 8th column: "The overall cost/product" – it is the total amount spent by the hospital for purchasing the product concerned and resulting from the sum of the justified expenses from the 5th column and the additional ones in the 7th column.

2. Classification after three significant criteria

From the foregoing, it is considered that the groups are feasible and generating information with the following criteria: "the total cost of the product", "the total expenses", "the overall cost/product".

In the first phase, based on the assumption of the normality of distribution, the groups will be chosen equally, the number of groups is given by Sturges' formula:

$$n = \frac{x_{\max} - x_{\min}}{1 + 3,332 \ln N}, \text{ where:}$$

n – the size of the grouping interval;

x_{\max} – the maximum value which is characteristic for the group;

x_{\min} – the minimum value which is characteristic for the group;

N – the total number of the observations (of the FIAP-s; N=100).

a) For the criterion "the total cost/ product":

$$x_{\max} = 5397 \text{ lei (FIAP no.37, The standard strain „} Streptococcus pneumoniae \text{”)}$$

$$x_{\min} = 36 \text{ lei (FIAP no.13, "Environment - Fuxin")}$$

$$\ln 100 = 4,605$$

A size „n” of the range of the group is obtained with these data:

$$n = \frac{5397 - 36}{1 + 1,332 \times 4,605} = \frac{5361}{7,13386} = 751,89 \text{ lei}$$

It follows a size of the group range of 750 RON.

For more detailed observation data from the 100 FIAPs, it reveals that there are only two atypical values greater than 3000 lei (FIAPs no. 37 and 49), the others grouping towards lower values of the first interval. This leads to another approach, the choice of a smaller length of the projection group, the two atypical values being included in an open group on the upper edge of the values. After these observations, the organization of the data in the total cost of the product is shown in table no. 1, as it follows:

Table no. 1 Organizing data by the total cost of the product

Nr. Crt.	Groups of total cost/product (lei)	Mid range (x_i)	The absolute frequency (f_i)	The relative frequency (f_{ri}) %	The cumulative frequency (f_{ci})
1.	0 – 500	250	29	35,80	29
2.	500 – 1000	750	13	16,0	42
3.	1000 – 1500	1250	16	19,75	58
4.	1500 – 2000	1750	13	16,05	71
5.	2000 – 2500	2250	5	6,17	76
6.	2500 – 3000	2750	3	3,70	79
7.	above 3000	3250	2	2,47	81
TOTAL			81	100,00	

Source: own processing

b) For the criterion „total other expenses”, the minimum and the maximum values are as follows:

$$x_{\min} = 15,26 \text{ lei (FIAP no.40, The standard strain „Borrelia Burgdorferi”)}$$

$$x_{\max} = 217,04 \text{ lei (FIAP no.18, 19, 20 „Environment Lugol”)}$$

A careful observation of the data shows, in this case, an anomaly, there are only three comments, accumulated from 3 FIAPs, with values of the criterion “total other expenses” more than 100 lei. Placing them in the group under these conditions they will totally overturn the meaning of the group. The output from this junk can be done by dividing the expenses among FIAPs and by registering them as such; for example, a value of “total other expenses” for the “average” Mueller-Hinton 167.04 lei, FIAP will be divided on the sheets 10, 11, 12, resulting in three observations with values of about 55.70 lei, this operation approaching the scientific truth more than the original.

For compatibility reasons when searching for possible correlation, the number of groups should be still 7. With these remarks, the group after “total other expenses” is presented in the table no. 2.

Table no. 2 Organizing data by the "total other expenses"

Nr. Crt.	Groups of total cost/product (lei)	Mid range (x_i)	The absolute frequency (f_i)	The relative frequency (f_{ri}) %	The cumulative frequency (f_{ci})
1.	15 – 27	21	19	22,62	19
2.	27 – 39	33	20	23,81	39
3.	39 – 51	45	10	11,90	49
4.	51 – 63	57	11	13,10	60
5.	63 – 75	69	15	17,86	75
6.	75 – 87	81	4	4,76	79
7.	87 – 99	93	5	5,95	84
TOTAL			84	100,00	

Source: own processing

c) Organizing data in a summarizing table of the FIAPs, following the criterion „overall cost/product” involves the division into 7 groups, too, in order to facilitate the processing and the subsequent comparisons of the research.

The minimum and the maximum values are as follows:

$$x_{\min} = 91,45 \text{ lei (FIAP no.13, „Environment – Fuxin”)}$$

$$x_{\max} = 5468,75 \text{ lei (FIAP no.37, The standard strain „Streptococcus pneumoniae”)}$$

The same variation ranges as in the first groups (after the total cost of the product) will be set for consistency in the development of the study, the results are grouped within table no. 3.

Table no. 3 Organizing data by the "overall cost / product"

Nr. Crt.	Groups of total cost/product (lei)	Mid range (x_i)	The absolute frequency (f_i)	The relative frequency (f_{ri}) %	The cumulative frequency (f_{ci})
1.	0 – 500	250	26	32,10	26
2.	500 – 1000	750	15	18,52	41
3.	1000 – 1500	1250	14	17,28	55
4.	1500 – 2000	1750	14	17,28	69
5.	2000 – 2500	2250	7	8,64	76
6.	2500 – 3000	2750	3	3,70	79
7.	above 3000	3250	2	2,47	81
TOTAL			81	100,00	

Source: own processing

3. Conclusions

In the case study undertaken on the basis of FIAPs, it was found that most of the direct purchases (29 cases) were those which are within the range of the lowest total cost (0-500 lei). The fact that most of the direct purchases from the time interval studied are within the range of the lowest cost, verifying the legality of the purchases of that institution and that most of the products necessary for the institution are actually covered by a procedure according to the Public Procurement Law, and through direct purchase only products were purchased as insignificant cost or who is not a frequent necessity in that institution. Through the direct purchase only insignificant products as cost were purchased or which are not a frequent necessity in that public institution. The criterion "total other expenses" shows that the highest frequency of cases is contained in one of the smallest ranges of 27-39 lei; it foreshadows the idea that if risks occurred, they did not have negative economic consequences too high or more, for the institution. The overall cost/product includes the total cost and "the total other expenses" and the study undertaken shows that most cases are between the lowest: between 0-500 lei, which makes plausible the idea that direct purchases were carried out in that institution, in terms of efficiency.

4. References

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- Law no. 672/2002 on public internal audit
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- The Common Order no. 543/2013 approving the Guide on the main risks identified in public procurement and the European Commission's recommendations to be followed by the management authorities and intermediate bodies in the process of vetting procedures for public procurement
- GEO no. 13/2015 on the establishment, organization and functioning of the National Agency for Public Procurement

The Work Sample Verification and the Calculation of the Statistical, Mathematical and Economical Probability for the Risks of the Direct Procurement

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Abstract

Each organization has among its multiple secondary endpoints subordinated to a central objective that one of avoiding the contingencies. The direct procurement is carried out on the market in SEAP (Electronic System of Public Procurement), and a performing management in a public institution has as sub-base and risk management. The risks may be investigated by econometric simulation, which is calculated by the use of calculus of probability and the sample for determining the relevance of these probabilities.

Key words: direct procurement, probabilities, sample, deviation.

J.E.L. Classification: M41

1. Choosing and checking the sample

As a result of carrying out an audit that aimed exactly at the direct procurement, approximately 387 identification and analysis sheets (FIAP) were taken into consideration. 100 sheets were randomly selected, extracting all of the fourth sheet. It should be noted that as the FIAPs are placed in a chronological order of their occurrence in time, the reference is made to an initial condition of statistics, namely the random choice.

To verify the representativeness of the sample the following data are required (ideally): the average sample, the overall community average, the standard deviation of the general community. In statistical practice, the overall community average and its standard deviation are typically taken from previous research or provided in the papers and data collection institutions subordinated to the national authority in charge of statistics. In the study, there is no preliminary investigation and any precalculated value. In other words, one needs to resort to the method of verifying the representativeness of the sample in case the standard deviation of the general population is not known. Therefore, in this case the modified “t test” is applied, the model for calculating the value (t_c) being the following:

$$t_c = \frac{\bar{x} - m}{\frac{S}{\sqrt{n}}}, \text{ where:}$$

\bar{x} : the average sample;

m : the overall community average;
 S : the standard deviation of the sample;
 n : the number of individual observations.

For the "m" value of the overall community average a simple average is to be determined, by dividing the total cost of the products traded in SEAP, during a period (year 2016, the first semester), to the total number of FIAPs prepared for their trading:

$$m = \frac{411477,75}{387} lei = 1063,25 lei$$

Table no. 1 presents the data organised for calculating the average \bar{x} of the cost/product and its r-squared deviation.

The average sample for total product cost is:

$$x = \frac{\sum x_i f_i}{\sum f_i} = \frac{87250}{81} = 1077,16 lei$$

Table no. 1 The calculation of the average and the standard deviation of the sample

Nr. crt.	Groups of total product cost (lei)	x_i	f_i	$x_i f_i$	$x_i - \bar{x}$	$(x_i - \bar{x})^2$	$(x_i - \bar{x})^2 f_i$
1.	0 – 500	250	29	7.250,00	-827,16	684.194,48	19.841.639,99
2.	500 – 1000	750	13	9.750,00	-327,16	107.033,99	1.391.441,85
3.	1000 – 1500	1250	16	20.000,00	172,84	29.873,49	477.975,92
4.	1500 – 2000	1750	13	22.750,00	672,84	452.713,00	5.885.269,01
5.	2000 – 2500	2250	5	11.250,00	1.172,84	1.375.552,51	6.877.762,54
6.	2500 – 3000	2750	3	8.250,00	1.672,84	2.798.392,01	8.395.176,04
7.	above 3000	4000	2	8.000,00	2.922,84	8.542.990,78	17.085.981,56
TOTAL			81	87.250,00			59.955.246,91

Source: own design and processing

Note: As one of the two values which belongs to the last group exceeds 5.000 lei, the group average was set at 4.000 lei, for a correct calculation of the sample average. With these data:

$$S = \sqrt{\frac{59.955.246,73}{81}} = 860,34 lei$$

$$t_c = \frac{1077,16 - 1063,25}{\frac{860,34}{\sqrt{81}}} = \frac{9 \times 13,91}{860,34} = 0,1455$$

In this case, the null hypothesis means that there is a significant difference between the sample average and the overall community average which includes the sample. This means that the sample is not representative of the average, so its average cannot be used with full guarantees of validity in subsequent calculations.

For an established probability of 95% (the significance level of 5%), the table value of the t argument is 1.96 ($t_{zab} = 1,96$). As: $t_c = 0,1455 < 1,96 = t_{zab}$ it appears that the null hypothesis is rejected, so the sample FIAP sites investigated is representative, it means that all data and indicators resulting from the processing of the sample data are representative for the collectivity and the studied economic phenomena.

2. The probability calculation

After there presentativeness of the chosen sample is checked for calculations of probabilities, the data from the 100 FIAPs will be reorganized and centralized so as to clarify exactly what causes risks, along with the consequences of their materialisation. Thus, the data will be centralized by: the total product cost, total other expenses, total value (total product cost + total other expenses) the cause of the deficiency with the FIAP, the consequence. The following causes of risk were identified after centralizing:

- a) burning inaccurate data in the report of necessity;
- b) the unreal stocks listed in SEAP;
- c) the relatively low price of the product, doubled by a lower value application;
- d) the stipulation of buying a minimum quantity required by the purchase.

Since the two cases in point c) overlap from an economic point of view, but are independent from the point of view of logic, they could be drawn into two distinct causes, at least in terms of the economic consequences (in all cases from the FIAPs, the risk consists of the transportation costs which is paid by the public institution). In terms of the calculation of the frequency of such cases that will become the probabilities, this division is impossible. In the interests of consistency and scientific logic, it was decided that the two cases should be treated as a unit.

Two types of probabilities will be defined in the following:

a) the statistical and mathematical probability is the ratio (relative frequency, specific gravity) of the number of occurrences of a cause of economic risk and the total number of events observed:

$$P_{sm_i} = \frac{N_{a_i}}{N_t} ; \quad P_{sm} (\%) = \frac{N_{a_i}}{N_t} 100 (\%), \text{ where:}$$

P_{sm} : the statistical and mathematical probability of occurrence of the causes of risk;

N_{a_i} : the total number of occurrences of type "i";

N_t : the total number of the observed events.

b) the economic statistical probability is the number resulting from the total sum of the economic consequences of the events that have the same cuse, to the economic consequences of the materialisation of risks (total other expenses):

$$P_{se_i} = \frac{V_e}{V_t} ; \quad P_{se} (\%) = \frac{V_{e_i}}{V_t} 100 (\%), \text{ where:}$$

P_{se} : the economic statistical probability;

V_{e_i} : the value of the economic risk materialization type "i";

V_t : the total value of the materialisation of risks.

We can see that: $N_i = 81$; and $V_i = 4172,96lei$

The results of the two types of probabilities are summarized in the table no. 2:

Table no. 2 The determination of probability of occurrence and the effect of risk

Nr. crt.	Definition of risk	Symbol	N_{a_i}	P_{sm_i}	V_{e_i}	P_{se_i}
1.	Burning inaccurate data in the report of necessity	R_1	10	0,123	738,81	0,177
2.	The unreal stocks displayed in SEAP	R_2	32	0,395	1638,59	0,393
3.	The relatively low price of the product, doubled by a lower value application	R_3	15	0,185	919,00	0,220
4.	The stipulation of buying a minimum quantity required by the purchase	R_4	24	0,297	876,56	0,210
TOTAL			81	1,000	4172,96	1,000

Source: own design and processing

It can be seen that both probabilities, as they were defined and calculated, are related to risks in the process of the public procurement market in the SEAP, only different in nature and content. Thus, the statistical and mathematical probability represents a probability of occurrence and the manifestation of a certain risk category, while the economic statistical probability represents the probability of materializing in additional expenses the occurrence of that risk. In other words, materialization can not occur without occurrence and manifestation; the second probability is the result of the first (the correspondence between them not being two-way), not only undetermining it to some extent, but also having an effect on its level, randomly. Hence, to conclude that the second probability is a stochastic function in relation to the first, there is only one step.

3. Conclusions

By calculating the statistical and mathematical probability occurrence as well as the statistical and economic probability related to the materialization of the risk, it can be stated that in terms of public direct procurement, these can be done with some security because the risks can be predicted, and any economic consequences that may result emerging risks may be set out and measured. Another conclusion is that events in the public procurement process form a convex, compact and dense manifold which abide by the natural laws of statistics.

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Tax Collection Costs in Romania

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Abstract

The paper computes how much government did pay in order to collect 1 unit of taxes in Romania over 2004 – 2015 period. The cost of tax collection is derived from the Ministry of Finance spending budget, while the amount of taxes collected comes from the consolidated budget execution. Scaling the two metrics, I obtained the cost of collecting 1 unit of taxes. As additional metrics that captures the same effect, I computed the share of tax collection costs to GDP. I argue that given that the cost of tax collection in Romania is higher than the OECD average tax collection cost, any tax reform that would increase even further these costs is not feasible, especially when its impact on the amount of revenue collected is not known. This conclusion is further backed up by the tax collection costs to GDP ratio which almost doubled over the course of the period.

Key words: tax collection costs, tax revenue

J.E.L. Classification: H20, H83

1. Introduction

Tax collection is one of the central features of any tax system. Taxes should not only be assessed properly, but also should be collected as efficiently and effectively as possible. The words of Adam Smith, "Every tax ought to be so contrived as both to take out and to keep out of the pockets of the people as little as possible, over and above what it brings into the public treasury of the state" (*Wealth of Nations*) never ceased to prevail.

That is why, when new tax reforms are proposed, the policy makers should not only look upon how much money did new taxes bring to public treasury or how much redistribution is achieved among taxpayers, but also they have to consider how much new taxes would cost to deal with. No doubt that assessing the costs of the new tax administration is a difficult task, but the expected trend of these costs are quite straightforward to anticipate. Would new taxes eventually increase or decrease the existing tax costs? Answering this question will provide an argument which may help policy makers to better justify their intended tax reforms. Bringing into this picture the actual amount of the existing tax costs and comparing with international similar metrics provides an even better image of the overall effects of the tax reform.

Romania presently enjoys a flat tax system with respect to both personal and corporate income taxes, being enrolled in the group of flat tax countries which exclusively come from the former communist bloc. In fact, among new EU member states, only Poland and Slovakia do not have nowadays a flat tax rate. Still, Slovakia used to have a flat rate until 2012. One of the main advantages of a flat tax rate resides in its simplicity which increases compliance and lowers the administrative burden both for taxpayers and tax authorities, which ultimately means lower tax collection costs. Thus, given the absence of various tax deductions and tax credits, it is expected that a flat tax system come with lower collection costs than a progressive tax system. Consequently, when governments want to drop flat tax, they need to look upon not only at the revenue side of the budget, but also on the expenditure side, i.e. tax collection costs. At the end, it is a matter of efficiency and effectiveness. Efficiency means lower expenditures incurred by tax

authorities, while effectiveness means higher compliance from taxpayers. How these are affected by dropping the actual flat tax rate? Can we have simultaneously a flat tax rate and a generous system of tax deductions? If not, and a progressive tax rates system is about to be introduced, does the additional budget revenues (if any) justify the deal, taking into consideration the associated tax administration costs?

The paper computes the tax collection costs for Romania for 2004-2015, puts the figures into international perspective by comparing to the OECD countries and makes policy recommendations accordingly. The rest of the paper is organized as follows: section 2 describes data and methodology, section 3 presents the results, while section 4 concludes.

2. Data and methodology

In order to assess the cost of tax collection I gathered data on how much the Romania's Ministry of Finance spent every year. Basically, based on the assumption that the main mission of Ministry of Finance is to collect taxes to the central budget, I used the annual spending of the Ministry of Finance as a proxy for the tax collection costs. Of course, in different countries the Ministry of Finance may have different duties, for instance duties related to the general economic policy, financial regulation and even monetary policy. However, this is not the case of Romania, where a Ministry of Economic Affairs always existed, where the financial regulation is delegated to an autonomous body and where the monetary policy is under the authority of the Central Bank. Consequently, the main duties of Finance Minister are budget execution (which includes tax collection) and public treasury and public debt management (which depends heavily on tax collection). I argue that the other remaining tasks (auditing, international cooperation, etc.) of the ministry are only marginal and also connected to tax collection and thus, do not affect significantly my proxy, neither in terms of the magnitude of the costs, neither in terms of its economic meaning. Put it more radically, if it weren't taxes (which obviously is not realistic), it weren't the Ministry of Finance. Moreover, disentangling the Ministry of Finance annual spending between tax collection activities and the other remaining activities is practically impossible given the available data. The data is presented in Appendix A.

The data on taxes collected were gathered from the annual budget execution reports. I collected total budget revenues, among which fiscal revenues have the largest share, as expected. The budget revenues refer to the overall budget revenues, namely consolidated budget revenues, which aggregates all the budgets, either central or local budgets, after controlling for intergovernmental transfers. The main taxes for which I collected data were: personal income tax, corporate income tax, value added tax, excise duties, customs duties, real-estate taxes and social security contributions. The first five taxes are going to the state budget, real-estate taxes are owed to the local budgets, while social security contributions are going to the social security budget. The Ministry of Finance collects all taxes, except real-estate taxes which are collected by the local authorities. The data is presented in Appendix B.

After collecting annual data on taxes and Ministry of Finance spending, I computed the tax collection costs in two versions.

First approach consists in computing the share of Ministry of Finance spending in various metrics of taxes collected: i) fiscal revenues plus social contributions; ii) fiscal revenues; iii) only taxes owed to the state budget (corporate income tax, personal income tax, value added tax, excise duties). The main variable of interest is Ministry of Finance spending to taxes owed to state budget ratio (last row). The other variables complements the picture of tax collection costs and provides a better understanding of the overall context. As suggested by OECD, a „downward trend can constitute evidence of a reduction in relative costs (i.e. improved efficiency) and/or improved tax compliance (i.e. improved effectiveness)“.

Second approach consists in computing the Ministry of Finance spending to GDP ratio. This metrics suggest how much of the GDP is dedicated to tax administration,

3. Results

The results are presented in Table 1.

Table no 1. Ministry of Finance spending to taxes collected ratio

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
MoF spending to fiscal revenues + social contributions	0.91	1.38	1.38	1.37	1.45	1.52	1.46	1.84	1.69	1.50	1.79	1.88
MoF spending to fiscal revenues	1.37	2.12	2.09	2.06	2.20	2.35	2.17	2.72	2.46	2.19	2.62	2.66
MoF spending to taxes owed to state budget	1.59	2.44	2.38	2.29	2.41	2.58	2.38	2.96	2.73	2.45	2.95	2.98

Source: Own computations based on Appendix A and Appendix B

The tax collection costs in all three versions gradually increased during the period covered. The costs almost doubled from 2004 to 2015, which shows that tax collection had become increasingly expensive (in relative terms), suggesting a lack of efficiency of tax authorities. The biggest annual increase was in 2005 when the major tax reform was implemented, namely the flat tax adoption. This indicates that a major tax reform comes with increased associated costs, which are expected to decrease once the new supposedly simplified tax system is properly (re)adjusted. However, this was not the case of Romania, where the adoption of flat tax triggered an ever increasing tax administration costs (as share of tax revenues). I argue that this was determined by the fact that flat tax did not increase the tax revenues to GDP ratio as table 2 shows.

Table no 2. Tax revenues to GDP ratio in Romania (%)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Fiscal revenues to GDP	17.89	17.84	18.99	19.54	18.66	17.47	18.19	19.11	19.49	19.04	18.53	19.63
Fiscal revenues + social contributions to GDP	27.02	27.35	28.81	29.48	28.27	26.94	27.12	28.35	28.32	27.73	27.08	27.81

Source: Own computations based on Appendix B

In spite of tax cuts triggered by flat tax adoption, the share of tax revenues to GDP varied too little during this period. The expected effects of flat tax (Lazar, 2010, p. 32) were not confirmed in terms of tax revenues to GDP ratio. Since the tax administration costs increased nominally (as an effect of implementing the flat tax as well as the EU acquis), but the tax revenues relative to GDP remains relative constant, the Ministry of Finance spending to tax revenues ratio increased constantly throughout the period.

With regard to the other metrics designed to capture the tax collection costs, namely the Ministry of Finance spending to GDP ratio, the results are presented in Table 3.

Table no 3. Ministry of Finance spending to GDP ratio

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
MoF spending to GDP ratio	0.25	0.38	0.40	0.40	0.41	0.41	0.39	0.52	0.48	0.42	0.49	0.52

Source: Own computations based on Appendix A and Appendix B

The numbers shows that the development over time of Ministry of Finance spending to GDP ratio follows the same pattern as Ministry of Finance spending to taxes collected ratio (table 1). The share of tax administration costs to GDP ratio is twice in 2015 as oppose to 2004, the biggest annual percentage increase being in 2005 (again).

Putting these figures into context by comparing to OECD countries tax collection costs reveals no enthusiasm for Romania. The average tax cost per 100 units of taxes collected is 0.99 in OECD 30 countries in 2009 (OECD, 2011b), with highest costs in Slovak Republic (2.41), Poland (1.72) and Japan (1.71) and lowest in Sweden (0.4), Iceland (0.32) and Switzerland (0.31). The situation stays the same when looking upon total revenue body expenditure as share of GDP. The average for OECD 24 countries is 0.26 (OECD, 2011b), with highest shares in Belgium (0.51), Netherlands (0.51) and Hungary (0.45) and lowest in United States (0.08), Iceland (0.08) and Switzerland (0.03). However, these figures have to be interpreted with caution because of several factors that affects tax collection costs among which the most important are: different tax rates and different tax bases, institutional design and tasks of tax authorities, macroeconomic conditions, etc.

5. Conclusions

In the brink of a much debated tax reform, the paper investigated the cost of tax collection in Romania over 12 years from 2004 to 2015. I found that tax collection costs increased gradually over this time, irrespective of how they were computed. This raise happened in spite of flat tax adoption which supposed to bring simplicity and efficiency to tax administration process. Meanwhile, the Romania accession to EU triggered administrative costs increases in order to adopt the EU acquis, therefore it is not feasible to say that the increase of tax collection costs was caused only by internal factors. But, what can be said is that flat tax did not make money pouring in the public treasury (table 2). The increase of administrative costs of the revenue body (Ministry of Finance), mostly determined by the EU accession was not accompanied by an increase of tax revenues to GDP ratio, which explains the development over time of both of the metrics that proxied tax collection costs. This suggests a lack of efficiency of the tax authority body which, in spite of spending more, did not collect more (in relative terms).

The proposed tax reform which consists in generous deductions together with a tax rate cut (from 16% to 10%) would generate higher administrative costs (claiming deductions is not as simple and not as cheap as one would think) and would not bring more money to the budget. Moreover, deductions value less when the tax rate is low, therefore administrative costs induced by deduction claiming may be higher relative to the actual tax savings that the taxpayer could get. Therefore, increasing tax rate while simultaneously granting more deductions would not only reduce the administrative cost relative to the potential tax savings, but also would bring more money to the public treasury.

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Appendix A The Ministry of Finance annual spending during 2004 – 2015 (thou RON)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total spending	606,926	1,093,327	1,331,738	1,575,847	2,065,932	2,071,637	2,019,389	2,852,500	2,802,626	2,609,102	3,273,120	3,680,848
Current spending	536,287	928,394	1,094,377	1,493,885	1,962,199	1,919,806	1,889,619	2,425,540	2,648,919	2,321,101	3,203,678	3,586,941
Personnel spending	335,628	481,724	637,960	854,097	1,079,667	1,015,221	855,507	1,679,397	1,681,686	1,898,542	1,927,424	1,994,673
Goods and services spending	90,281	220,484	218,318	207,035	364,654	292,339	256,766	355,496	2,697,811	239,329	262,625	255,442
Capital spending	68,734	160,614	232,219	75,930	95,628	151,831	140,943	426,960	172,269	303,053	77,491	116,159

Source: Ministry of Finance Reports available at: <http://www.mfinante.gov.ro/pdfbuget.html?pagina=acasa>

Appendix B. The budget revenues and GDP in Romania during 2004 – 2015 (mil. RON)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
TOTAL REVENUES	76,956.10	90,679.60	106,975.3	127,108.2	164,466.8	156,624.9	168,598.45	181,566.9	193,148.2	200,045.66	213,833.56	233,554.29
<i>Current revenues</i>	75,112.30	88,248.00	104,004.00	123,298.90	158,976.00	151,086.40	158,474.70	173,541.10	184,030.70	190,649.12	199,774.41	215,401.13
Fiscal revenues	44,249.60	51,540.60	63,792.40	76,365.80	94,044.40	88,324.30	93,060.10	104,687.00	114,044.60	119,109.73	124,973.94	138,302.15
Taxes on income	14,626.20	14,606.80	19,105.20	26,319.00	32,920.80	31,829.90	28,926.10	30,106.50	32,782.90	34,926.74	37,376.19	42,090.92
Corporate income tax	6,483.80	6,533.90	7,938.90	10,558.30	13,045.90	11,893.00	10,115.10	10,309.10	10,854.50	10,925.74	12,237.73	13,824.27
Personal income tax	7,122.70	6,748.30	9,763.80	14,374.90	18,365.70	18,551.40	17,956.80	19,076.40	20,956.70	22,735.89	23,691.81	26,640.10
Other income taxes and capital gains taxes	1,019.70	1,324.60	1,402.40	1,385.80	1,509.20	1,385.50	854.20	721.10	971.70	1,265.12	1,446.65	1,626.55
Real-estate Taxes	1,757.90	1,880.20	2,544.40	2,944.90	3,362.20	3,377.70	3,801.50	3,976.40	4,060.40	4,403.17	6,185.08	5,737.99
Taxes on goods and services	26,036.20	32,828.20	39,448.00	46,061.20	56,362.80	52,072.10	59,358.90	69,558.40	76,127.40	78,774.80	80,352.22	89,207.84
VAT	16,547.20	22,537.90	27,763.00	31,243.20	40,875.10	34,322.40	39,246.00	47,917.40	50,516.00	51,827.03	50,878.47	57,132.17
Excise duties	7,996.30	9,079.40	10,588.10	12,511.80	13,599.40	15,579.20	17,378.90	19,104.80	20,260.40	21,106.05	24,094.79	26,017.96
Other taxes on goods and services	1,492.70	452.90	380.80	242.60	86.30	55.70	107.20	302.50	2,081.59	1,521.36	2,589.07	2,701.74
Taxes on activities	758.00	746.60	716.10	2,063.50	1,801.90	2,114.70	2,626.80	2,233.70	3,269.40	4,320.36	2,789.89	3,355.97
Customs duties	1,751.10	2,186.90	2,596.20	855.70	962.00	655.50	574.00	673.70	707.30	619.98	642.99	815.98
Other fiscal revenues	78.20	38.40	98.70	185.00	436.80	389.10	399.60	371.90	366.70	385.04	417.47	449.41
<i>Social contributions</i>	22,587.60	27,475.60	32,981.40	38,843.00	48,419.80	47,872.00	45,697.20	50,637.30	51,658.30	54,378.94	57,612.09	57,603.96
<i>Nonfiscal revenues</i>	8,275.20	9,231.80	7,230.10	8,091.10	16,511.80	14,890.20	19,717.40	18,216.90	18,327.80	17,160.45	17,188.38	19,495.02
Subsidies	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital gains	459.30	752.40	1,012.50	904.60	915.30	547.00	682.80	766.00	652.70	649.67	1,072.63	918.21
Donations	1,384.50	1,679.20	1,897.10	2,869.50	2,817.10	2,959.10	4,054.10	765.50	442.80	200.63	89.23	6.26
Funds from European Union	0.00	0.00	0.00	0.00	1,758.50	2,099.00	5,394.10	6,108.80	7,979.10	8,911.48	11,099.67	16,978.21
Financial revenues	0.00	0.00	61.80	35.10	0.00	15.30	14.30	0.00	0.00	0.00	0.00	0.00
Other amounts	0.00	0.00	0.00	0.00	0.00	-82.00	-21.60	385.50	42.90	-365.25	272.72	-28.77
Other amounts from European Union	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,524.89	279.25
GDP	247,368.00	288,955.00	335,900.00	390,800.00	503,958.70	505,503.00	511,581.00	547,829.00	585,200.00	625,617.00	674,300.00	704,542.00

Source: Budget reports available at: <http://www.mfinante.gov.ro/execbug.html?pagina=buletin>

Sustainability of the Public Acquisitions System in Romania in the Process of Transition to a Green Economy

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Abstract

The aim of this paper is to analyze the current national and international context regarding the possibility for public institutions to bring to the foreground environmental elements in the acquisitions, orientated to a sustainable development, in the context of maximizing the quality / price ratio in the use of public funds. Performance measurement and quantification are important challenges in complying with national and international policies.

Key words: green public acquisitions, sustainable growth, green bonds,

J.E.L. Classification: M14.

1. Introduction

Globalization, as an extensive process of economic, social and moral transformation, has led to the continuous exploitation and degradation of the environment. Current socio-economic trends are drive towards solutions to solve the ecological crisis, an attempt to reconcile the development trend and natural balance. Public authorities prove to be the biggest consumers in Europe this year.

The actual situation requires a detailed analysis of a national context at the level of the possibility for public institutions to bring to our attention the environmental elements in the acquisitions made, oriented towards sustainable development.

The mission of this research lies in the need to ensure the optimal framework to the main actors, in the efficient provision of the "quality / price" ratio in the use of public funds. Performance measurement and quantification are imperative challenges in complying with national and international policies.

The greening procurement tool is a management tool aimed to include the common interests of society in the public procurement process. This set of environmentally-oriented approaches imposes additional requirements in procurement procedures and, most often, their implementation does not minimize costs (Brannlund, 2009).

Moreover, the acquisitions process is also hampered by the lack of clear classifications of green contracts, and the limited availability of information on eco-public procurement in dedicated public databases is a challenge for those interested in this subject (Renda, 2012).

2. Green public acquisitions in the context of European / ECO reporting - EU strategic policy

Sustainable growth means building a competitive, sustainable and resource-efficient economy, which requires the need for public procurement to be closely linked to strategic areas at EU and member state level. The European entities have carried out an important process of reorganizing the legislative framework, aimed at facilitating the fulfillment of the goals.

Table no. 1 – legislative framework and strategic domains

STRATEGIC DOMAIN	LEGISLATIVE FRAMEWORK
ENERGETIC EFFICIENCY	EU Directive 2012/27/EU
ENERGY PERFORMANCE OF BUILDINGS	EU Directive 2010/31/EU
EU ENERGY STAR	Council Regulation (CE) No 106/2008 of the European Parliament and the Council from 15 January 2008 on a Community energy-efficiency labeling program for office equipment

Source: Information processed by the author based on the source http://ec.europa.eu/environment/gpp/projects_en.htm

France has set personalized priorities according to each sector of activity. By adopting the HQE (Haute Qualite Environnementale) method, the French government aims to achieve high ecological quality in the construction sector. During this time, the British and Dutch authorities have tried greening public procurement by purchasing renewable electricity.

In order to make its resources more efficient, member states use a wide range of approaches, from volunteering to new regulatory measures. Central European authorities have built partnerships with representatives from all member states in strategic sectors.

The objectives of these projects include the production of guidance documents, tools and models; setting up groups of buyers and suppliers as well as the development of eco-innovation solutions through pre-procurement and common procurement. In fact, only 3 member states support the efficient use of resources, while another 11 states are in the process of alignment with this measure. There is no such policy in Romania.

- ***External audit on the efficient use of resources***

Financial support for external audits is a measure of support widely used in Germany since 2000. All sectors were targeted, but the measure was successful in the metalworking, metal finishing and food processing industries. The cost of a procedure is between €10,000 to €15,000, being covered in a proportion of 70% by national funding programs and an investment recovery time of up to 2 years.

In support of the efficient use of resources, in 2014, Austria subsidized through the regional programs approximately 1943 enterprises, federal contribution being over 1 million euros. Finland, through state-owned company Motiva Oy Ltd., develops and promotes audit effectiveness through tools for identifying potential resources (materials and energy), savings in production processes, with pilot projects for which have been allocated annually approx. 200,000 euros.

- ***National public funding programs***

Financial support can be an effective way to encourage the efficient use of resources within businesses that normally cannot sustain a cost-effective project. The highest absorption rate of the national programs implemented is found in countries such as Bulgaria, Germany, Denmark, Malta and Poland, while in six member states, including Romania, there is no national strategy in this respect.

A number of government financial support programs exist in Croatia, including measures to increase the efficiency of resource use within businesses. Through the "Entrepreneurial Impulse" support program, the Ministry and the Croatian Agency for SMEs, Innovation and Investment (HAMAG BICRO) puts grants at the disposal of projects in the manufacturing, environmental and information technology sectors, which can include eco-innovation projects.

3. China - the pioneer of green bonds

Known as the country with the largest green-house bond market in the world, China issued in 2016 green bonds of about 36.2 billion dollars. Although in the past year 39% of the "green market" was owned by China, it presents itself as an atypical market:

1. Green bonds aligned with international or local standards

The regulations of the National Reform and Development Committee allows issuers to use up to 50% of the proceeds of the bonds issued for the repayment of bank loans or other capital markets, while at international level, more than 95% of revenues should be orientated towards

ecological projects. Approximately 34 % of total issued bonds do not meet international standards. The largest portion is represented by the banks issue and only 24% of the enterprises.

2. *Offshore or onshore bonds*

Although China's rise in this sector has been a fulminating one, the arguments are simple: offshore programs are intended for foreign investors, while China's Industrial Bank issues to the mainland China green onshore bonds. Most of the issues are evaluated by local rating agencies, and offshore issues receive international ratings. Procedurally, over 50% of China's green bonds have target completion dates for which they were between 5-10 years, unlike international issuers that have a prescription period of 6-8 years. Looking at the level of allocation of funding, 21% of the revenues are for the energy sector, while the prevention and control of pollution get about 17 percentage points. Globally, China is the largest green-house bond market.

4. Performance indicators

The process of public investment imposes a permanent transparency between tenderers and authorities. An evaluation of the performance of the system through the use of tools is imperative in order to establish the degree to which it is sustainable to meet the objectives set. To perform the analysis, a number of key performance indicators are proposed for discussion:

- **Share of tenderers / by type and / or contract size**

A recent statistics on the number of contractors who submitted offers for the 2014-2016 periods in procurement procedures indicates a number of features related to the situation in Romania. A first analysis of the number of procedures launched shows that the largest share is in supply contracts, 55.77% in 2015.

The economic and political instability had the biggest impact on last year's numbers. The data for the three analyzed years indicated the lowest level of release of procedures in 2016. The fewest offerors were attracted by the investment sector. Compared to previous years, there is a slight increase for service contracts, but the values are relatively insignificant compared to the needs of the market.

Table no. 2 – Analysis of contractors who submitted offers for the 2014-2016 periods in procurement procedures

Research spectrum	No. award procedures by publication of a notice / invitations to participate / simplified participation notice			Total procedure type
Contract type	2014	2015	2016	
Suppliers	9.864	12.396	10.724	32.984
Services	4.020	4.500	4.599	13.119
Constructions	4.483	5.331	3.756	13.570
TOTAL	18.367	22.227	19.079	

Source: Information processed by the author based on the source <http://anap.gov.ro/web/category/analize-si-rapoarte-statistice/>

Looking at the value of the number of procedures launched, the investments keep a downward trend, by about 34% compared to the reference year 2014. On the other hand, during the same period the consumption increased by about 8 million Euros.

A more realistic estimate shows the analysis was based on the first quarter of 2016. Taking into consideration the economic forecasts, this period was characterized by stability and financial expansion, with a 4.2% increase in GDP of the same period 2015. However, the spring economic forecasts are balanced by stagnation in the 2014-2020 financial year. The decrease in volume regarding services is due to the economic conditions in this period, but the internal demand for this period is quite robust.

Invoking the various malfunctions in the national mechanisms regarding the absorption of the European aid in the implementation of the procedures, the projects funded by the structural instruments have very low values. In 2016, approximately 96% of the award procedures launched through the Electronic Procurement System were funded by budget funds, 14% more than the reference year.

Table no. 3 – Proportion of funds for project

Research spectrum	2014		2015		2016	
	Ratio		Ratio		Ratio	
	Procedures	Contract size	Procedures	Contract size	Procedures	Contract size
Budget funds	81.58%	57.93%	84.20%	83.9%	95.63%	86.13%
Proportional community funds	18.42%	47.07%	15.80%	16,10%	4.37%	13.87%

Source: Information processed by the author based on the source <http://anap.gov.ro/web/category/analize-si-rapoarte-statistice/>

Although Romania is part of the European cohesion process, in the middle of the 2014-2020 financial exercise the absorption rate is close to 0%, while in the previous financial year about 90% of funding was allocated.

- **Ratio of rejected tenderers in the selection stage**

Public acquisitions represent the key link in the modern economy, as well as a favorable environment for the manifestation of anticompetitive practices. After analyzing the data presented, the 18,367 procedures initiated in 2014 had a degree of completion of 95,14%. However, budget support had differences of approximately 3 billion euros, while the finalization of the initiated procedures was 81.18%. A more detailed analysis of the rejection rate of tenderers in the same year shows that investment in public procurement contracts was 36.89% . At the same time, in the first part of 2016, the conclusion of a framework agreement for the execution of the same types of works indicated increased values in relation to the offers launched on the market. At the end of 2016, Romania completed 77.47% of the open public procurement procedures, the rest being in progress.

Table no. 4 – indicators for determining the current state of complaints

KPI indicator	Reporting period		Variation
	2015	2016	2016/2015
1 Number of disputed procedures	2.232	2.712	21.50%
- Solved	1789	2064	15.37%
- Cancelled for a mistrial	443	648	46,27%
2 The value of the disputed procedures	na	na	na
3 Number of favorable complaints settled out of the total number of disputed procedures	827	814	-1.57%
4 Number of unfavorable complaints solved by rejection of appeals	1380	1582	14.63%
5 Total number of procedures canceled by contracting authorities	25	51	100%
6 Number of procedures canceled by higher institutions	214	231	7.94%

Source: Information processed by the author based on the source <http://anap.gov.ro/web/category/analize-si-rapoarte-statistice/>

The current situation calls for the implementation of a set of local indicators, to determine the current state of reporting complaints and procedures at national level.

The number of complaints filed with the National Council for Solving Complaints has increased on average by 480 additional procedures analyzed. The rise in numbers highlights the lack of experience of the participants in the public trading process and draws attention to the transparency of the field.

The increase in the number of procedures issued by the Court of Appeal is not appropriate at the level of the risk analysis for the control institutions, but involves sustained efforts by all the market players. Reported to the type of procedure analyzed in the reporting period 2015-2016, the large number of requests determined a different fluctuation. The settlement time is double as it was in the previous years, and the prospects are unfavorable to the market.

- ***Changing the estimated price and the price assigned to the contract***

Contracting authorities reserve the right to choose the optimal criteria in order to obtain the most advantageous offer from an economic point of view. According to the latest report, 95% of the completed procedures of 2016 had the "lowest price" while around 666 procedures used "best value for money". Referred to the type of procedure, the most used method remains the direct acquisition by call for tendered with a total number of procedures of 8.337.

A brief analysis of the two criteria indicates that the lowest price is ahead of quality. The persistence of this practice will contribute to instability in the domestic market, with a bad impact on the tenderer' flow in the public tender procedure.

An empirical analysis on the public procurement procedures carried out between 01.01.2017-17.01.2017, through the portal, having as a type of procedure the participation announcement illustrates the prospects of a linear trend in early 2017. The area of contracting authorities is limited to Romania's borders, the samples being dispersed in several geographic areas and regions. In other words, 97% of the contract notices had the "lowest price" award criterion, while 3% of the contracting authorities chose the best value on quality - money. Romanian Law Public acquisitions establishes the obligation of the contracting authorities to calculate the value of an acquisition, related to the total value of the payment, without VAT, anticipating possible options and extensions of the contracts with the specific mentions.

Previous research has indicated that over 60% of the analyzed procedures have initial estimates higher than the values attributed to the acquisitions. In other words, although the information source is growing more widely, on average, the contracts are signed at a significantly lower price than the initial expected value.

The low price criteria tend to hinder economic operators who compete more strongly at the price level, making a rebate on quality. Being oriented to contracting authorities, initial estimates are not always true of the market price survey and the lack of strong documentation and correct technical specifications make estimates inconsistent with reality.

5. Conclusions

Based on the theoretical foundations and the researches included in this paper, the evaluation of the performance and capacity of the local public procurement system in the process of sustainable development proves to be a very sensible one. Although Romania is in the process of alignment with the European prerogatives, the implementation of some specific performance indicators indicate a pilot program with unpredictable results, rather than a continuous effort toward progress.

The current situation requires continuous monitoring of the degree of participation, as well as the trend of the awarding rates. An extensive set of indicators facilitates permanent analysis and detection of any fluctuations that would put the competition system in imbalance.

From a procedural point of view, our country faces a lack of stability of the legislative framework. Substantial changes published in 2016 predicted a reduction in bureaucracy, but proved to be more complex and difficult to apply. Recent experience requires a reorganization of the efforts of the main actors involved for the purpose of significant improvements.

Regarding the integration efforts in the sustainable development process, repeated and inconsistent legislative changes are oriented to an insufficient extent to market needs.

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Financing of Cultural Institutions in the Arges County

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Abstract

Funding culture in the broader sense of the term, from public funds and from private funds has so far been insufficient and has not always been made on the basis of coherent programs and for longer periods. The poorly developed basic physical infrastructure in most communes in Arges county is one of the causes limiting the development of basic services in rural areas (cultural, recreational, childcare and elderly care facilities, etc.). In most communes and villages, these are poorly developed or in some cases almost nonexistent. Cultural houses and other cultural establishments are in a state of continuous degradation, unable to offer cultural services to the rural population, which also reflects the educational situation.

Key words: Financing, infrastructures, budget, cultural economics.

J.E.L. Classification: G20, H54, H61, Z1

1. Introduction

At Arges county there are about 300 cultural establishments.

The institution that organized and permanently set up cultural and artistic activity in the Arges and Muscel villages was and is the cultural home. He has helped preserve ancestral customs, song, play, and beautiful costume. The cultural dormitory, being late enough, was the school that, through teachers and pupils, had a cultural-artistic activity among the inhabitants.

Today, Arges County has 216 cultural homes and cultural houses, most of them built between 1955 and 1980, but also after 1990 (Albești de Argeș, Ciomăgești, Căpățâneni, Țițești, Negrești, Bascov etc.). In the 102 localities of Argeș (95 communes, 3 municipalities and 4 towns) there are 216 spaces allocated to cultural homes, of which 95 are centers, 121 of which are subsidiaries. Cultural activity takes place permanently in 35-40 dormitories, in the other is occasioned by certain events in the life of the community. It is worth mentioning that over 25 localities have a full-time director, less than half have a half-time director, and in most localities, the local librarian is also responsible for the cultural home. Unfortunately, in many localities the City Hall has appointed an employee as the "opening / closing" of the cultural home doors for activities such as weddings, baptisms, discos etc.

2. The funds of the cultural institutions

Public institutions, indifferent of the funding and subordination system, have the obligation, through the manager, to organize, manage and lead the activity of the institution on the basis of an application defined by the authority. In the case of a cultural and spectacular institution, the demand from the authority is, beyond the irreproachable financial management, to meet the cultural needs of the community. It is the task of the manager to provide concrete solutions for achieving the objectives and tasks.

Funds of cultural institutions:

- of the budget of the local or county council (depending on which institution is subordinated);
- by self-financing;
- sponsorships, donations, transfers from businesses, organizations or individuals.

Extra-budgetary revenues can be made from:

- enrollment fees for various courses and applied circles;
- receipts from shows;
- capitalizing on works created within the artistic circles and traditional crafts;
- publishing and broadcasting own cultural publications;
- renting of halls and cultural equipment at the request of organizers (authorized) for cultural events, local people or legal persons.

The regulations stipulate that the revenues from self-financing belong exclusively to the cultural institution and can be used for the remuneration of cultural staff, for the maintenance and development of the material base, for the purchase of cultural equipment and objects.

The manager is not free to use public funds, but is constrained by mandatory legal provisions, which results from the fact that the authorizing officer administers a public patrimony and public funds based on a mandate.

Compliance with the mandate and legal provisions affecting the management acts must be controlled. Preventive self-control is integrated into the sphere of managerial accountability. All operations specific to the hiring, liquidation and authorization of expenditure are within the competence of the authorizing officers and are carried out on the basis of expert section opinions. The organization of internal preventive control falls within the competence of the officer and is based on the principle of separation of departments that initiate the operation, compartments that remain responsible for the reality, regularity and legality of operations.

Given these factors, the criterion of opportunity for spending public money is sought. Once the opportunity has been established, the stage of the liquidation of expenditures, the stage in the budget execution process where the existence of the commitments is verified, the reality of the amount due is determined or verified, the conditions of chargeability of the legal commitment are verified on the basis of supporting documents certifying the respective operations.

It monitors the effectiveness of spending, ie maximum results with minimum costs. Prior to hiring and using the institution's funds, the manager must ensure that the measure is consistent with the principles of sound financial management, sound financial management, especially economy and cost efficiency. For this purpose, the use of financial funds must be preceded by an assessment to ensure that the results obtained are consistent with the resources used.

The essential support for the success of the cultural and artistic approach is given by the correct dimensioning, attracting, setting up and allocating the funds in line with the evolution of the planned activities.

Persons managing public funds or public patrimony have the obligation to achieve sound financial management by ensuring the legality, regularity, economy and efficiency of using public funds and public property management.

All this can be done taking into account:

- minimizing the cost of the resources allocated to achieve the expected results of the activity carried out by the institution, while maintaining the appropriate quality of these results;
- the extent of the planned objectives scheduled for each activity and the relationship between the projected effect and the actual result of the activity concerned;
- maximizing the results of an activity in relation to the resources used;
- discovery and mobilizing internal reserves;
- strengthening economic and financial autonomy and increasing economic efficiency;
- identifying internal reserves to improve the institution's activity, in terms of the efficient use of human, material and financial resources.

Allocation of resources is based on the strategic plan of the institution, on functional departments, taking into account the proposed objectives - by activities - and the analysis of the competitive position of the institution.

Budget allocation is a particularly complex problem and takes into account the allocation of the necessary amounts at each strategic level. The allocation of budgets is in direct agreement with the importance of each marketing technique specific to each stage of the life cycle of the cultural

product and for the overall evolution of that market. This hierarchy of expenditure by group of activities, according to the marketing specificity, depending on the importance of the objectives to be achieved, is a component of the institution's management. Consideration will be given to the development of at least two categories of budgets: research and promotion so that all resources can be used efficiently. The provision of cultural services must take into account not only the interests and curiosities of the target audience or the local population, but also the characteristics and problems facing the cultural heritage underlying them. Two needs must always be taken into account: proper preservation of the various elements of cultural heritage and public education. Conducting responsible, consistent and consistent marketing activities ensures that these goals are met.

3. Difficulties faced by managers in the cultural institution

- Insufficient financial resources.
- Poor technical condition and lack of material equipment needed to carry out cultural activity in the relevant institutions.
 - The incompleteness of the legal framework in the field of culture.
 - Insufficient (or inexistent) spaces necessary for the good functioning of cultural institutions.
 - Insufficient funds for restoration and preservation of the cultural heritage.
 - Difficulties deriving from the self-financing regime of some cultural establishments.
 - Lack of competent staff for management positions and lack of specialists in cultural institutions.
- The public's refusal to act as a cultural act.
- Inertia of the financial system (restrictive and bureaucratic).
- Dysfunctions in the relations between key loan directors (County Council and Mayors) and management of cultural institutions.
 - Exploring the cultural act.
 - Deficient collaboration with other public institutions.
 - The lack of local power.

The lack of financial resources generates all the other difficulties. Due to the lack of funds, cultural equipment can not be purchased or repaired, heating and lighting can not be ensured, public activities can not be carried out, competitions, shows, festivals organized in other localities can not be repaired or Extends its headquarters.

The hierarchy of difficulties noted above is particularly common in rural areas.

Compared to the cost of building materials, the amounts allocated after 1990 for the consolidation, extension and repair of some buildings were totally inadequate. With the exception of cultural homes in cities and some communes where local forces have been built or consolidated, the general situation is improper to organize the activities that rural residents expect.

The severe degradation of some sites has been caused by several factors, such as natural phenomena - landslides, floods, etc. Aggressive actions of some locals, but especially the fact that for almost two decades no money has been invested for their maintenance and repair.

Headquarters in the years 2005-2010 continue to be unsatisfactory. Locals have rated it using the following indicators:

- state office;
- space for cultural events;
- providing equipment of cultural practice;
- provision of furniture and other facilities.

The equipment of cultural practice equipment (projection apparatus, musical instruments, radio, television, tape recorder, etc.) does not meet the requirements of the normal functionality of the institution.

In general, the gaps faced by cultural homes - money, space, and specialized staff - are common to other cultural institutions. With the reduction of state subsidies, it is based on community donations. The experience of the interwar period, when "the construction of the dormitory was done through the voluntary public contribution of the inhabitants of the commune", could be a model.

Today, however, the material state of the inhabitants, especially from rural areas, does not allow the expansion of community subsidies. It is necessary to diversify sources of financing of cultural institutions, including state support.

In our country, the rural public is not able to invest large sums of money in cultural services, advertising only slightly to the rural world, and does not like to support the traditional culture system. The experience of recent years shows that private economic agents are not willing to take on cultural funding, and the deep crisis we go through imposes maximum economic constraints in public spending. Strong competition between education, health, culture and social security limits even more the resources for culture. In the last years, on behalf of the local autonomy, mayors from several counties tried and sometimes managed to "freeze" the activity of some hostels and libraries. Such practices can be extended in the future, with irreversible effects for people in those localities.

4. Suggested solutions for identifying sources of funding

- Organizing permanent exhibitions, selling the products created in the craft circles of the hostel, as well as the objects made by popular creators;
- Revitalizing rural cinemas by equipping them with modern equipment and with new competitive projections;
- Access to bank loans with preferential interest, for endowment and arrangement of cultural facilities;
- Reviewing the sponsorship law to further stimulate potential sponsors and potential donors of rural culture.

Economic agents that contribute to the funding of culture also exist in rural areas. For example, construction companies could participate in consolidating and setting up cultural spaces, other specialized firms - endowing them with cultural equipment. However, sponsors must have a legislative framework to motivate them to invest in these establishments.

They should also be motivated by the applicants themselves who, in their sponsorship requests, will present the cultural institution's requirements in close connection with the fundamental needs of the community.

The number of those who would invest in culture, even with some sacrifices, has steadily increased since the age of 36, the age at which the material situation of the family is growing, and their children are increasingly interested in spending their remaining time in the public space circumscribed cultural institutions.

In my opinion, the main sponsors of rural culture must be community members. In our cultural history we have many examples of this kind.

Nowadays, this recommendation has few followers in the rural communities, where even a fifth of the villagers are not willing to make material sacrifices to rescue the homes in difficulty. They await, as we have seen, the intervention of County Councils and the Ministry of Culture.

For the example, we present the Cultural House of the Bascov commune, located 5 km north of Pitesti.

The House of Culture of the Bascov commune was inaugurated on December 6, 2012. Artistic groups were set up (Folk Ensemble Doina Bascovului, Voice Group Rapsozii Bascov), sections for different courses, the inhabitants being able to choose from a wide range of depending on the skills and preferences of their children, thus becoming an important cultural center in Arges County. Children enrolled in courses enjoy rooms equipped according to the latest European standards: ballet hall, folk dance hall, modern dance, karate ashihara, karate sabaki, popular singing, singing, modeling, etc.

The modern library within the House of Culture has 40,000 volumes, linking to the Biblionet program makes it possible to study online. The House of Culture also has a modern 315-seat showroom with air conditioning, its own sound system, a hall that proves to be small for every organized show. A conference room, a bar with a summer terrace for recreation, all maintained the whole picture of the House of Culture. In the two years of activity, over 30 performances have been organized, thus attracting big names of popular and light Romanian music. Charitable events were also organized, thus raising the money needed to save lives.

Thus, in addition to allocations from the local budget, significant sums of money were attracted by enrolling children at these courses, renting conference rooms and occasional meetings. The funds obtained were reinvested through the development of new programs, but also for the free support of courses for children with special needs, from disadvantaged families or without financial possibilities. Thus, in a very short space of time, programs and courses at the Bascov House of Culture have benefited over 500 children from the commune, but also from the neighboring towns and even from the city of Pitesti.

5. Conclusions

Exploiting cultural and tourism products and services of the area can be encouraged by creating an agreement infrastructure that offers a variety of leisure activities and can be used by tourists who spend their stay in the area. In the small urban space, and especially in rural areas, cultural activity is organized around the cultural establishment. Preserving and preserving the rural heritage are essential for the development of rural tourism, representing a possibility to promote the Romanian villages with a positive effect on the tourists and the local population.

The Romanian cultural heritage is an important source of local and regional development. Sustainable development can not be done outside the preservation of cultural identity, which requires factors such as education and cultural consumption to be taken into account, improving basic cultural services in the Romanian space. This involves the development of cultural facilities, libraries, cultural homes, leisure and cultural, architectural and natural heritage. An important dimension of social life, cultural life will be revitalized under the conditions that local communities will have an adequate cultural infrastructure.

The operation of cultural establishments to superior, qualitative parameters represents a step forward towards change, towards the future, local development and international co-operation. Young people have gone away in public life in recent years, although they are a dynamic social and cultural group, because of their fragile social status and the discrepancy between public policy objectives and their implementation. Thus, in order to facilitate the transition of young people into a changing society and to achieve a balance between the generations, it is necessary to correlate and harmonize programs by applying public policies with social and educational impact among young people. In the period 2014-2020, investments will be distributed mainly to: rehabilitation, modernization and consolidation of cultural infrastructure.

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Credit Policy within BRD Bank

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Abstract

The market economy necessarily implies the existence of a banking system that ensures the mobilization of all the monetary resources of the economy and their temporary orientation in the conduct of efficient economic activities.

Banks through the activity of collecting the financial resources, while guiding them towards those units that require additional temporary financing, fulfill an important role of banking intermediation. Therefore, credit becomes an important tool in stimulating the development of an economy, encouraging certain phenomena according to the objectives set by the economic entities. It has been found that credit is indispensable to an economy, which is why the method of granting it is significant and, in this sense, the function of the bank of financial analyst plays an important role in orienting resources towards the most efficient placements.

Key words: credit, profitability, risk

J.E.L. Classification: E51, E59

1. Introduction

Credit policy is the bank's strategy and tactics in lending operations. Qualitative credits are credits that can be repaid on time and that do not create customer problems. In this context, the loans must be not only secure but also stable, meaning that the bank must follow the course of business and assess the client's capital (Sudacevshi, 2014). The client in turn provides the bank with all the required information. The purpose of the bank is to increase, in time, the level of profitability in its activity. This growth cannot be ensured without a high quality asset and without the effective correlation between profitability and risk (Dragomir-Drăgoi, 2007).

2. Presentation of BRD Bank

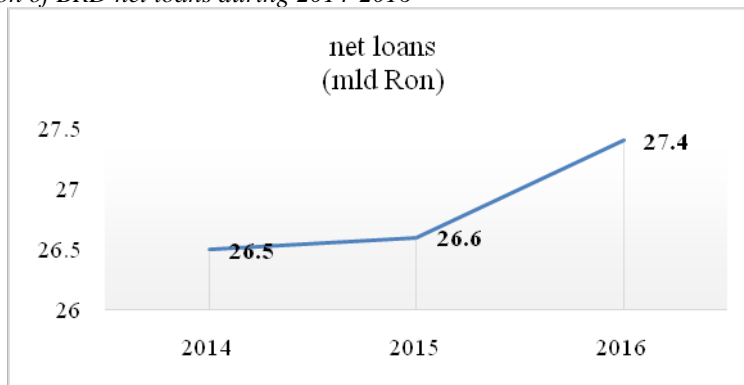
BRD Bank is one of the leaders in the banking market for the segment of individuals and one of the major financiers of SMEs in Romania. At the same time, it is one of the most significant players in the corporate banking market. Currently, the bank comes in contact with the 2.3 million customers via Internet, branches, mobile phone or call center and has a network of 900 units.

Her portfolio of activities focuses on three major areas: the retail network and financial services; Asset Management and Services for Investors and the Bank for Financing and Investment.

3. Credit Policy within BRD Bank Romania

The main banking operation is lending, so among the bank's placements loans are on the first place. The manner in which BRD operates the funds it manages can decisively influence the national economic development.

Figure no.1. Evolution of BRD net loans during 2014-2016

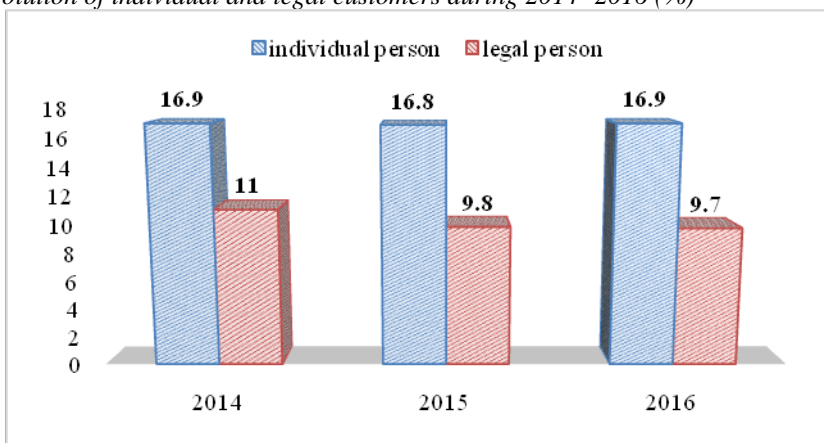


Source: author's processing after BRD annual reports

Between 2014 and 2016, the total net loans offered by BRD Bank recorded a continuous increase. The growth in 2016 was driven by loans for the real estate and consumer segment. A significant contribution to real estate lending has also come from the First House program.

Regarding the structure of credits sorted by clients, it was found that individual persons use more credits than legal entities, as can be seen from the graph below.

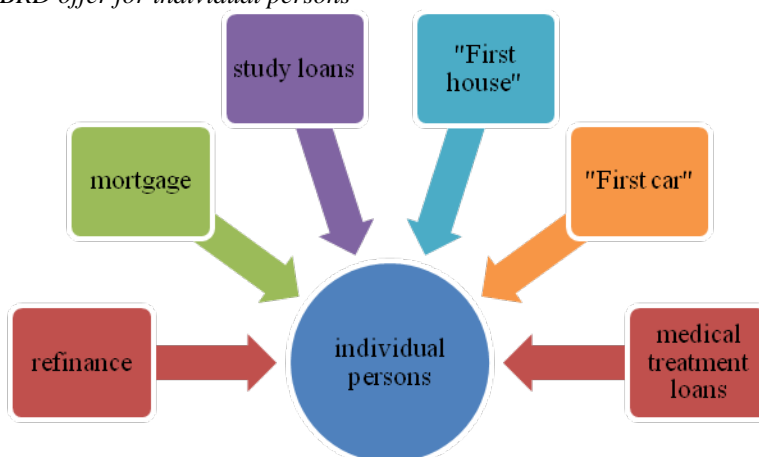
Figure no.2. Evolution of individual and legal customers during 2014 -2016 (%)



Source: author's processing after BRD annual reports

As can be seen, the balance of credits for individual persons grew, the increase being justified by the rising volume of consumer loans without mortgage and home loans. In the case of legal entities, loans have decreased, although interest rates have evolved favorably.

Figure no. 3. BRD offer for individual persons

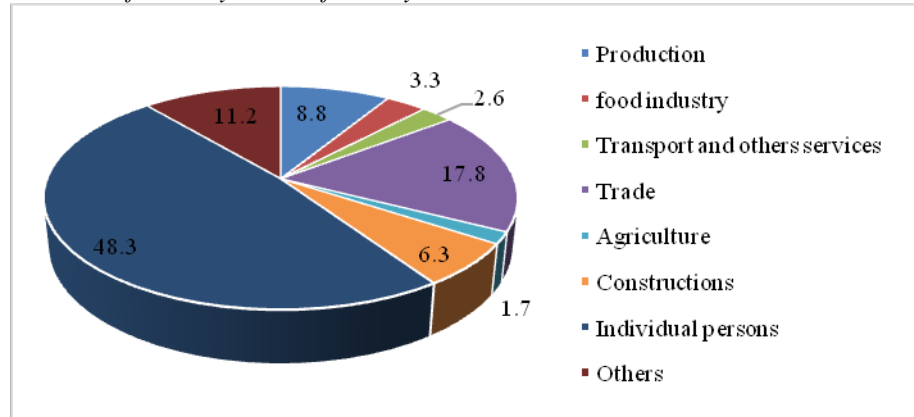


Source: author's processing after www.brd.ro

For individuals, the offer consists of credits for refinance, habitat, study loans, expresso, "First House" loans, "First car" loans or credit for medical treatment. For legal persons, the offer consist of credits for current activity, investment loans, bank guarantees, factoring and discounting.

Analyzing the loans by sector of activity, the chart below gives an overview of year 2016.

Figure no. 4. Structure of loans by sector of activity



Source: author's processing after BRD annual reports

This time also, individual persons hold the largest share, namely 48.3%. The trade sector has a share of 17.8%, followed by the production sector, 8.8%. Construction and agriculture are also areas where credits are needed to drive business development.

4. The risk within BRD Bank

In Romania, the managers in the field consider that the main threat for the banking system is represented by credit risk. To a smaller or larger extent, all banks take credit risk, and for this reason the credit portfolio quality that can have a significant influence on profitability, capital adequacy, and general confidence in the bank are analyzed with great care (Magda, 2011).

In the following table is presented the structure of overdue loans according to seniority within BRD Bank Romania.

Table no. 1. Analysis of overdue loans, impaired by seniority

	<= 30 days	31-60 days	61-90 days	>91 days
Companies	1.031.609	404.012	274.734	154.331
Small business	240.065	113.081	95.836	-
Cosumption	910.512	311.512	243.111	-
Mortgage	195.708	59.872	62.870	-
Total	2.377.894	888.477	676.551	154.337

Source: author's processing after BRD annual reports

As it can be seen from the table, only large companies have exceeded the repayment term by more than 90 days, the other categories of clients and credits are fitting under 90 days. Consumption credit records higher overdue values than mortgage credit regardless the number of days. In order not to fall into the category of overdue or depreciated loans, BRD agreed to renegotiate the terms of payment of credits.

The evolution of overdue and non-performing loan rates for BRD Bank in 2015 and 2016 are presented below.

Table no. 2. The evolution of overdue and non-performing loans of BRD Romania in 2015-2016

Year	2015	2016
Overdue loans rate	7,95%	11,75%
Non-performing loans rate	8%	5,5%

Source: author's processing after BRD annual reports

For a bank, it is a good situation when the two indices presented above records lower values, especially non-performing loans, as these may cause difficulties in conducting the business and may influence the bank's financial results. As it can be seen, unlike the overdue loans, which recorded an increase, the non-performing ones were characterized by a slight decrease, which is a positive aspect.

5. Conclusions

BRD Bank offers its clients a wide range of banking services such as credit, leasing, deposit acceptance, transfer payments and a range of other financial services.

BRD Bank is known to be the bank with the most complex lending offer: consumer loans, mortgages, equipment loans, credit for studies, real estate loans, medical treatment credits, investment loans or loans for agriculture.

The Bank's main assets and liabilities consist of loans, leases, advances to customers, loans or deposits at sight and in time, all of these instruments being exposed to risks.

It is known that bank performance has two dimensions, profitability and risk, and bank management aims to maximize bank performance by combining objectives such as reducing risk exposure, maximizing profitability, prudential behavior and compliance with quality standards.

According to the data presented above, BRD Romania Bank is below the average of the banking system in terms of non-performing loans. Although none of the indices presented in this paper accurately predict the situation of a bank, any inappropriate level of these indicators is a barometer of future lending problems.

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Amendments to the Audit Report for the Review of International Standards on Auditing

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Abstract

As a result of the last economic and financial crisis, the auditors' impact on its triggering was questioned, as the opinion expressed by the auditors directly influenced, the decisions taken by the users of the financial and accounting information, namely the investors. The sign of question on the auditors' work was also due to a lack of knowledge of the auditors' responsibility by the users. The opinion issued by the auditor provides reasonable, but not absolute, assurance on the information provided by the financial statements, in which case the auditor's responsibility is limited. To mitigate these discrepancies, the International Auditing and Assurance Standards Board (IAASB) has developed projects that have generated solutions to improve International Standards on Auditing. Thus, in 2015, the IAASB issued a new edition of the International Auditing Standards, which made changes in the drafting of the audit report.

Key words: audit, audit report, users, ISA financial – accounting information.

J.E.L. Classification: M42

1. Introduction

Economic and financial crises, due to the globalization of the market economy, produce negative effects that have repercussions and influence the society, both at macroeconomic and microeconomic level, each individual feeling these effects. The only advantage and positive aspect of these can be considered the analyzes made by the specialists in the field, in order to determine more precisely what were the factors that generated these crises, and at the same time what measures can be implemented to eliminate the consequences produced and to streamline and improve the areas that led to their emergence, first of all. The effects of the latest economic and financial crisis have revealed some deficiencies in the work of the auditors, so the International Auditing Standards Board has produced projects, following which the International Auditing Standards have been revised, the new amendments being applied starting with the audit of the financial statements prepared on 31.12. 2016.

The purpose of the financial audit is to express an opinion on the image of the financial statements, namely the extent to which it is true, in all material respects, in compliance with the general accepted accounting principles. Thus, financial auditors collect evidence that supports the formulated opinion. The Financial Auditor is not an absolute guarantor of the fidelity of the financial statements, but he is responsible for the opinion expressed on the basis of the evidence collected so as to correctly inform the users of the financial statements about the correctness of the information from them (Dănescu, 2007, pp. 106-107).

The auditor's opinion is very important, it is considered that the statutory audit report should provide more transparency as to what actions the statutory auditor carries out on an audit mission and how it reaches the results of his work. The new regulations issued in January 2015 of the International Auditing and Assurance Standards Board (IAASB) have emerged in this context. These are intended to develop the audit report in order to provide more information on what the auditor considers most relevant in the audit. These IAASB regulations are an important first step to address the needs of users who want to get a more comprehensive picture of the performed audit

(Kiss, Fulop and Cordos, 2015, p. 4).

The purpose of this paper is to present the changes made to the independent auditor's report following the review of the International Standards on Auditing. The need of such a review is a consequence of the effects of the last economic-financial crisis, which revealed certain deficiencies in the work of the auditors, deficiencies that played an important role in triggering it.

2. Methodology of scientific research

The methodology of scientific research used for writing the paper was the theoretical presentation, general aspects related to the independent auditor's report by revising the specialized literature, the presentation of the differences in drafting the independent auditor's report of the revision of the International Auditing Standards, applicable with the drawing up of the financial statements on December 31st, 2016, but also the presentation of an auditor's report that complies with the requirements of the new amendments.

3. Theoretical Aspects of the Audit Report

The role of the auditor, in particular the external auditor, is to increase the user's confidence in the accounting information, to bring more safety on the fact that the accounting information was obtained, treated and presented in accordance with generally accepted accounting standards and principles, thus is able to provide reasonable assurance that financial statements are not materially misstated as a result of errors or frauds and can therefore be used with sufficient confidence in the decision-making process (Neamțu, Roman and Țurlea, 2012, p.17).

The objective of the financial statements is to present information related to an economic entity in order to substantiate the users' decisions, but their purpose may differ from one case to another due to the non-compliance with the economic events on the basis of which they were generated or because they are misunderstood, either because of the variety of factors that influence the preparation of financial statements, which will lead to different decisions. Different user requirements make it difficult to meet their informational needs. However, the risk of conflict between users of accounting information may be diminished by means of a quality reference, as well as auditing financial statements (Berheci, 2010, p. 256).

Based on the results and conclusions of the audit, an audit report is prepared to provide the audited entity with an opinion on the true image of the financial position, results, cash flows presented in the audited financial statements. Expression of opinion in the audit report is made only after the final financial statements have been prepared, following the audit activities based on the conclusions of the examination of audit engagement evidence, the auditor does not require the management of the audited entity to modify certain statements, statements presented in the (Dănescu, 2007, p. 312).

In addressing international regulations, the audit report has a triple role (Horomnea, 2010, p.225):

- Instrument for communication with users of the financial statements prepared by the entity, mainly with shareholders and the public, for substantiating economic decisions;
- A tool for confirming the confidence of shareholders and the public in the financial statements presented by the entity;
- Identification tool of responsibilities for auditor and for the management of the audited entity.

Management employs an auditor who shall ensure that the financial statements are reliable. If, ultimately, it is found that the financial statements are incorrect, the auditor may be held responsible (sued) by both the users of the information and the managers of the entity that hired him. There is no doubt that the auditors have a significant legal responsibility for the psychological impact produced by users of financial information verified by them (Domnișoru, 2011, p. 61).

To enhance the confidence of users of financial and accounting information, the International Auditing and Assurance Standards Board (IAASB), following the developed projects, revised the International Auditing Standards, thus making certain changes in the layout of the audit report.

Table no. 1 The comparative analysis of the elements of the audit report before and after the review of ISA 700 "Making an opinion and reporting on the financial statements"

ISA 700	ISA 700 (Revised)
One Title	One Title
One Addressee	One addressee
An introductory paragraph identifying the audited financial statements	A section on Opinion, containing an expression of opinion on the financial statements and a reference to the applicable financial reporting framework used for the preparation of the financial statements.
A description of the management's responsibilities for preparing the financial statements	Identifying the entity's financial statements that have been audited.
A description of the auditor's responsibilities to express an opinion on the financial statements and the audit area	A statement stating that the auditor is independent of the entity, in accordance with the relevant ethical requirements of the audit and that the auditor has fulfilled all ethical responsibilities in compliance with those requirements.
An opinion paragraph containing an opinion on the financial statements and a reference to the applicable financial reporting framework, for the preparation of the financial statements	Where appropriate, a section that refers to "Significant uncertainty about business continuity.
Auditor's signature	Where appropriate, a section for the Limited Opinion or for the Counter opinion.
Auditor's report date	Where appropriate, a section that includes the information required by ISA 701 or additional audit information.
Auditor's address	Where appropriate, a section referred to in auditor's report to identify other information obtained by the auditor before the date of the auditor's report, a description of the auditor's responsibilities for other information, and an explicit statement of the results of the auditor's work in this sense.
	A description of the management's responsibility for preparing the financial statements and identifying the persons responsible for overseeing the financial reporting process.
	A reference to International Standards on Auditing and Law and Regulations and a description of the auditor's responsibilities for an audit of financial statements.
	For the audits of complete sets of financial statements with general purpose for listed entities, the name of the mission partner.
	Auditor's signature
	Auditor's report date
	Auditor's addressee

Source: personal adaptation from ISA 700 and ISA 700(Revised) (IAASB, IFAC, CAFR, 2016, pp. 970-1129)

As a result of the comparison we can see an improvement of the audit report by increasing the transparency of the information provided by it, changing the structure of the report in order to increase the confidence of the users of the financial statements in the work done by the auditor and clearer clarification of the auditor's responsibility in an audit of the financial statements.

4. Case study on the preparation of the audit report in accordance with ISA 700 (Revised)

In order to prepare the audit report for the financial statements prepared by SC BETA SRL, as of December 31st, 2016, the statutory auditor applies the new provisions of audit standard 700 (Revised) "*Opinion formation and reporting on financial statements*" (IAASB, IFAC, CAFR, 2016, pp. 994-1046), as well as the ISA 700 report model (revised) provided by the Chamber of Financial Auditors by the Statement of Auditor's Report on Financial Statements as of December 31st, 2016 <http://www.cafr.ro/comunicate.php?id=309> (accessed on April 26th, 2017).

Independent Auditor's Report

To the shareholders of SC BETA S.A.,

Opinion

We have audited the accompanying financial statements of the company BETA SA which comprise the balance sheet as of December 31st, 2016, the profit and loss account, the statement of changes in equity and the cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes. These financial statements mentioned above refer to:

- Net asset/Total own equity: 9.179.315 lei
- Net profit/net loss of the fiscal year: 190.165 lei

In our opinion, the accompanying financial statements give a true and fair view of the Company's financial position as of December 31st, 2016 and the results of its operations and cash flows for the year ended in compliance with the Order of the Minister of Public Finance no. 1802/2014, for the approval of the Accounting Regulations on the individual annual financial statements and the consolidated annual financial statements, as amended ("OMFP No 1802/2014").

Opinion basis

We have conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under these standards are described in detail in the section "Auditor's Responsibilities in an Audit of Financial Statements" in our report. We are independent of the Company, according to the professional ethics requirements relevant to the audit of the financial statements in Romania and we have fulfilled all other professional ethics responsibilities, according to these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Highlighting some aspects

We draw attention to Note 9 of the financial statements, which describes the analysis of the main financial indicators, resulting in a low rate of return, worth 0,046. Our opinion is not altered on this aspect.

Significant uncertainty about business continuity

We draw attention to Note 4 of the financial statements, according to which the Company recorded a net profit of 190.165 lei during the financial year ended on December 31st, 2016 and, at that date, the Company's current debts exceeded its total assets by 2.040.319 lei. As noted in Note 4, these events and conditions, along with other issues presented in Note 9, indicate that there is significant uncertainty about the Company's activity but which does not affect the continuity of the business. From the analysis of the operating result, it results that, compared to the previous period, the expenditures for basic activity increased by 421.043 lei and the indirect expenses increased by 231.505 lei, while the turnover decreased by 401.235 lei compared to the same period. Our opinion is not altered on this aspect.

Other information – Administrators' report

Other information includes the Administrator Report. Administrators are responsible for preparing and presenting the Administrators' Report in compliance with the OMFP no. 1802/2014, paragraphs 489-492 of the Accounting Regulations on the individual annual financial statements and the consolidated annual financial statements and for those internal controls that the administrators consider necessary to allow the preparation and presentation of the Directors' Report that are free from material misstatement due to fraud or error.

The Administrators' report is presented on page 1 to 1 and is not part of the financial statements. Our opinion on the financial statements does not cover the Administrators' Report.

In relation to the audit of the financial statements for the year ended on December 31st, 2016, it is our responsibility to read the Administrators' Report and, in this regard, to assess whether there are significant discrepancies between the Administrators' Report and the Financial Statements if the Administrators' Report includes in all material respects, the information required by OMFP no. 1802/2014, paragraphs 489-492 of the Accounting Regulations on Individual Annual Financial Statements and Consolidated Annual Financial Statements, and if based on our knowledge and understanding gained in the course of the audit of the financial statements regarding the Company and its environment, the information included in the Administrators' Report are significantly erroneous. We are asked to report on these issues. Based on our activity, we report that:

- In the Administrators' Report we have not identified information that is not consistent, in all material respects, with the information presented in the accompanying financial statements;
- The above mentioned Administrator's Report includes, in all material respects, the information required by OMFP no. 1802/2014, paragraphs 489-492 of the Accounting Regulations on Individual Annual Financial Statements and Consolidated Annual Financial Statements.

In addition, based on our knowledge and understanding of the financial statements for the year ended December 31st, 2016, regarding the Company and its environment, we did not identify information that was included in the Administrator's Report that was materially misstated.

Management's responsibilities and those responsible with the governance of the financial statements

The Management of the Company is responsible for the preparation of the financial statements that give a true image in accordance with OMFP no. 1802/2014 and for the internal control that management deems necessary to enable the preparation of financial statements without significant misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company's ability to continue its business, to present, where appropriate, business continuity issues and use of business continuity accounting, unless management liquidates the Company or stops operations, or has no realistic alternative outside of them.

The persons responsible for governance are responsible for overseeing the financial reporting process of the Company.

Auditor's responsibilities in an audit of financial statements

Our objectives are to obtain reasonable assurance that the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to the issuance of an auditor's report that includes our opinion. Reasonable insurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with the ISA shall always detect significant misstatement, if any. Distortions may be caused either by fraud, or by error and are considered significant if reasonable assurance can be given that they, individually or collectively, shall influence the economic decisions of users made on the basis of these financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism during the audit. Also:

- Identify and assess the risks of material misstatement of financial statements, whether caused by fraud or error, designing and executing audit procedures in response to those risks and obtaining sufficient and appropriate audit evidence to provide a basis for our opinion. The risk of not detecting significant misstatement caused by fraud is higher than the failure to detect a material misstatement caused by error, as fraud may imply secret, false, deliberate omissions, false statements, and avoidance of internal control.
- We understand the internal control relevant for audit, in order to design audit procedures that are appropriate to the circumstances, but without the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- We assess the appropriateness of the used accounting policies and the reasonableness of accounting estimates and related disclosures of information made by the management.
- We formulate a conclusion on the adequacy of management's use of accounting based on the continuity of activity, and we determine, based on the audit evidence we have obtained, whether there is significant uncertainty about events or conditions that could generate significant doubts about the ability of the company to continue its activity. If we conclude that

there is significant uncertainty, we must draw attention in the auditor's report to the accompanying disclosures in the financial statements or, if those disclosures are inappropriate, to change our opinion. Our findings are based on audit evidence obtained by the date of the auditor's report. However, events or future conditions may cause the Company not to carry out its business on the basis of the principle of continuity of activity.

- We assess the presentation, structure and content of financial statements as an overall, including information disclosures, and the extent to which the financial statements reflect the transactions and events underlying them in a manner that results in a true presentation.

We communicate to those responsible for governance, among other things, the planned area and timing of the audit, as well as the main audit findings, including any significant internal control deficiencies that we identify during the audit.

5. Conclusions

The last economic and financial crisis has brought to light many deficiencies within the entire market economy system, including the influence of auditors' work on generating it, as a result of their certified information, with consequences for decisions made by end-users of financial-accounting information.

In order to identify possible solutions, in order to eliminate the deficiencies encountered in the work of the auditors, the International Auditing and Assurance Standards Board (IAASB) has launched projects in this regard. As a result of these projects, the International Auditing Standards have been revised, the new amendments being applicable with the auditing of the financial statements as at December 31st,2016.

Among the amendments to the Review of International Standards on Auditing include those on Audit Standard 700 "*Opinion Formation and Reporting on Financial Statements*". The form of the new Independent Auditor's Report is more complex, generating greater transparency in the information provided by the auditor. The purpose of changing the structure and content of the report is to increase the confidence of users of financial statements in the auditor's work and to more clearly present the auditor's responsibilities in an audit of the financial statements.

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Considerations Concerning the Application of Target Costing Method in the Industry of Dairy Products

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Abstract

In the present conditions of the market economy, which is in full process of globalization, the adaptation of the more complex and diverse needs of the final consumers, leads to a permanent creation and development of new products and services by the entities in order to satisfy these needs. Thus, the entities must apply efficient and tested methods for determining and provisioning the costs which will result from launching new products on the market, methods which would support and ensure the best quality – price report, and which are to reduce the production costs up to a level of not affecting the quality of the final product. Such a method, according to specialty literature is the modern method of Target Costing.

Key words: target costing method, target cost, selling target price.

J.E.L. Classification: M 41

1. Introduction

The entities' main objective within the market economy is the continuous development of the activities in order to adapt to the market's more polyvalent and diverse requirements, by making products which are to satisfy these requirements. For making quality products with a selling cost which satisfies the needs of the customers, but which also contain the costs and profit margin wanted by the entities, these may use the modern method of cost calculation Target Costing. Therefore, the present paper realizes a reappraisal of the specialty literature concerning the main theoretical elements connected to this method, as well as a study which is to point out the way of applying the Target Costing method in developing and launching a new yogurt range, by an entity having its core business the manufacturing of dairy products and cheeses.

The initial concept of Target Costing method existed in Japan since 1960, being used by Toyota Company for the first time. The concept has seen a slow development rhythm because many companies have implemented the Target Costing method as a response of the external environment's changes. With the intensification of the competition, the Target Costing method has evolved being adopted by many companies, and the methodological results have been improved. (Ofileanu, Bumbescu, 2014, p. 45).

Target costing method was developed in Japan in the eighties in car industry and it is based on the idea that a product's selling price is set in the market. According to this method, the price does not depend on the cost, but rather, the cost of the product is adapted to the price. It is a modern method of inventory which uses evaluated techniques concerning market study, value analysis, diversity reduction, but also a cost calculating method. (Briciu et al, 2010, pp. 386-387)

2. Scientific Research Method

The purpose of this paper is to present, both from a theoretically and a practically point of view, the applying of one of the most modern methods of cost calculation, respectively Target Costing.

The used methodology for realizing this purpose was a theoretical research and presentation of the Target Costing method's main characteristics, found in the specialty literature, therefore becoming a qualitative research, but also a practically presentation of applying this method when launching a product by an entity, a new yogurt range.

3. Specialty Literature Reappraisal

Throughout time, because of the continuous development of the economic environment in which the entities develop their activity, these have created methods in order to sustain the best decision taking and such a method is the modern method of cost calculation, Target Costing. This comes to support the entities to determine the target cost of the new product which will be launched on the market and which will ensure the customers with the best quality – price report, but also a reduced production cost without affecting the quality of the product.

For defining the target costing concept, we must establish the notion of cost first, and within the specialty literature we meet more definitions of cost. According to Tepeş-Bobescu and Rakoş in the American literature, the cost is defined as being an expense or a sum of expenses associated (and recognized) with a consumed resource, a business, a manufactured product or with a reported period. In the French literature the cost is defined as being an algebraic sum of the expenses associated to a defined element in an accounting network, and the element is a product or an operation. Another approach defines the cost as a necessary amount of money in exchange of goods and services in the moment of their acquisition and the fair adequate value at that moment. Romanian authors define cost as a management instrument of controlling the costs and it has the purpose of informing the decision factors (managers). This allows them to form an opinion concerning the entity as a whole and also to manage client relationship through costs. (Tepeş-Bobescu, Rakoş, 2015, p. 168)

Tabără and Briciu define cost calculation as being the process of determining the target cost for future products, starting with the stage of development of the new product and as being a support for reaching the target cost along the process of development of the new product. (Tabără, Briciu, 2014, p. 128).

According to Calu and Dumitru, target costing represents the maximum cost which may be reached by the new product, given the requirements concerning the asked quality and profitability objective. This cost may be reached taking into consideration the profit level wanted by the organization and the clients' availability to pay for a certain product. Target's cost value must be established in advance, during the development process of the new product for determining the project engineers to make a cost management from the surety of manufacturing of the future products and to ensure the profitability of a new product in the moment when it is launched on the market. Calu, Dumitru, 2008, p.175).

Ceauşescu şi Văduva establish the six principles on which the concept of target costing is underlain, as it follows (Ceauşescu, Văduva, 2010, p. 63):

- The costs of future products are evaluated in the serial production subsequent to the incomes foretold by marketing;
- Necessary target costs, based on the complete costs formula are evaluated by cutting the desire profit margin out of the selling price and taking into account a share risk (cost component)
- Overall costs are determined by difference selling price – desired margin + risk share, is distributed on the different components of the products adequate to the function value towards the clients.
- The costs of product components serve the burden for the whole chain if creating the value, starting from research – development and continuing with supply, manufacturing and disposal.;
- By analyzing the difference from target costs and standards costs and by bank marking, the potential of optimizing is identified at the level of product's components.
- The chain of creating a value must ensure the selling conditions by a product's sales plan, by optimizing the materials and processing costs, as well as by analyzing the value for establishing the measures to be taken and applied in order to achieve the necessary objectives for each product.

In the specialty literature, Briciu and Căpușeanu identified the next general steps on which the Target Costing method is consisted (Briciu, Căpușeanu, 2011, pp. 53-54):

- **Establishing the target cost according to the market context and competitive environment.** The essence is consisted in the fact that the entities use Target Costing method for establishing their target costs on the market according to competitive conditions, and long term prices according to the objectives of entering the market.
- **Establishing the target profit margin.** Target profit margin results from the entity's long term financial and strategic objectives, as a result of the efforts made when planning a profit. General equation is as it follows:

$$\text{Target Price} - \text{Target Profit Margin} = \text{Target Cost (allocated)}$$

- **Determining the estimated cost and target cost.** In the case when the proposed product is in fact a modifies existent product, an entity already has the cost basis from which it can determine which could be the potential costs of the new product, if the specifications and manufacturing process of the new product are similar to the old one. Further, the costs of the new product or engineering costs (current costs, estimated) are determined using the product's specifications and the existent manufacturing processes. General equation is as it follows:

$$\text{Target Price} - \text{Target Profit Margin} = \text{Target Cost (current cost, estimated cost)}$$

- **Calculating the estimated cost of the products and estimated activities.** It is determined by summing the direct and indirect expenses allotted to the products.
- **Calculating target cost, the sum which the costs have to be reduced.** If following the determination of estimated cost this is higher than the target cost proposed by the entity, hid reduction is preceded by applying value engineering.

According to Ferreira and Machado (2015), after applying the principles and characteristics of target – cost, the entities may verify the benefits and advantages as they are described in theory. Based on many studies which certified the success of target cost, the following benefits have been reported (Ferreira, Machado, 2015, pp. 107-108):

- they guarantee the fact that on the market there will be launched only profitable products;
- reduces products' cost, but in the same time keeping their quality and functionality throughout their lifetime;
- reduces the time for developing the products;
- it favours a strategic planning of profit and of entity's cost management;
- increases the products' profitability;
- increases the entity's competition on the market;
- increases the customers' level of satisfaction;
- improves interaction among employees;
- enhances partnership with suppliers.

The main advantage of this management instrument is it's action environment namely, the team work, team which is consisted of design representative, process, sales, manufacturing, marketing engineers, a multifunctional process named "concurrent design." The entire team focuses on the same objective: obtaining a product with a certain functionality, quality and price meant for a certain market segment. (Albu, Albu, 2003, p. 247)

Another advantage of this method is the one that it is concentrates specifically on the client and on the market. The entity will not make the new product until it is sure that it will generate an adequate profit and the client will afford its acquisition. Target cost insists on strategic management of the costs' level, respecting the functionality of the products, which will surely determine obtaining cheaper and attractive products. Target cost creates a continuous pressure for eliminating useless costs. (Ofileanu, 2015, p. 96)

4. Study case concerning the usage of modern method of cost calculation Target Costing for launching on the market a new range of dairy products

An entity, having as object of activity the manufacturing of dairy products and cheeses, wants to launch on the market a new assortment of dairy products, respectively yoghurts with live lactic crops, recommended for settling the equilibrium of digestive system, presently being a great deal of

requirement on the market for these kinds of products.

The entity's experts have made an analysis for estimating the sales which will be realized during a five years period:

Table no. 1 Analysis of estimating the risks which are to be realized

Analysis results	1 st year	2 nd year	3 rd year	4 th year	5 th year	TOTAL
Released quantities	10.000	9.500	9.000	8.700	8.300	45.500
Selling price (lei)	160	140	120	110	100	
Fiscal value (lei)	1.600.000	1.330.000	1.080.000	957.000	830.000	5.797.000
Average selling price during the product's estimated lifetime: 127,41 lei/cont.						

Source: own creation.

- **Determining the average selling price during the product's lifetime.**

The entity's experts following the realized analyses have estimated getting a certain volume of selling for which they have established a correspondingly selling price which registers fluctuations during the product's lifetime.

- **Determining the average profit margin.**

The entity's experts establish a profit rate which is different for each year.

Table no. 2. Determining the average profit margin

Analysis results	1st year	2nd year	3rd year	4th year	5th year	TOTAL
Fiscal value (lei)	1.600.000	1.330.000	1.080.000	957.000	830.000	5.797.000
CA profit rate	17%	15%	13%	11%	9%	
Profit margin	272.000	199.500	140.400	105.270	74.700	791.870

Source: own creation.

$$\text{Average profit rate: } \frac{\text{Profit margin}}{\text{Fiscal value}} \times 100 = \frac{791.870}{5.797.000} = 13,66\%$$

Average profit margin: average selling price during the product's lifetime \times average profit rate

$$\text{Average profit margin} = 127,41 \times 13,66\% = 17,44 \text{ lei/cont.}$$

- **Target cost calculus**

$$\text{Target cost} = \text{target selling price} - \text{Target profit margin} = 127,41 - 17,44 = 109,97 \text{ lei/cont.}$$

- **Decomposing target cost into costs of components**

The necessary components of production process for obtaining a new yoghurt range are decomposed above:

Table no. 3 Decomposing target cost into costs of components

Components of production process	Share in product's cost	Target costs on components (lei)
Tanks for yoghurt's ripening process connected to a source of sterile air	15%	16,49
Tanks for storing the yoghurt which are to be packed, connected to a source of sterile air	17%	18,70
An installation of milk pasteurization for yoghurt	23%	25,29
Linear components of packing yoghurts:	45%	49,49
• machinery for transforming the cups from polypropylene foil	6%	6,60
• labeling system, module of product dosing	7%	7,70
• system of applying superior foil, system of cutting cups	6%	6,60
• ultra cleaning equipment for food safety	4%	4,40
• cardboard assembly machine	5%	5,50
• cardboard making machine	5%	5,50
• incorporated fruit mixer	4%	4,40
• automatic cleaning CIP system	3%	3,30

• command and control panel	3%	3,30
• safety gauntlet	2%	2,19
Total	100%	109,97

Source: own creation

- **Using an absorbent method of calculation for determining the actual cost of each component part of the production process**

Table no. 4 determining the actual cost of each component part of the manufacturing process

Components of production process	Actual cost	Target costs on components (lei)
Tanks for yoghurt's ripening process connected to a source of sterile air	21	16,49
Tanks for storing the yoghurt which are to be packed, connected to a source of sterile air	23,80	18,70
An installation of milk pasteurization for yoghurt	32,20	25,29
Linear components of packing yoghurts:	63	49,49
• machinery for transforming the cups from polypropylene foil	8,40	6,60
• labeling system, module of product dosing	9,80	7,70
• system of applying superior foil, system of cutting cups	8,40	6,60
• ultra cleaning equipment for food safety	5,60	4,40
• cardboard assembly machine	7,00	5,50
• cardboard making machine	7,00	5,50
• incorporated fruit mixer	5,60	4,40
• automatic cleaning CIP system	4,20	3,30
• command and control panel	4,20	3,30
• safety gauntlet.	2,80	2,19
Total	140	109,97

Source: own creation

- **Reducing the actual cost up to the level of target cost**

For diminishing the actual cost up to the level of target cost, the entity's experts have decided to acquire some components with a reduced purchased price, provided for modernizing the yoghurt assembly line, which enrich the technological process, but not to the same extent as in the case of the components initially foreseen for being acquired for modernizing the assembly line. So, the selling price would be reduced at 29 lei.

Table no. 5 Reducing the actual cost up to the level of target cost

Components of production process	Cost efectiv	Cost țintă pe componente (lei)
Tanks for yoghurt's ripening process connected to a source of sterile air	17,10	16,49
Tanks for storing the yoghurt which are to be packed, connected to a source of sterile air	19,38	18,70
An installation of milk pasteurization for yoghurt	26,22	25,29
Linear components of packing yoghurts:	51,30	49,49
• machinery for transforming the cups from polypropylene foil	6,84	6,60
• labeling system, module of product dosing	7,98	7,70
• system of applying superior foil, system of cutting cups	6,84	6,60
• ultra cleaning equipment for food safety	4,56	4,40
• cardboard assembly machine	5,70	5,50
• cardboard making machine	5,70	5,50

• incorporated fruit mixer	4,56	4,40
• automatic cleaning CIP system	3,42	3,30
• command and control panel	3,42	3,30
• safety gauntlet.	2,28	2,19
Total	114	109,97

Source: own creation

Following these adjustments, a target cost of 80,97 lei/cont ($109,97 - 29 = 80,97$) has resulted.

5. Conclusions

The continuous evolution of the market economy leads to the necessity of a permanent adaptation of the entities to the various requirements of the market. For ensuring the best decision making to the entities, these have to use the most efficient methods which offer the best results for all the participants to the economic activity.

Such results may be generated by applying Target Costing method, by establishing the target cost of the new product which is to be launched, at a level which offers the best quality – price report, but also the most advantageous production cost for the entity, but which is not to affect the quality of the new product.

The surest and the most efficient results are generated by Target Costing method in the case when it is used to envision the costs of a new product, which shows improvements or adaptations to the market requirements of an already existent product, because the production process is relatively alike, and therefore, the entity already has information about a part of the new product's production costs.

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Efficiency in Corporate Governance – the Sustainability and Accountability Nexus

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Abstract

Corporate governance techniques and their efficiency resonate on both the entity's financial indicators and also on non-financial results. Over the past few years, the quality of the managerial decision is measured by a range of indicators defined in correlation with the nature of the entity's operations, the economic sector of the activity, acknowledging the regulations in force or taking into consideration various political reasons.

This paper is concerned on assessing the causal relationship between the quality of managerial decision in Romania and compliance to the global regulations on sustainability and claiming responsibility. At the same time, debates regarding the act of accountability or the process of decision making, as the essence of the integrated corporate system, should be explored in order to bring added value to the economy of an entity.

Key words: sustainable development, accountability, sustainability regulations

J.E.L. Classification: K20, O50.

1. Introduction

The current economic environment is boosted by the companies' ability to capture opportunities and manage associated risks to overcome their performance. The quality of managerial decision is subject to significant challenges and is permanently quantified through various indicators, such as sustainability and accountability.

In the current competitive landscape, development is defined by the ability of an entity to „make a difference” and to consolidate its market position. In such a context, the relationship between sustainability and responsibility gets a dual character. On the one hand, the manner in which managers assume responsibility in implementing an effective managerial act is directly reflected in the development of business strategies, in the fulfillment of the company's objectives and, thus, in sustainability. On the other hand, sustainability requires and reflects responsibility, transposed through the physical form of a managerial statement about the company's non-financial and financial performance.

Sustainable development at the conceptual level is the implementation of a coherent and consistent set of strategies in the social, economic and environmental spheres so as to set the premises for raising the living standards and promoting a clean environment both in the current period and in future.

2. Sustainability and accountability – historical review regarding the concepts

Sustainable development and its regulatory framework are closely linked to the Declaration of the United Nations Conference on Human Environment in Stockholm (1972) and the Rio Declaration on Environment and Development (1992) presented at the first and second global

environmental conferences. The two statements represent "signal achievements" (Handl, G. 2012) and are considered to be milestones in defining the "modern era" in international environmental legislation (Sand, 2007). At the same time, the statements mark three periods widely debated in literature. The period of time preceding of the Stockholm Declaration is called by Sand the "traditional era" (Sand, 2007, p. 31) and by Weiss's, the "early glimmers" (Weiss, 2011) and is identified by the formation of territoriality and reciprocity states.

The development of the environmental regulatory framework was set in motion in 1972 when issues such as economic development and its environmental impact began to be debated and analyzed. "The modern era", as it was called by Sand, is characterized by public awareness of the environmental disaster risks caused by economic development. Alerts on these inherent risks, enhanced by poorly regulated economic development have been issued by research studies such as those centralized by Mitchell J., 1999, Gaskins, R., 1989, NASA, and the media. During this period, new global institutions were set up to develop a strategy focused on risk assessment and the creation of both legal instruments and a functional network at international level for environmental protection in the context of economic development. The first intergovernmental organization for environmental protection was the United Nations Environment Program (UNEP) based in Nairobi, Kenya. At the same time, the contribution of non-profit organizations was acknowledged to be significant in international environmental issues, as Betsill et. al. emphasized (2008), as well as the input provided by the private sector, debated for a long time both at the level of the monitoring institutions (GEF, 2013) and in studies such as that of Bled (2009).

The subsequent period of the 1992 Rio Declaration was dubbed by Sand as the "Post-Modern Era", inspired by Lyotard's perception of the corresponding literature trend, when "mobilizing myths" lose credibility. Environmental regulations have lost the magnitude and mobilizing nature because of major accidents produced in the context of economic development. Thus, pragmatism and the measurable effectiveness of the regulatory framework, transposed in compulsory statements on compliance, are important.

Starting 1992, the private sector has become an important actor in the current economic landscape. The principles of sustainability have begun to be implemented by private entities as a part of their own development standards and practices and, in time, they have become a competitive statement. The developed companies have reinforced the importance of internal „good practice” codes as a way of implementing the International Organization for Standardization (ISO), and have acknowledged the responsibility for sustainable development as part of managerial policy. In terms of regulations on sustainability in the private sector, the reference is set by the United Nations initiatives to create the Global Compact in 1999, the Global Responsibilities Index in 1997, the Sustainability Report Guidelines in 2002, to promote the correlation between sustainability and financial growth and the importance of public-private partnerships, as well as the establishment of „sustainable investment” principles in 2006.

The balance of objectives proposed at the Rio conference was assessed in 2012 at Rio + 20 Summit 2012. The objectives initially formulated have been reformulated in a document entitled "The future we want" (United Nations 2012). Among the points transposed in the vision of the future, issues like the development of scientific research and innovation for sustainable development are stressed to be of great interest: "We recognize the critical role of technology as well as the importance of promoting innovation, particularly in developing countries. We invite governments, as appropriate, to create enabling frameworks that promote environmentally sound technology, research and development, and innovation, including in support of green economy in the context of sustainable development and poverty eradication." (United Nations 2012)

In the practice of the strategy proposed for the next decade, the Union has set five major objectives for sustainable development: employment, innovation, education, social inclusion and the environment / energy. In order to comply with the unitary vision, Member States have adopted their own national targets in these areas (European Commission, 2010).

At the same time, in 2010, the United Nations Conference on Millennium Development Goals took place. The participant states agreed to implement 8 anti-poverty targets in underdeveloped or developing countries. In the autumn of 2015, the United Nations published 17 global sustainable development goals, called SDGs, which were to be implemented by 2030. These targets replace the 8 Millennium Development Goals, which expired in 2015. The 17 Global Objectives are:

Figure no. 1. The global sustainable development goals



Source: (United Nations)

3. A brief incursion into the Romanian regulatory framework on sustainability

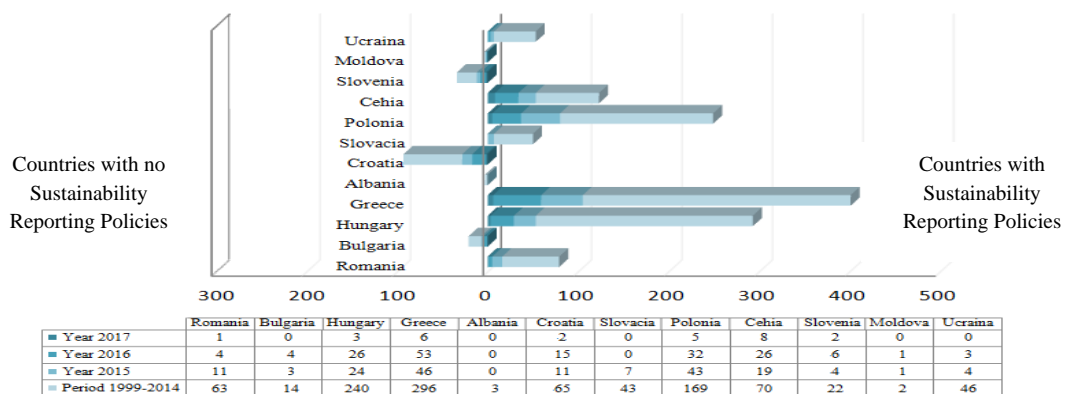
In Romania, the concept of sustainable development and the statement responsibilities deriving from it were only recently transposed into the legislative framework. In 2016, the Order 1938/2016 was approved by the Ministry of Public Finance.

The compulsory characteristic of sustainability reporting has been implemented in our country in the sense of complying with the EU Directive 95/2014. Issuing statements is mandatory for public interest entities with more than 500 employees and is presented as a non-financial managerial commitment, attached to the annual financial statements. The declarative goal is to understand the entity's development, performance and impact on the environment, society and staff, respect for human rights, fight against corruption and bribery.

The new regulatory framework transposed into Romanian law includes "comply-or-explain" regulations, which entail managerial responsibility in explaining any deviation from the general regulatory framework in terms of sustainability reporting. According to the new regulations, the managers of such entities have to explain any specific circumstances that may develop into specific situations of noncompliance to the regulatory reference.

According to United Nations statistics, in Romania there have been issued sustainability statements by local acting companies, based on voluntary initiatives. The primary motivation of these companies for reporting was compliance with the European regulatory framework for increasing transparency in business, in the context of the international competitive landscape (www.csrreport.ro)

Figure no. 2. Evolution of the number of sustainability reports, categorized by country and year of issue



Source: Own analysis based on the GRI Database indicators

The present study was focused on sustainability disclosure. We analyzed the statistics data based on "country reports" issued for Romania, by comparing indicators for Romania and other central and eastern European countries. According the above chart (Figure no.2), our country is at an early stage in promoting business transparency. Nevertheless, the degree of implementation of regulations regarding sustainability and the voluntary reports issued by a number of private Romanian companies sets the premises for compliance to the global regulatory framework regarding sustainability. The situation can be improved by increasing the spectrum of the reporting entities and by implementing some control levers regarding compliance with the legislative framework.

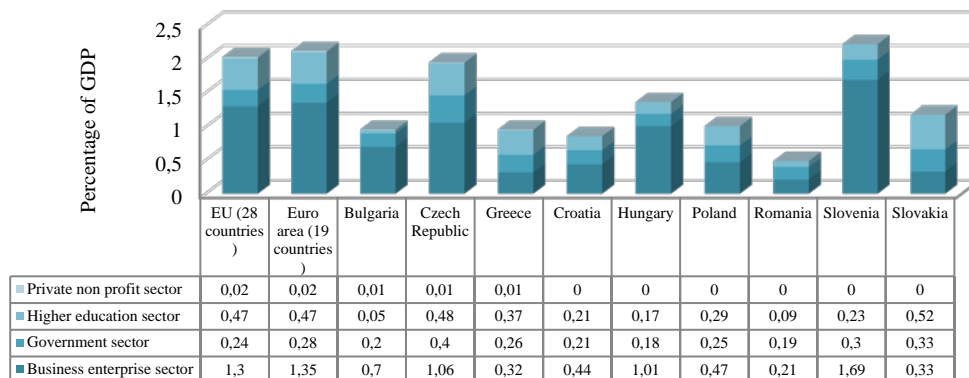
4. Issues concerning research and innovation in the context of sustainable development in Romania

Taking into account the global goals for research and innovation, or development, the present study focused on the analysis of the expenditures allocated in this direction in Romania. We used as reference the data provided for the year 2015, the most recent year for which statistical data were reported at the date of this paper.

Expenditure on research and development (the R&D indicator) include the resources allocated to raising knowledge, including science, culture and the development of new technologies. The statistical data collected for the analysis referred to the expenditure allocated to each business enterprise sector (EBRD) regardless of the source of funding. The nonprofit private sector, higher education, government sector and enterprise sector were targeted.

Innovation in Romania's business sector is still modest (Dachin et.al. 2015), both in the public and private sectors. The level of spending on R & D relative to GDP in 2015 was about 0.5% of GDP. This is well below the proposed EU average of 2% of GDP and is the lowest among the countries in the region. In addition, innovation in academic research is much lower than in other sectors, as can be seen in the figure below.

Figure no. 2. Research and development expenditure, by sectors of performance, % of GDP



Source: Own analysis based on Eurostat indicators, 2015

The statistics are all the more worrying as the reports on the number of graduates in higher education and the situation of school abandonment in Romania are taken into account. Although the limitations of research in this direction are significant due to the lack of statistical data disseminated in the national public sector, the European statistics place the share of higher education graduates in the total population of 15-64, slightly over the half of the European Union, 2013 about 15.1%. (Monitorulsocial.ro). The same source captures a possible cause of this, namely that about 19% of institutionalized young people are prematurely dropping out of education or professional rates.

The abandonment rate resonates directly on the poverty indicators, meaning that a share of 19.5% of people working and living "at the poverty line" of the total active population aged 18-64 years. (Monitorulsocial.ro)

5. Conclusions

Romania is an emergent country and the global sustainability goals set by the United Nations members, also need to be implemented locally. Romania has set the premises for compliance with the global requirements in this area, by implementing the regulatory framework for sustainability reporting both in the public and private sectors. Although the boundaries of the statement responsibilities are quite extensive, the intent for compliance is stimulated by the private sector initiative for business transparency. Thus, besides the financial results of the indigenous entities, directly quantifiable in the realization of the gross domestic product, the evaluation of non-financial indicators of the business environment also has a special significance. The impact on the environment, social, political, development and sustainability will be increasingly scrutinized in each state. According to the results synthesized in the present paper, it can be stated that Romania faces the need to gain ground in implementing sustainable policies in terms of sustainability and accountability, from the perspective of analyzing aspects such as research and innovation.

Impact and collective awareness studies focused on increasing the degree of transparency and public communication of the entities operating in Romania, both in the public and private sectors, could be a key factor for sustainable economic growth focused on efficient risk prevention.

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The Role of Financial Instruments and Their Impact on the SME Sector

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Abstract

This paper deals with the role of the financial instruments and with their impact on the SME sector, in connection to the Cohesion Policy 2014-2020 and the objectives of Europe 2020 Strategy. For this purpose, the first part of the work presents several general considerations on the financial instruments, while the second part analyzes the main types of financial instruments, with a focus on their importance and role in the SME sector.

Key words: financial instruments, SME, Cohesion Policy, Europe 2020 Strategy, EU

J.E.L. Classification: M13

1. Introduction

In 2014-2020, 351.8 billion Euros (approx. one third of the total EU budget) have been allocated to the Cohesion Policy, having in view the fact that this is the main EU investment policy that addresses all EU regions and supports job creation, business competitiveness, economic growth, sustainable development and improved life quality (see EU Cohesion Policy 2014-2020, available http://ec.europa.eu/regional_policy/sources/docgener/informat/basic/basic_2014_en.pdf).

Cohesion Policy has a strong impact in many fields. For the period 2014-2020, cohesion policy primarily focuses on (see EU Cohesion Policy 2014-2020 available at http://ec.europa.eu/regional_policy/sources/docgener/informat/basic/basic_2014_en.pdf):

- the employment;
- the innovation;
- the social inclusion;
- the climate/energy;
- the education.

"The financial instruments are an effective way - in terms of resource –for the mobilization of the resources from the Cohesion Policy, in order to achieve the growth objectives agreed in the Europe 2020 strategy (see [Europe Strategy 2020](http://ec.europa.eu/eu2020), available at ec.europa.eu/eu2020) on employment, innovation, education, social inclusion and climate/ energy.

Targeted towards projects with potential economic viability, these financial instruments provide support for investments through loans, guarantees, equity investments and additional risk-bearing mechanisms, which can be combined with technical assistance, interest rate subsidies or contributions to the guarantee fees within the same operation" (see http://ec.europa.eu/regional_policy/ro/information/publications/brochures/2014/financial-instruments-in-cohesion-policy-2014-2020).

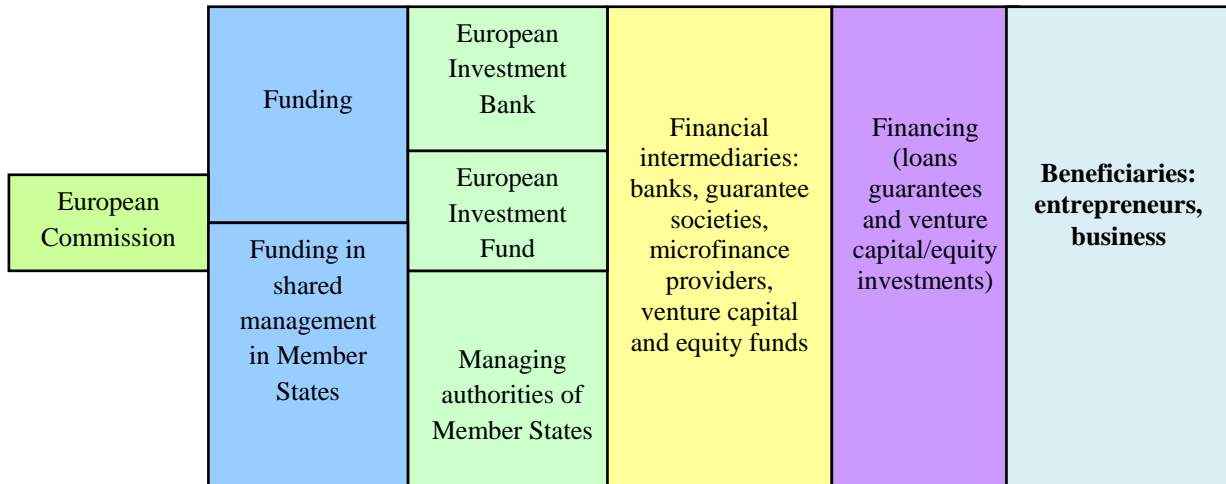
2. Financial Instruments within the Cohesion Policy 2014-2020 in the EU. General Considerations

The role of financial instruments has greatly increased (the financial instruments are used in order to perform investments with structural funds, starting with the programming period 1994-1999) in the current period, i.e. 2014-2020, as a result of the current economic situation. In this regard, the current background is characterized by increasingly limited public resources and

benefits, evident in the long term, by the re-use of the funds originally allocated and by the mobilization of private funds alongside public funding provided by financial instruments (see Financial instruments in ESIF programmes 2014-2020 available at http://ec.europa.eu/regional_policy/sources/thefunds/fin_inst/pdf/fi_esif_2014_2020.pdf).

Figure 1 below presents the working of the EU financial instruments

Figure no.1. The working of financial instruments



Source: The Investment Plan for Europe current and future, Brussels, 26 January 2017

For the current programming period, the European Commission encourages Member States to redouble their investments from European Structural and Investment Funds (ESIF) 2014-2020 through financial instruments, in accordance with the objectives of the Investment Plan (Junker).

- In order to encourage and increase the use of financial instruments in the current period, as a more efficient and sustainable alternative that complements the traditional financing based on grants, a legal and policy framework were provided for the period 2014-2020, that (see Financial instruments in ESIF programmes 2014-2020 available at http://ec.europa.eu/regional_policy/sources/thefunds/fin_inst/pdf/fi_esif_2014_2020.pdf):

- provide greater flexibility for Member States (MS) and EU regions in terms of target sectors and implementing structures;

MS and managing authorities (MA) may use financial instruments related to all the thematic objectives covered by their Operational Programmes (OP) 2014-2020, for all funds, if this is efficient and effective.

- financial instruments can be combined with other forms of support (such as grants);
- ensure the compatibility with the financial instruments set up and implemented at EU level;
- provide a stable framework for implementation, based on a clear and detailed set of rules, on existing guidelines and concrete experiences.

The EU Financial Regulation no. 966/2012 includes a section on Financial Instruments (in general), i.e. Title VIII (articles 139-140), describing the scope, the principles and the conditions applicable to financial instruments (see Financial Regulation, http://ec.europa.eu/smart-regulation/evaluation/docs/syn_pub_rf_mode_en.pdf); these are detailed in the Implementing Rules of the Financial Regulation, namely the Commission Delegated Regulation (EU) no. 1268/2012, articles 216-226.

The Regulation (EU) laying down common provisions (CPR no. 1303/2013) includes a separate section on the Financial Instruments funded from the 5 European funds reunited under the title European Structural and Investment Funds (ESI Funds), Title IV (articles 37-46), which present clearly the particularities of financial instruments, the setting and implementation of financial instruments. It also presents the contributions from European structural and investment funds (ESIF) 2014-2020 to the financial instruments for SMEs, their management and control, use and reuse of the resources allocated to financial instruments, their reporting. Details on the implementation of the provisions relating to the financial instruments of the General Regulation

(CPR), mentioned above, are included in (see http://ec.europa.eu/regional_policy):

- Commission Delegated Regulation (EU) no. 480/2014 supplementing Regulation no. 1303/2013 (i.e., criteria for selecting the implementation bodies of financial instruments, level of financial corrections; thresholds for costs and management fees);
- Implementing Regulation (EU) no. 821/2014, laying down detailed rules for applying Regulation no. 1303/2013 regarding the arrangements for the transfer and management of the contributions to the Programmes, reporting financial instruments, information and communication features, recording and storing data system;
- Implementing Regulation (EU) no. 964/2014, laying down detailed rules for applying Regulation no. 1303/2013 as regards the standard terms and conditions of financial instruments.

3. Types of Financial Instruments within the Cohesion Policy 2014-2020 in the EU

Since this is a special spending category of European funds, the development and successful implementation of financial instruments depends on the correct assessment of the shortcomings and identifying market needs. For the period 2014-2020, the financial instruments to be used in an OP must be recommended by an *ex-ante* assessment, in order to identify market deficiencies or suboptimal investment situations, respective investment needs, possible participation of the private sector and the added value of the financial instrument in question (according to art. 37 of Regulation no. 1303/2013). Such an *ex-ante* evaluation should contribute to avoiding the overlaps and inconsistencies between the funding instruments implemented by different actors on different levels (see Financial instruments in ESIF programmes 2014-2020 available at http://ec.europa.eu/regional_policy/sources/thefunds/fin_inst/pdf/fi_esif_2014_2020.pdf):

The types of financial instruments available for 2014-2020 are:

- Financial instruments established at EU level and managed (directly or indirectly) by the European Commission under the provisions of Financial Regulation (no. 966/2012) of the EU.

The ESI funds can be combined with other sources of the EU budget and with EIB/ EIF resources, in order to stimulate bank lending to SMEs. Such financial instruments that receive allocations of operational programs should provide support for investments falling within the objectives of that OP (see EFSI and ESIF Funds available at [http://www.europarl.europa.eu/RegData/etudes/STUD/2016/573449/IPOL_STU\(2016\)573449_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2016/573449/IPOL_STU(2016)573449_EN.pdf)).

- Financial instruments set up at national/ regional, transnational or cross-border level and even managed directly by the managing authority or accountability.

A management authority is able to allocate resources within the operational program to:

- "Personalized" Financial Instruments –already existing or newly created (adapted to the specific conditions and needs identified in the *ex-ante* assessment);

- "Standardized" Financial Instruments (off the shelf), for which the terms and conditions are defined in advance and established by an act of the European Commission for implementation.

These financial instruments, established by Regulation (EU) no. 964/2014, are (see <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02014R0964-20160805>):

- a portfolio risk sharing loan, based on risk sharing between public and private resources;

It takes the form of a loan fund to be established by a financial intermediary based on a contribution from the Operational Programme and on an own contribution of at least 25%. The Loan Fund finances a portfolio of newly granted loans (the refinancing of existing loans is excluded).

The Risk Sharing Loan fulfils the terms and conditions of Regulation no. 964/2014, and it is intended to provide better finance access for SMEs.

- a capped portfolio guarantee;

The capped portfolio guarantee provides coverage for the credit risk on each loan, at a rate not exceeding 80% of the guarantee, in order to create a portfolio of newly granted loans to small and medium enterprises. The maximum amount of losses does not exceed 25% of the risk exposure at the portfolio level (see <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02014R0964-20160805>).

The capped portfolio guarantee complies with the terms and conditions set out in Regulation no. 964/2014 and it is intended to provide better finance access for SMEs.

- a renovation loan, which is based on risk sharing between public and private resources;

The renovation loan takes the form of a loan fund to be established by a financial intermediary on the basis of the contributions from the program and an own contribution of at least 15%. The Loan Fund finances a portfolio of newly granted loans, excluding the refinancing of existing loans (see Research For Regi Committee - Financial Instruments In The 2014-20 Programming Period: First Experiences Of Member States available at [http://www.europarl.europa.eu/RegData/etudes/STUD/2016/573449/IPOL_STU\(2016\)573449_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2016/573449/IPOL_STU(2016)573449_EN.pdf)).

Unlike the two financial instruments described above, the final beneficiaries of this instrument are owners (individuals or legal entities holding spaces/ acting on behalf and for the benefit of owners) that implement energy efficiency measures or renewable energy sources.

The renovation loan fulfils the terms and conditions of Regulation no. 964/2014.

In July 2016, the European Commission launched two new financial instruments for SMEs:

co-investment mechanism, which provides support for the development of small and medium enterprises in various stages of development.

This instrument provides financing for both new businesses and SMEs, in order to develop business models and attract additional funding through a collective investment program managed by a main financial intermediary. The total investment, by combining public and private resources, can rise to 15 million/ SME (see http://ec.europa.eu/regional_policy/en/newsroom/news/2016/07/07-11-2016-commission-launches-two-new-financial-instruments-to-boost-investments-in-start-ups-and-sustainable-urban-development).

The co-investment mechanisms should develop the local capital market and attract more capital investment in SMEs through an approach based on the partnership with private investors.

- Urban Development Funds, which support sustainable urban projects, in public transport, energy efficiency or regeneration of urban areas. The projects must be financially viable and be part of a strategy of sustainable and integrated urban development.

The total investment, by combining public and private resources, can rise to 20 million Euros/ project. The support will take the form of a loan fund managed by a financial intermediary, with resource funds and an ESI contribution of at least 30% private capital (co-investment from private investors).

- Financial instruments consisting solely of loans or guarantees.

This category of instruments can be implemented directly by the managing authority of an operational program, in which case it is considered an implementing body of the financial instrument (or fund of funds that implements financial instruments) (see Financial instruments in ESIF programmes 2014-2020 available at http://ec.europa.eu/regional_policy/sources/thefunds/fin_inst/pdf/fi_esif_2014_2020.pdf).

Figure 2 below presents in a schematized way the financial instruments 2014-2020, for a better understanding of their importance and role in the SME sector.

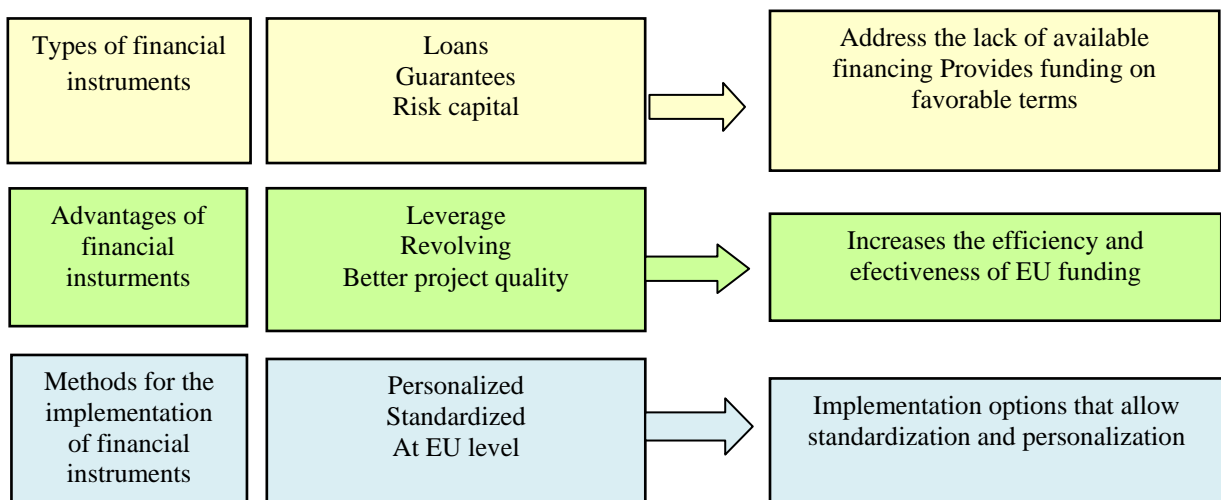
Figure no. 2. Financial Instruments 2014-2020

	Financial Instruments managed (centralized) by the European Commission, by EIB/EIF (Financial Regulation, no.966/2012)		European Strategic Investment Fund	Financial Instruments, management shared with Member States - ESIS (General Regulations for ESI Funds, no. 1303/2013)
Research, Development, Innovation	Horizon 2020 Risk Capital and Shared risk instruments		SMEs Window Infrastructure and Innovation Window	European Structural and Investment Funds ➤ Financial Instruments established at EU level - Financial instruments set up at national/ regional level - standardized instruments - personalized instruments (newly created/ existing)
Growth, Employment, Social Cohesion	Competitivity and SMEs (COSME) Risk capital and guarantees	Creative Europe Guarantees		
	Employment and Social Innovation Guarantees	Erasmus + Guarantees		
Infrastructure	Connecting Europe Facility Instruments with shared risk and capital risk			

Source: Financial instruments in ESIF programmes 2014-2020, European Commission, 02/07/2014

Figure 3 below presents the principles, the advantages and the methods of the financial instruments in connection to the European Structural and Investment Funds 2014-2010.

Figure 3. Principles of Financial Instruments- ESIF (European Structural and Investment Funds) 2014-2020



Source: Financial instruments in ESIF programmes 2014-2020, European Commission, 02/07/2014

4. Conclusions

Financial instruments are catalysts of public and private resources that can help Member States to achieve the strategic investments necessary to implement the Europe 2020 Strategy.

Applied widely and properly matched to the specific needs of regions and target recipients, financial instruments contribute significantly to improving the access to finance for a wide range of socio-economic actors, such as companies that invest in innovation; individuals who wish to

implement their business ideas; public infrastructure or productive investment projects; administrate investing in improving the energy efficiency of their households.

The conclusions are divided into two broad categories:

1. The effects of using financial instruments on the development of SMEs:

- increasing number of SMEs
- amplification of the human and economic potential
- enhancing innovation in SMEs
- generating a considerable number of new jobs in the EU economy
- reducing unemployment especially among the youth

2. Accelerating operational of the financial instruments which are much less developed compared to the EU. It is necessary **to facilitate SMEs access to finance** by:

• **Stimulating business funding through alternative instruments:**

A. Diversification and amplification of guarantee and counter guarantee services for businesses (particularly SMEs), valuing the best practices from EU

B. Improving the lending policies of the state-owned banks

• **The increase of transparency and reducing of bureaucracy in the banking sector**

A. Adequacy the banking system requirements according to the assessment criteria, without excessive inquiries.

B. Eliminating all additional declarative obligations – limiting the documents and information required from entrepreneurs by the bank, to the essential ones, which are directly taken into account in the process of granted or rejected credit evaluation.

C. Centralizing the data concerning the financial products offered by commercial banks (AER, ceilings, eligibility requirements, etc.) on a public portal, enabling visualization and comparison of several products in real time.

D. Establishing and promoting, according to European best practice, the SMEs credit ombudsman.

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The Access of SMEs from Romania to Financing through Financial Instruments. Impact and Results

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Abstract

This paper deals with the impact and the results of the financial instruments available for SMEs, in Romania. The first part of the paper presents the financial instruments for SMEs recommended for use under the Operational Programmes 2014-2020 (i.e. Competitiveness, Regional, Human Capital and Initiative for SMEs), with a focus on their results. The second part of this work tackles the financial instruments for SMEs recommended for use under the National Rural Development Programme 2014-2020 and presents their results. Last but not least, we will also deal with the requirements and the criteria for designating bodies/ funds of funds for the implementation of financial instruments.

Key words: financial instruments, SMEs, results, Operational Programme, National Rural Development Programme

J.E.L. Classification: M13

1. Introduction

As well know SMEs are the backbone of the European economy. According to Eurostat data reflected in Table 1 below, it shows that on average, up to 90 out of 100 enterprises are SMEs. (source: Eurostat, AECM Study Project “The importance of Financial Intermediaries in SME financing and assessment of different economic effects especially of EU Financial Instruments in light of Direct Guarantees vs. Counter-guarantee contracts” January 2017, KPMG).

According to research report number 14, applied on a sample of 1.096 entrepreneurs in Romania - the White Paper on SMEs in Romania, edition 2016 - the percentage of self-financing firms was 71.99% and the percentage of companies that used funds from banks was 22.63%. This is a very difficult problem for SMEs because they are forced to use more own resources and fewer credits, or the development of an SME is very difficult from own resources. The traditional and predominant means should be credits (O. Nicolescu, C. Nicolescu, A. Truică, Ş Corcodel, D. Urîtu, The White Paper of SMEs in Romania, 2016).

Table no 1. Thresholds for SMEs definition established by the European Commission

EU Commission thresholds for SMEdefinition			
Enterprise category	Headcount	Turnover	Balance sheet total
Medium-sized	< 250	= 50 €mLn	= 43 €mLn
Small	< 50	= 10 €mLn	= 10 €mLn
Micro	< 10	= 2 €mLn	= 2 €mLn

Source: AECM Study Project “The importance of Financial Intermediaries in SME financing and assessment of different economic effects especially of EU Financial Instruments in light of Direct Guarantees vs. Counter-guarantee contracts” January 2017, KMPG

2. Financial Instruments for SMEs recommended for use under the Operational Programmes

2014-2020: Competitiveness, Regional, Human Capital and Initiative for SMEs

The exercise of the *ex-ante* evaluation revealed the following gaps for financing the SMEs in Romania, as revealed in Table 2 below:

Table no. 2. Financing gaps for financing the SMEs in Romania

Type of instrument	Financing gap until 2020 - million EUR-
Bank Financing (Credit Risk Sharing; Guarantees)	Until 1.893
Microfinance (Microcredits; Guarantees)	Until 940
Risk capital investment (Equity)	Until 544
TOTAL:	Until 3.377

Source: <http://www.fonduri-ue.ro/images/files/documente-relevante/2016/Romania.Ex-ante.aprobat.pdf>

Based on the market analysis of the issues related to each thematic objective, the following financial instruments were recommended, as shown in Table 3 below:

Table no. 3. Types of financial instruments recommended

Type of instrument	Motivation for the choice of the instrument	Proposed allocation (ESIF+national contribution) -million EUR-	Multiplying effect estimated
Operational Program: COMPETITIVENESS			
Equity Funds for start-ups and enterprises in the initial stage of development (Accelerators of entrepreneurship & seed funds)	Investments in start-ups and in innovative SMEs in their initial development stage	40,3	1,1x
Risk-sharing loan portfolio for innovative SMEs	Reduction of the credit costs by up to 50% and the partial risk coverage for innovative SMEs Support for the enterprises in the growth stage	19	2x
Operational Program: REGIONAL			
Portfolio of risk-sharing loans for SMEs	Reduction of the credit costs by up to 50% and the partial risk coverage for SMEs Support for the enterprises in the growth stage	117,65	2x
Equity Funds for SMEs	Capital investment in SMEs Support for the enterprises in the growth stage	58,82	1,7x
Operational Program: HUMAN CAPITAL			
Risk sharing microcredits (up to 50,000 Euro) for SME / entrepreneurship	Reduction of credit costs by up to 80% and the partial risk coverage for SMEs/ entrepreneurship and the creation of jobs Support for the enterprises in seed and start-up stages	56,0	1,25x

Guarantees for microfinance	Covers up to 80% of credit risk for SMEs/ entrepreneurship and the creation of jobs Support for the enterprises in seed and start-up stages	56,0	5x
Risk-sharing loan portfolio for social enterprises	Reduction of credit costs by up to 80% and partial risk coverage for social enterprises	22,0	1,25x
Guarantees for social enterprises	Covers up to 80% the credit risk for social enterprises	22,0	5x
Operational Program: INITIATIVE FOR SMEs			
Uncapped guarantee instrument	Covers up to 80% of credit risk for SMEs Support for the enterprises in the growth stage	100 (EU contribution)	4x

Source: <http://www.fonduri-ue.ro/images/files/documente-relevante/2016/Romania.Ex-ante.aprobat.pdf>

The *ex-ante* evaluation recommended the fund of funds, as an implementation option of the above listed financial instruments, in order to ensure the flexibility in the instruments and to obtain a better absorption at the level of final beneficiaries.

By implementing the financial instruments financed by the EU structural and investment funds 2014-2020, there will be facilitated the access to finance for SMEs, in Romania, in order to increase productivity, innovation and their ability to increase on regional, national and international markets.

The advantages obtained by the SMEs supported through financial instruments financed from all the above mentioned operational programs (Competitiveness, Regional, Human Capital, Initiative for SMEs) are:

- Reduction of credit costs;
- Reduction of the requirements for collateral guarantees;
- Successful implementation of the projects where the SMEs were supported through financial instruments.

3. Financial instruments under Competitiveness OP. Results Estimated

By using the financial instruments under Competitiveness OP, the following results are estimated:

- Increase in the number of the SMEs that receive support (other than grants);
- Increase in the number of the SMEs that bring new products to the market;
- Increase in the private investment that combines with public funds, in order to support innovative activities and projects of RDI (Research, Technological Development and Innovation);
- Increase in the number of loans and in their value.

By using the 2 financial instruments under the Regional Operational Programme, the following results are estimated:

- Increase in the number of the SMEs receiving support other than grants;
- Increase in the private investment that combines with public funds in order to support innovative activities and projects of RDI;
- Increase in the number of loans and in their value.

By using the 4 financial instruments under OP Human Capital, the following results are estimated (<http://eur-lex.europa.eu/legal-content/en/TXT/?uri=CELEX:52015DC0313>):

- Increase in the number of enterprises (micro and SMEs) that receive support;
- Increase in the loans granted to new enterprises and to SMEs;
- Increase in the number of the entrepreneurs who start a business;
- Increase in the number of social enterprises receiving support.

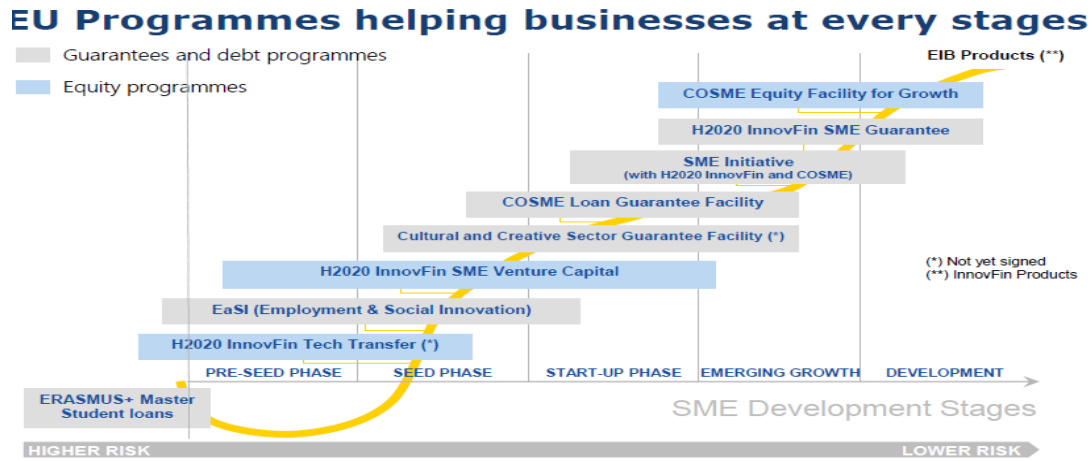
By implementing the OP Initiative for SMEs, the following results are estimated (http://europa.eu/youreurope/business/funding-grants/access-to-finance/index_en.htm):

- Increase in the proportion of successful loan applications by SMEs to 66% in 2023;

- Turnover growth of the SMEs supported by almost 400 billion RON by 2023;
- Supporting 2,500 SMEs by 2023;
- Supporting 2,500 SMEs that receive financial support other than grants by 2023.

Figure 2 below presents, in a schematized way, the financial instruments adequate to business development at every stage.

Figure no. 2. Financial Instruments Adequate to Business Development at Every Stage



Source: European Investment Fund, Pier Luigi Gilibert, Den Hague, 31 March 2016

4. Financial Instruments for SMEs, recommended for use under the National Rural Development Programme 2014-2020

The financing gap in the sectors concerned, revealed by the *ex-ante* evaluation coordinated by MARD, was estimated at approx. 2.36 billion Euros, of which 2.1 billion Euros in agriculture and 0.2 billion in the non-agricultural sectors from rural areas.

The financial instrument recommended in the last *ex-ante* evaluation, for use in the National Rural Development Programme (NRDP) 2014-2020, was the credit risk-sharing instrument.

The total budget of the instrument was estimated at 92.5 million Euros, with a leverage of approx. 1.4x. It was recommended to preserve the flexibility in the allocation of measures, for a better absorption of the instrument at the level of final beneficiaries.

The characteristics of the credit risk-sharing instrument, as resulted from the analyses and from the *ex-ante* evaluation, are (Ex-ante assessment methodology for financial instruments in the 2014-2020 programming period, Volume II, European Investment Bank, European Commission, available at http://ec.europa.eu/regional_policy/sources/thefunds/fin_inst/pdf/ex_ante_vol2.pdf):

- it will be available both for co-financing investment projects and for granting independent credits;
- the amount of the grant for co-financing the loan will be within the eligible project costs (exclusively for private co-financing); as regards independent credits, the amount will be up to 1 mil. Euros (or the equivalent in RON);
- the risk-sharing rate will be maximum 70%. The losses and recoveries resulting from granting the loan will be assigned to financial institutions and to the funds related to NRDP, proportional to the risk sharing degree (*paripassu* and *pro-rata*);
- when it is combined with the grant, the financial intermediary's decision to grant the loan will be independent of the decision to finance the paying agency; such a project declared ineligible for the grant during the implementation period will entail the chargeability of the co-financing loan;
- the financial allocation for the instrument will not be separated on measures and/ or types of support (independent loan and financial instruments combined with grants), in order to allow the flexibility of the instrument and to adjust it according to the demand.

By using the NRDP funded financial instrument, the following results are estimated:

- Increase in the number of loan contracts signed with final recipients;
- Increase in the number of final beneficiaries supported by loans.

5. The requirements and the criteria for designating bodies/ funds of funds for the implementation of financial instruments

The Regulation (EU) no. 1303/2013, art. 38, and the Delegated Regulation (EU) no. 480/2014, art. 7, in conjunction with the Guidelines for Member States regarding the selection of the implementing bodies of the financial instruments included in the European Commission Communication 2016/C276/01, describe the requirements and the criteria for selecting the implementation bodies/ fund of funds for the implementation of financial instruments.

A management authority must ensure that the entity to which it provides the management of financial instruments financed by the Operational Programme that it coordinates meets the following:

1.a. It is authorized to perform the relevant execution tasks under the EU legislation and the national law;

1.b. It has adequate economic and financial viability;

1.c. It has the adequate capacity for the implementation of the financial instrument, including the organizational structure and the governance framework, and it provides the necessary assurance to the management authority;

1.d. It has an effective and efficient internal control;

1.e. It uses an accounting system providing accurate, complete and reliable information in a timely manner;

1.f. It agrees to be audited by the audit bodies of the Member State, the Commission and the European Court of Auditors;

2. Depending on the nature of the financial instrument to be implemented, the managing authority of the relevant body examines the past experience in implementing similar financial instruments, the skills and the experience of the proposed team members and the operational and financial capacity of the body.

To this end, the MA uses at least the following selection criteria:

2.a. A reliable and credible methodology for identifying and assessing financial intermediaries or final recipients, as applicable;

2.b. The level of costs and management fees for implementing the financial instrument and the methodology for their calculation;

2.c. The applied terms and conditions related to the support provided to final recipients, including pricing;

2.d. The ability to mobilize resources for investments in final recipients, in addition to the contributions provided by the program;

2.e. The ability to demonstrate an additional activity besides the present activity;

2.f. If the body implementing the financial instrument allocates financial resources typical of the financial instrument or shares the risk, there are measures proposed for the alignment of interests and for the mitigation of potential conflicts of interest.

3. When implementing financial instruments through the fund of funds, the Managing Authority shall ensure that the financial intermediaries satisfy the requirements and the criteria listed in paragraphs 1 and 2 above.

6. Conclusions

The main component of the Romanian economy is represented by SMEs. In Romania there are approximately 1350 large firms and over 500.000 SMEs, which account for 90% of the Romanian capital. Creating a business-friendly business environment - through the stability of laws and policies, a fast and functional legal system, Europeanization of the domestic banking system, reduced bureaucracy, low corruption, encouraging innovative and performing firms, investment and job creation - Is the solution to increase the density of SMEs in Romania from 24-25 per 1000 inhabitants, to the EU average of 64-65 per 1000 inhabitants, to offer them the opportunity to be as powerful and performing as their counterparts in the West Europe. Strong SMEs mean economic and social stability, more jobs, products, services, taxes, taxes, exports and investments - that is, more development and a high standard of living.

The conclusions of study are divided into two broad categories:

1. The effects of using financial instruments on the development of SMEs:

- increasing number of SMEs
- amplification of the human and economic potential
- enhancing innovation in SMEs
- generating a considerable number of new jobs in the EU economy
- reducing unemployment especially among the youth

2. The improvement of access to financing of SMES, by:

- A. Supporting the establishment of a special bank dedicated to SMEs or of special credit programs of small entrepreneurs;
- B. Establishment, according to European practice, of the credit mediator for SMEs, at county level, according to the French model, which ensures the achievement of three goals: increase of SMEs lending, providing solutions for the companies, especially in SMEs sector, to obtain financing from banks and Government notification in the case of major unresolved issues.

In conclusion, in Romania is necessary a specialized bank for small and medium-sized enterprises is needed, as in Germany, France and the United Kingdom, countries with developed banking systems who have seen the need for such a financial institution.

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The Impact of Management Accounting Innovations on Millennials Business

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Abstract

Today, the focus on transformation is primarily being driven by the impact of digital disruption on businesses of all sizes and in all geographies. Born between 1980-2000, the Millennials Generation represent tech-savvy, creative, Internet and Social Media continually connected, flexible, but they also have high expectation, are eager to take on leadership roles so early in their career because they truly want to make a difference in all aspects of their lives. This study aimed at assessing students' entrepreneurial intention at Titu Maiorescu University, Romania. The stratified sampling techniques were applied to select respondents and in order to collect data, pretest self-administered questionnaires were distributed to 212 participants. The results showed that they want to rise a new business where the link between the Business Vision, Management Strategies and the Management Accounting Innovation is the success key-set and where the decisions are based on economic and social gains and loss.

Key words: innovation, Millennials Generation, management accounting, entrepreneur

J.E.L. Classification: L26, M10, O31

1. Introduction

In the last 50 years of transition needs have changed, expectations have increased and performance has always been achieved by raising standards. Over the past decade, our business landscape is changed as a result of economic and technological environment challenges and growth and rise of three new Generations X, Y and Z (Woodman, 2015). Each generation has its strengths and set of values that enable her to transcend through knowledge, skills and characteristics to assume the risk of being creative and free in professional choices. Access to a high education level and new education system, the digital revolution, new business models B2H - Business to Human, all led to the emergence of a new generation of business leaders stepping up and eager to take control: the millentrepreneurs – Millennial Generation Entrepreneurs (Myers *et al*, 2010).

As a demographic generation, the Millennials is the fastest growing cohort after proceeding Generations Y and it is estimated that up to 2020 they will represent approximately 50% of the workforce (Kunreuther *et al*, 2009).

As a generation people are constantly plugged into technology, tech savvy, born into a new tech emerging world and grown up surrounded by smart phones, laptops, tablets and other gadgets. They are permanently Internet connected and social networks addicted. Being so comfortable with social media are very good at self-promote and establish a multitude of connections in this tech environment, which will be a plus as entrepreneur. Their life evolution involves communication in the online in detriment of inter-human interactions (Cabral, 2010).

Millennials prefer to communicate more quickly and effectively via email, social networks or text messaging as opposed to traditional means of communication. Consequently, Millennials are attracted to entities where technology is in the forefront of the entities mission, vision and ethos

(Hemsley *et al*, 2013). For them technology represent part of day to day life and for that they want to work for entities who are embracing these new means of communication and implementing them into business development as opposed to entities with a more traditional mind set (Burstein, 2013).

For that, they have very high career expectations. Ambitious, adaptable, dynamic, constantly hunt for opportunities for growth and professional development, very fast, but hating the traditional hierarchical structures. They need motivation in everything they do, wants independence and career success but show great instability in maintaining a job, reject hierarchy, compliance system and patterns. These people define themselves by auto didacticism and originality, uniqueness of every opportunity, having the need of immediate response, immediate assessment.

Taking in consideration all these characteristics, Millennials are changing the way of doing business from the moment they become employees. Because they have great expectations regarding their Statement of Added Value they have also a different approach for becoming entrepreneur at the age under thirty-five, creating a new generation of entrepreneurs: the millentrepreneurs (Furlong, 2013).

In many universities and colleges courses on the entrepreneurship and small business management have been planned and implemented and still it is offered in various programs due to the recognition of promoting entrepreneurship development is more important for the creation of self-employment opportunities and reductions of unemployment as well as contributes a lot in poverty reduction. Entrepreneurship education improves motivation towards being entrepreneurial by inspiring students' personal attraction towards entrepreneurship and perceived behavioral control (Tulker *et al*, 2009).

The goal of this research is to investigate the entrepreneurial intention among students in a sense of extent the entrepreneurial intention or to explore differences exist in entrepreneurial intention with respect to residential status and to know the relationship between some selected independent variable and entrepreneurial intention of students.

Like in the Shakespeare's play Hamlet, the research question of today entities is: „Disrupt or Be Disrupted?”. To answer at that question from the position of a winner, the new era entities needs a new generation of investors and business owners: the Millennials Generation, the largest generation on our planet.

Then, to support this mission, in new type of entrepreneur roles, financial advisors or management accountants, the millennials provide accurate and timely financial statistical information's trough management accounting.

The structure of this article is as follows: Firstly, the study discloses an analysis regarding the efficiency of the management accounting innovations in the Millennials business era. The next sections describe the research methodology, with associated findings and provide a discussion of the results. The final section presents the conclusions reached from the study.

2. Management accounting innovations in the Millennials business era

In the last 20 years, the world has entered in a period of “accelerated innovation” (Linkner, 2014). With the light-speed this incredibly rapid innovation change radically the perspective of driving an existing business and in the same time of a newly created business (Woodman, 2015). The threat consist in the impact felt by markets, consumers and entities when digital technology and business models change consumption and value propositions. Cloud, Big Data and Analytics, security, data storage and management accounting innovations are the keys to supporting disruption and transformation goals in the new digital vortex (Linkner, 2014).

Business models like B2C - business to consumer and B2B - business to business, are now interconnected giving a new concept of the future business: B2H - business to human (Hemsley *et al*, 2013). Now is time to implement a new management model in which the business owner is manager, leader and coach in the same time: the millentrepreneur (Costanza *et al*, 2012).

Considered the heart of any business, management accounting is a mix between accounting, finance and management, who provides helpful information's and reports to internal users: managers and entrepreneurs so that they can plan the business activities, control them and increase the business (Pittaway *et al*, 2011).

In the process of planning and budgeting the entrepreneurs use management accounting to evaluate new business opportunities on the market. The business model canvas provide key information's regarding the planned resources that will be used to develop a start-up, the costs involved and the generate revenue (Twenge, 2006).

The entrepreneurs use management accounting information's also in the process of decisions making: starting a business, the entity involvement in a new project, to answer at the question "what to sell?", "what is the best price for me in order to reimburse the cost of production and obtain optimal profit?", so they can estimate the benefits of various opportunities and decide which one to choose (Myers *et al*, 2010). Management accounting provide the results of the operations budgeted and help entrepreneurs to evaluate the performance of their business (Hershatte *et al*, 2010).

On the other hand, in the age of millentrepreneurs, the attention in business environment is moving from focus on product or service on costumer side and forward to create the framework of business to human (Espinoza, 2012). Therefore, in the process of decision-making, the new managers or owners of the entities have to implement the non-financial measure together with the financial measures in a mix of management accounting tools in order to provide sustainability for their business (Bernard, 2014).

Trough investing in growth of the business, reinvesting the profit, have a fair collaboration with suppliers, develop new innovative products or services, making a positive impact on customers, ensure the long term future of the entity and using management accounting innovation, the millentrepreneurs will decide in the new business era if they will be Disrupted or Disruptors (Linkner, 2014).

3. Research methodology

The type of research followed for this study was descriptive in nature and include analytical study where inferential design was employed. The individual sample representatives were taken into the respondent based on convenience sampling. After administering the pretest structured questionnaire, the response rate was 187 (88.2%) and all returned questionnaire were valid for the analysis and interpretation.

Both quantitative and qualitative data analysis employed for the study using statistical package for the social sciences (version16). The data was collected using self-administered structured questionnaire was analyzed by computing mean scores, percentages. A mean score of less than 2.60 indicates a negative attitude (strongly disagree and disagree), a score of equal to 2.60 or less than 3.40 indicates a neutral attitude(moderate) and a mean score greater than 3.40 indicates positive attitude(strongly agree and agree).

Table no.1 shows reliability analysis. Cronbach's Alpha method was used to determine reliability of the scales is a measure of internal consistency, that is, how closely related a set of items are as a group and when the result is generally above 0.5 (or 50%), it is considered to be reliable.

Table no. 1: Reliability Analysis

Scale	Cronbach's Alpha	Number of Items
Entrepreneurial intention	0.759	6
Support of family and friend to pursue entrepreneurial career	0.740	7
All variables	0.749	13

Source: Primary data (processed)

Out of the 212 distributed questionnaires 187 (88.2%) finalized and returned entrepreneurial intention questionnaire were valid for the analysis. The major respondents were male which constitute 118(63.1%) and 69(36.9%) females participated in the study. Female students in all programs were few in number related to the number of male students.

4. Results and discussions

The finding revealed that significant number 117 (62.5%) respondent sometimes were involved and completely engaged in money earning activities before joining the university that is they were self-employed or work in family business. Related to the experience of respondent's family exposure in business the study found that 122 (65.2%) were engaged in the course of business whereas 65 (34.8%) were not self-employed.

Table no.2 indicates the results of overall entrepreneurial intention of students related to their desire, certainty and extent of effort on establishing own business. By measuring their view on a five point Likert scale, there were four items that measured respondents view on their preference to pursue entrepreneurial career, desire and certainty of becoming entrepreneur, the study revealed that the mean score for all variables was above 3.5 indicates participants' had positive attitude on entrepreneurial career in the sense that the students entrepreneurial intention is high where after completion of their study students prefer to be self-employed. That means students' are ready to assume moderate which is one of the qualities of successful entrepreneurs.

Table no. 2: Entrepreneurial intention of students (The key Statistics)

Item	Mean	Std. dev.
Intend to pursue entrepreneurial career	3.5775	1.0255
Development the skills to establish own firm	3.8075	0.8584
Strongly wish for start a business	3.7487	1.0241
Set up own business	3.7647	0.9322
Accept the risk in entrepreneurial career	3.7807	0.9275
Barriers perceived to pursue entrepreneurial career	3.0802	1.0721

Source: Authors calculation

Moreover attitude to risk was measured and the study result showed that the mean score was above 3.5 represents majority of respondents are ready to assume moderate risk while pursuing entrepreneurial career which is one of the qualities of successful entrepreneur.

5. Conclusions

Today, entities are defined by the assets they own and control, but in the future they will be defined by the ecosystems, the assets and the partnerships that they control. Technology has managed to split and rebuild in a more sustainable way in which business are driven today, in a new era of business. Investment in technology has always separated "the wheat from the chaff".

The success of a business in new era is obtained balancing the management accounting innovations with human to human touch of the business. Technology-based platform entities have earned huge values from relatively smaller employee and asset bases. Platform entities will continue to proliferate and disrupt sectors. But not every entity will be a platform, because two other types of entities will succeed: scale outsourcers and product or service providers. The win-win situation for any type of millentrepreneurs entity: platform, outsourcer or product or service provider will be to form win-win partnerships that maximize value across the full.

Based on the finding of this research work, the study concludes that students are certain and have strong desire to establish their own business moreover they put forth the necessary effort to be self-employed and have willingness to assume moderate risk while pursuing entrepreneurial career.

In addition according to the finding, the Millennials Generation want to rise a new business where the link between the Business Vision, Management Strategies and the Management Accounting Innovation is the success key-set and where the decisions are based on economic and social gains and loss.

In conclusion, the research result reveals that the association between the certainty, desire to be self-employed as well as willingness to assume risk with overall entrepreneurial intention is moderately positive. However, weak positive correlation observed between the independent variable environmental factor with respect to obtaining premise, utility as well as availability of

infrastructure and overall entrepreneurial intention. All this powerful management accounting innovations are able to help the millentrepreneurs to be more competitive and to rise a new business model, in which the speed and customer intimacy will make the difference.

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A Split in The Middle East Financial System

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Abstract

In the Middle East, it has been proven that religious and cultural particularities can have a decisive impact on the economic environment. In this way, has developed Islamic financial system, a counterpart to the conventional one, that is based on the principles of Shari'ah. A niched system according to addressability but also to the degree of geographical spreading, Islamic financial system increases with higher rates than the conventional one. Although the financial market in this case is closely related to real market. Islamic and conventional systems resilience is similar. The Middle East economy seems ready to host in parallel both types, certainty that is proven by the United Arab Emirates, a state that operates with a share of nearly 20% of Islamic finance, which aims to become the regional financial hub in the future.

Key words: Conventional economics, globalization, Islamic economics, Middle East financial system, Islamic finance

J.E.L. Classification: A1, G1, P5

1. Introduction

In a world led by globalization, unifying principles seem to be a major orientation nowadays. Derived by the necessity to make things like businesses work in different countries around the world, trade is an example that worldwide economic systems can become compatible. Even though the contemporary lifestyle asks for cross-cultural skills, this can become useless when it comes about moral and religious conceptions. People need to adhere to their principles but still be part in the modern society, sharing all the same contemporary needs.

2. Uniformization and split: Islamic and conventional finance

According to 2010 edition of Longman Exams Dictionary, globalization is defined as being "the process of making something such as a business operate in a lot of different countries all around the world, or the result of this: the globalization of world trade/ The globalization of business makes cross-cultural skills mandatory". Although the main necessary tendency results to be the uniformization of systems, mainly the economic ones, in the mid-1970s, with the establishment of the first bank with different principles, the conventional financial system was joined by the Islamic counterpart, due to particular religious confessions among Muslims. Starting from the Arabian-specific geographic area, the system is systemically important: first, due to accelerated growth rates, and second due to geographic expansion. Today, the Islamic financial system encompasses banks, insurers and capital market, but also benefits from institutional support for regulation and supervision.

Banks, the securities market, mutual funds and pension funds, insurers, market infrastructures, the central bank, as well as regulators and supervisors constitute the financial system of a country, a framework for the development of economic transactions and monetary policy. The interconnection of states through commercial and financial links, but also through financial institutions, leads to the rapid spread of shocks from one state to another, which raises the need to build resilient, well organized and regulated financial systems that contribute to domestic and commercial stability. In this respect, financial stability is a prerequisite for sustainable economic development (IMF

Factsheet, 2016, p. 1).

Only by developing strong fundamentals, in the form of regulations and operational principles, a sector can develop in a market. In the last decade, Islamic finances encountered substantial development in this area, ending by having its own regulatory and supervisory systems and institutions (like the IFSB – Islamic Financial Services Board and the AAOIFI – The Accounting and Auditing Organization from Islamic Financial Institutions). “Like Conventional Banking, Islamic Banking can only thrive with the existence of an enabling Legal and Supervisory Framework” (Tumusiime-Mutebile, 2016, p. 1)

Opinions of well-informed people can be a valid argument to state that “international efforts to create the foundations for a sustainable and resilient Islamic financial system in the global financial system” are made, like Dr. Zeti, the governor of the Central Bank of Malaysia shows to be grateful for having contributed at. At the Islamic Economy Award 2014 held in Dubai, in January 2015, when he received a Lifetime Achievement Award for the global development of Islamic finance, he pointed out that this kind of financial intermediation which is well anchored to the real economy brings benefits to the overall economy and strengthens the connection between economies, “facilitating international trade and cross border investment activities” (Bank Negara Malaysia, Zeti, 2015, p. 37).

Taking into account the global spread of Islamic finances, we can argue that a niche financial system is being discussed. First, it was born in response to the needs of contemporary Muslims, people who needed to move their financial resources in a religious ethical way, integrating them into a Shari’ah-aligned movement system. Secondly, although the foundations of this financial system have been recently put in place, despite its accelerated growth rates, its share in total global financial assets is less than 1%, according to a report by the European Central Bank in 2013 (Di Mauro et al., 2013, p. 18).

On the other hand, referring to the addressability of this system, that it is essentially created for Muslims, it is found to be conceived for about 23% of the planetary population.

3. Dual banking system: approaches and performance

Discussing about the conventional banking system, although the first practices appeared in the ancient empires of Babylon, Assyria and Judea, the initial contemporary bank was the Bank of Venice, established in 1157. With the incorporation of the Bank of England by Royal Charter in 1694, started the financial regulation and the banking regulation (Scheepers, 2014, p. 38).

Regarding the banking sector as the most important part of the financial system, certain differences between the conventional and Islamic ones exists. Certain aspects can be stated in antithetical manner. The Maldives Islamic Bank summarizes some of the most important differences between Islamic and conventional banking, highlighting some key aspects: the role of the money, interest, profit and the connection between real and financial sectors. It states that conventional banking uses money like a commodity which can be sold at a higher price and also leads to inflation, while Islamic Banking regards money just as a medium of exchange and store of value; the first one uses the time to charge interest and the second one earns profit by sharing it or by charging services (they operate only on the basis of profit and loss sharing, by assuming risks with the business man – the loss is also divided, while in conventional banking the interest and the cost of financing is charged anyway) and the agreements in the case of Islamic banking are linked with the real sector, not just for disbursing funds but also for the exchange of goods and services (Maldives Islamic Bank, 2017).

Other comparisons state that Islamic banking involves less debt and more equity, strong finance-assets relation and poor leverage, good cooperation investor-manager, based on transparency and information sharing, and risk diversification. The conventional finance, after the same author, is being criticized by: the big amount of the debt, “overleveraging of assets and ... excessive securitization and creation of new assets that were neither transparent nor understood” (Tlemsani and Suwaidi, 2016, p. 298).

4. Middle East selection: United Arab Emirates' banking system

While in Iran and Sudan are found only Islamic banking assets, and in Brunei and Saudi Arabia the conventional with the Islamic assets seem to operate in a perfect equilibrium, descending proportions of Islamic banking assets are found all over the globe, especially in the Gulf Cooperation Countries. Eleven countries have systemic importance in the field (meaning more than 15% Islamic banking assets, the difference being conventional banking, after IFSB), of which UAE are the tenth Holding about 8% from total global Islamic banking assets. UAE operates with dual banking system, with at a rough estimate 20-80% share in the favor of the conventional banking assets (IFSB, 2016, p. 8). The proportion of Islamic lending in the banking system at the end of 2015 was 20.6% (CBUAE¹, 2015, p. 52).

Considering that the United Arab Emirates became an important financial center in the last years, aiming to become a regional financial hub in the future, concluding remarks can be made regarding the coexistence of the two financial systems within the borders of this state. For the last years (2014, 2015), indicators best describe the situation:

Table no. 1: Conventional and Islamic finance in UAE

	Islamic		Conventional	
	2014	2015	2014	2015
No. of banks	8 fully-fledged 26 Islamic windows		45	
Assets growing rate	11%	15%	8%	5%
Assets share	17.5%	18.7%	82.5%	81.3%
Banking system lending	19.2%	20.6%	80.8%	79.4%
Banking system deposit	20%	22.6%	80%	77.4%
CAR (capital adequacy ratio)	15.8%	15.6%	18.2%	18.3%
Tier-1 capital ratio	15%	15%	16.2%	16.6%
ROA (Return on assets)	1.6%	1.5%	1.7%	1.5%
ROE (Return on equity)	13.5%	14%	13.6%	11.6%

Source: CBUAE, 2015, pp. 24, 29, 54, 55; CBUAE, 2014, pp. 1, 18 and author's calculations

Comparing the two operating banking systems, in a state which has a civil law system which incorporates in a large extent Shari'ah rulings (as a conclusion, commercial laws are compatible with Shari'ah principles), it can be noted that the last years' growth rates are bigger for Islamic assets, gaining territory in the market share. As consumer behavior, we notice that the proportions of banking system lending and deposit are kept similar with the proportion held by the two systems: around 20% for Islamic banking and 80% for conventional banking. The main difference is that the Islamic ones are growing and the conventional ones are decreasing. In terms of the capacity of absorbing unexpected losses, the conventional banks have a bigger capital buffer size (CAR) against unexpected risks. Considering ROA, the bank's profitability is similar, but regarding ROE, Islamic banks show higher profitability, CBUAE attributing this to higher leverage. The ratio of Islamic banks' core equity capital to its total risk-weighted assets (Tier-1) keeps a satisfactory level, even if lower than in the case of conventional banks.

In the period prior to the crisis, the research was generally militating for better performance in Islamic compared to conventional banking.

A research made to compare the performance of Islamic and conventional banking from the United Arab Emirates during the period 2008-2014, finds the conventional banks superior over Islamic ones in terms of profitability, credit risk management and solvency. The Islamic banks are found here less solvent, less profitable and facing higher credit risks more liquid (El Massah and Al Sayed, 2015, p. 69,80).

Another study finds Islamic banks more affected by the financial crisis in terms of capital ratio, leverage and return on average equity, while conventional banks showed to suffer more than Islamic banks in terms of return on average assets and liquidity. It states that for a four years' period (2006-2009), Islamic banks performed better than conventional banks (Parashar and Venkatesh, 2010, p. 54)

Even if the Emirates are not the state with the biggest share in Islamic finance, it "has an ambitious plan to be a global hub for Islamic finance within the next few years. The CBUAE supports this initiative by making it one of its core responsibilities in its organisational strategy" (CBUAE, 2015, p. 55). Even so, the same source states the challenges lying ahead: legal and financial infrastructure, Shari'ah governance, prudential regulation and consumer awareness.

A final remark needs to address stability. To define the concept after Central Bank of UAE, the financial system reaches financial stability when banks, other financial markets and institutions "efficiently performs its key functions", like "allocating resources, spreading risk as well as settling payment", and continues to do the same "in the event of shocks, stress situations and periods of profound structural changes" (CBUAE, 2015, not numbered). As the complexity of the financial markets is more extensive in countries with double-operating systems, the financial stability is harder to define and also to obtain.

5. Conclusions

There are certain differences between Islamic and conventional economic systems. Despite the fact that in the case of conventional economics the only governing principles are the socio-legal ones, Islamic economics are driven by the ethical or the religious principle. Based on Shari'ah, which represents the religious but also the civil code for Muslims, an entire economic system was needed to cover the economic needs of the citizens who live their lives by following the principles of the Islamic law. As a result, new foundations were created: for the banking system, financial markets and institutions.

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Monetary Policy and Inflation: Is there a Neo- Fisher Effect? Evidence from Inflation Targeting Countries in Central and Eastern Europe

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Abstract

In this study we empirically investigate the influence of the low interest rate environment adopted by inflation targeting countries from Central and Eastern Europe as a rescue measure after the outbreak of the financial crisis. Moreover, we focus on examining the existence of a Neo-Fisher effect that may explain the positive relation between interest rates and inflation, with causality from interest towards inflation rate. We employ a Vector Autoregressive model, together with an impulse response analysis and a variance decomposition technique, to capture the response of economic growth and inflation to shocks to the monetary policy. Our main results point to a negative relation between policy rates and economic growth, as predicted by the economic literature. However, results show a significant positive relation between interest rates and inflation, meaning that negative shocks to interest rates lead to lower inflation. Also, we find that the response of inflation and economic growth is the same, regardless of the crisis or non-crisis period.

Key words: interest rates, inflation, Neo-Fisher effect, monetary policy

J.E.L. Classification: E43, E31, E52

1. Introduction

In the years following the 2008 financial crisis, the major central banks all over the world have adopted an expansionary monetary policy with the aim of supporting the banking systems and avoid a deeper economic recession, or, even a collapse of it. The same behavior was employed by the central banks in Central and Eastern Europe, although adapted at the economic situation of each country in the region. However, in spite of the continuous efforts of monetary authorities to expand their conventional instruments to boost the economic growth, there is a slow response from it. Furthermore, the very low interest rates established by central banks should, at least in theory, lead to an increase of prices and to higher levels of inflation. Again, this effect is not observed in the real economy and we can say that the reality contradicts the theory since, at least after the crisis and until recently, the low interest rates coexist together with low inflation.

In the context of the recent financial crisis, there is an increasing interest towards a re-analyze of the relation between interest rates and inflation, in the spirit of the so-called Fisher effect, which postulates a positive relation between the two rates, with the causal impact from inflation to interest rate (Anari and Kolari, 2016). The on-going debate, known as Neo-Fisherism (Bullard, 2016; Cochrane, 2016; Williamson, 2016) argues that it may be the case that the Fisher effect works in practice not from inflation towards interest rates, but rather in the opposite direction, from monetary policy towards inflation. Cochrane (2016) makes an extensive analysis of different models that incorporate the reaction of inflation to interest rates and a review of empirical results on this topic, concluding that it may be the case that economists and monetary authorities tend to overlook the existence of a positive impact of inflation to the interest rate movements. Williamson (2016) share the same opinion, reminding the case of the Federal Reserve Bank as the only central bank that decided to gradually increase the interest rate, although it does not motivate this decision

using the Neo-Fisherian argument. However, the President and CEO of Federal Reserve Bank from St. Louis, James Bullard, emphasized, in a speech delivered at the 19th International Research Forum on Monetary Policy, that the existence of a Neo-Fisher effect should be seriously taken into account in shaping the future monetary thinking.

In this paper we aim to empirically investigate the Neo-Fisher effect. Our research question is: Does a low interest rate environment mean higher or lower prices? Moreover, we want to investigate the following research hypothesis: Low interest rates are positively related with inflation.

2. Data and methodology

The aim of our paper is to analyze the monetary policy adopted by the inflation targeting countries from Central and Eastern Europe in the period 2005-2015. Also, we investigate the influence of the monetary policy stance on the economic growth and inflation. Moreover, we investigate the existence of a Fisher effect that could explain the relation between the interest rates and inflation for the countries under review.

Our sample consists of the following inflation targeting countries in Central and Eastern Europe: Albania, Czech Republic, Hungary, Poland, Romania and Serbia. As in Plescau (2017), we do not take into consideration Ukraine because it has decided to enter into a process of implementing the inflation targeting regime only recently, in 2016. We use the World Bank data facility to obtain information regarding the inflation rate and the economic growth. Also, we use the websites of the central banks from each country in our sample to obtain information regarding the monetary policy adopted by each country.

We measure the monetary policy stance using the central bank policy rate, while the inflation is captured through the Consumer Price Index (CPI) and the economic growth is measured through the Gross Domestic Product (GDP) growth rate. Also, when we discuss about the central bank policy rate we take into account the annual mean value of it.

A first step in our study is to analyze the relation between the variables included in the analysis. We first look at the descriptive statistics of the data and, afterwards, we look at a scatter plot that defines the relation between the interest rate and the inflation rate for the countries included in the sample, during the period under review.

Table 1 shows the descriptive statistics of our data. The central bank policy rate has a mean value of 5.409%, with a minimum of 0.05% (registered in Czech Republic for years 2014, 2014 and 2015) and a maximum of 17.750% (registered in 2008 in Serbia). In our sample, during the period 2005-2015, only Czech Republic is the only country that confronted the technical zero-lower bound for the interest rate and there are no negative values for the nominal interest rate. Moreover, economic growth has a mean value of 2.58%, with a minimum value of -7.10% and a maximum value of 8.50%. The lowest GDP growth rate was registered in 2009 in Romania and it shows the negative effects of the crisis on the economic activity. Furthermore, the inflation rate has a mean value of 3.95%, with a minimum of -1% (in 2015 in Poland) and a maximum of 16.10% (in 2005 in Serbia).

Table no. 1 Descriptive statistics of the variables included in the analysis

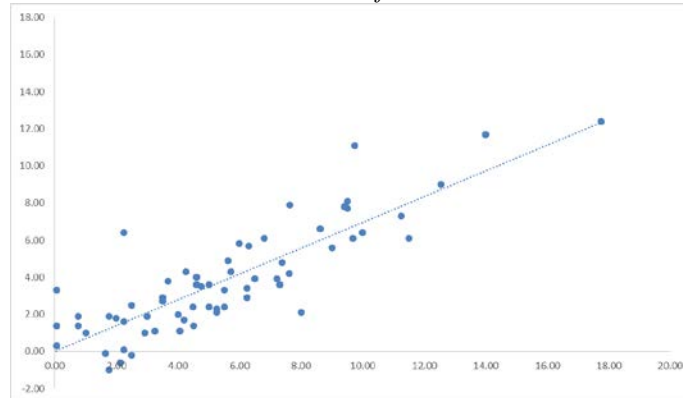
Variable	Description	Mean	Std. Dev.	Min	Max	Obs.
IR	Central bank policy rate	5.409	3.617	0.050	17.750	65
EC_GROWTH	Economic growth – GDP growth	2.68	3.17	-7.10	8.50	66
CPI	Inflation – Consumer Price Index	3.95	3.29	-1.00	16.10	66

Source: own computations

The aim of our paper is to investigate the impact of monetary policy on the macro-economy, with a focus on the relation between interest rates and inflation. Having as a start point the Neo-Fisherian argument that establishes a positive relation between them in the sense that low interest rates lead to an increase of the inflation rate, we want to study whether this is true for the inflation

targeting countries in Central and Eastern Europe, in the context of the recent financial crisis. A first look at the data, as shown in Figure no.1, shows that there is a positive relation between interest rates and inflation and that the expansionary monetary policy adopted after the crisis has not led to an increase of the consumer price index. This result could be explained by the Fisher effect, which supports a positive relation between monetary policy and inflation. Moreover, we conduct an in-depth analysis to better investigate our hypothesis.

Figure no. 1. The relation between interest rates and inflation



Source: own computations

We develop our methodology based on Papadamou et al (2015). In order to investigate the impact of monetary policy on the inflation and economic growth, we employ the Vector Autoregressive (VAR) estimation method. Our sample is organized as a panel data with 6 cross-sections (countries) with 11 years for each country. In total, we have 66 country-year observations. Moreover, as Papadamou et al. (2015), we conduct an impulse response and a variance decomposition analysis.

Using Brooks (2008) we define our basic models as follows:

$$Y_{i,t} = A_0 + A_1 Y_{i,t-1} + e_{i,t} \quad (1)$$

In the above equation, $Y_{i,t}$ is a vector that contains the following variables: EC_GROWTH, CPI and IR. Adopting the strategy of Papadamou et al. (2015), EC_GROWTH is the logarithm of GDP growth, while CPI is the logarithm of the Consumer Price Index. Moreover, IR captures the monetary policy stance and it is defined as the central bank policy rate established by each central bank.

We apply the impulse response analysis in order to investigate the responsiveness of the economic growth and inflation to a shock in the central bank policy rate. This helps us understand the sign of the relationship between the variables under review and to determine whether there is a negative or a positive relation between them. Moreover, we use the Cholesky decomposition for identifying the shocks or the innovations to the interest rate. A shock to the interest rate is defined as one standard deviation of this variable (Papadamou et al., 2015). Also, as Papadamou et al. (2015) have done, we use two different orderings for our variables, as a robustness check.

Besides using the impulse response analysis, we apply the variance decomposition in order to evaluate the proportion of the variance in one variables that is explained by the shocks to each variable in the system, including their own shocks (Brooks, 2008).

In addition to our basic estimation, we investigate whether the relation between interest rates and economic growth and inflation is different in the crisis period. To do so, we define a dummy variable, CRISIS, which takes the value of 1 for the period 2008-2010 and 0 elsewhere. Further on, we will apply the VAR methodology using the following version for Y vector: {EC_GROWTH, CPI, IR*CRIS, IR*(1-CRIS)}.

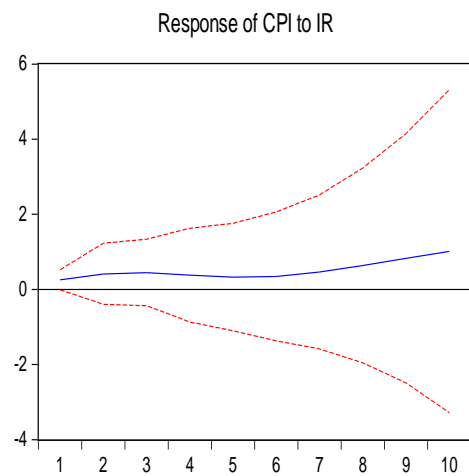
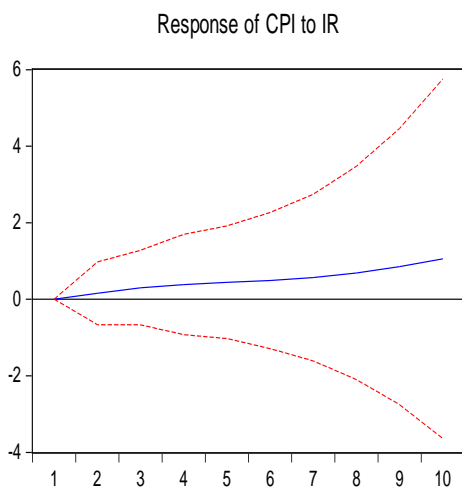
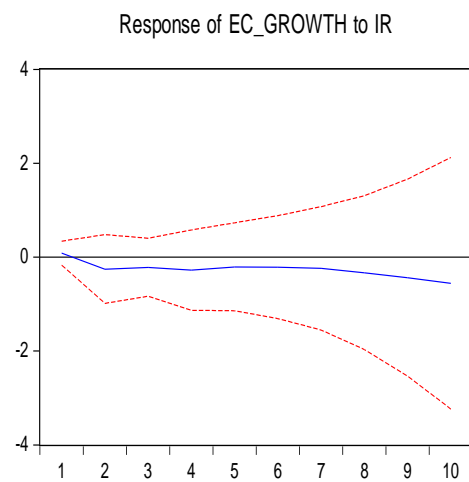
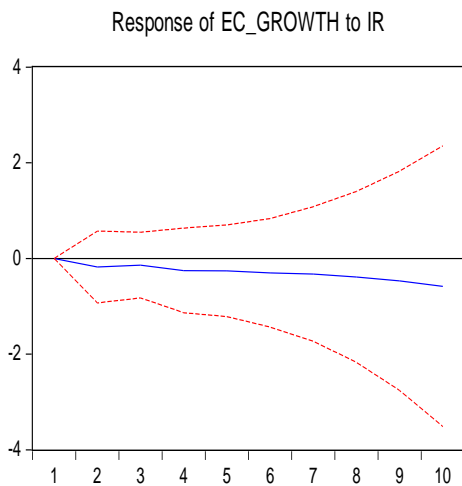
3. Results

We apply two different orderings for the vector Y . The basic ordering is {EC_GROWTH, CPI, IR}, while we use the reverse order of this vector as robustness check (Brooks, 2008; Papadomou et al., 2015). The results of the impulse response analysis are shown in Figure no. 2. They point to a negative relation between interest rate and economic growth, as predicted by the economic literature. This means that a negative shock to the central bank interest rate will increase the GDP, supporting the economic growth, as expected by the monetary authorities when adopting low levels of the interest rate. However, in contrast to what the theory says, our results show a positive relation between interest rates and inflation during the entire period 2005-2015. This result highlight that a negative shock to the central bank policy rate will decrease the inflation rate. Our result can be seen as a Neo-Fisher effect, as it is argue in Williamson (2016). Our result is in contrast to what Papadamou et al. (2015) obtain and maybe this is due to the fact that they use a different time period, 19998-2010, which does not capture the effect of the recovery period after the financial crisis. We can observe in Figure no. 2 that our results are the same, independent of the ordering we use to define our vector Y .

Figure no. 2. Impulse response analysis using the two ordering for the variables of vector Y

Ordering for vector Y : EC_GROWTH, CPI, IR
 Response to Cholesky One S.D. Innovations ± 2 S.E.

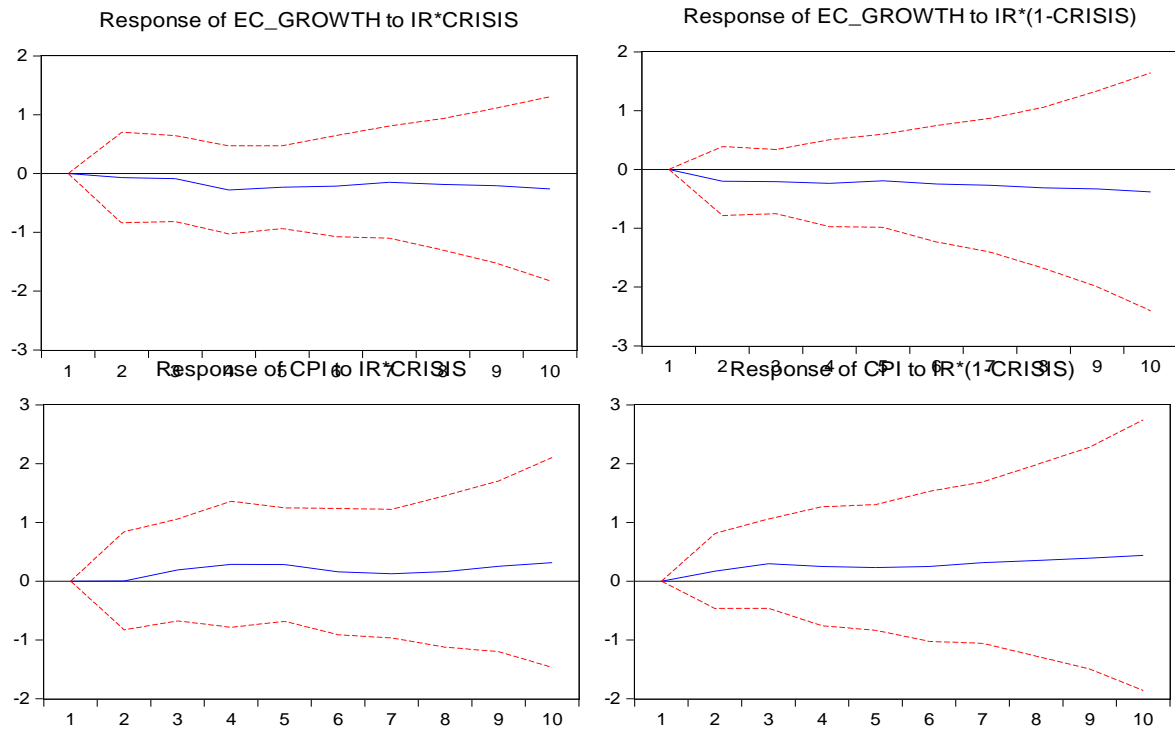
Ordering for vector Y : IR, CPI, EC_GROWTH
 Response to Cholesky One S.D. Innovations ± 2 S.E.



Source: own computations

The results obtained when differentiating between the crisis and non-crisis period are synthesized in Figure no 3. As a general conclusion, results show that the relation between interest rates and economic growth and inflation is the same, independent of the crisis effects. Moreover, this analysis supports the previous result that one standard innovation to the central bank interest rate is positive related to the inflation rate. Furthermore, this means that low levels of interest rates are associated with low levels of the inflation rate (consumer price index).

Figure no. 3: The impulse response analysis – crisis versus non-crisis period
 Response to Cholesky One S.D. Innovations ± 2 S.E.



Source: own computations

The results regarding the variance decomposition are reflected in Table 2. As in Papadamou et al. (2015), we show the results that represent the total impact for the 10th period. We observe that the movements in the level of interest rates influence, to a significant degree, the variance of both economic growth and inflation. This result support the ones obtain by applying the impulse response analysis.

Table no. 2 Variance decomposition analysis

Variable	Period	EC_GROWTH	CPI	IR
EC_GROWTH	10	28.244	16.189	55.567
CPI	10	7.593	27.359	65.048
IR	10	1.035	1.071	97.894

Source: own computations

4. Conclusions

In this study we analyze the impact of the monetary policy adopted in Central and Eastern Europe on the two main macro-economic indicators: economic growth and inflation. Also, for comparability reasons, we include in our sample only the inflation targeting countries from this European region. There are two important conclusions pointed out by our results, The first one is the negative relation between interest rates and economic growth and this means that the low interest rates adopted by central banks especially in the years after the financial crisis had a beneficial impact on stimulating the economy. Furthermore, the second conclusion is the existence of a positive relation between monetary policy and inflation, and this is a puzzling results since it is in contrast with the economic theory that predicts a negative relation between the two. However, our result are in line with the recent ongoing discussion about the possible existence of a Neo-Fisher effect that argues a positive relation between interest rate and inflation, with causation from the first to the latter.

Our study contributes to the literature related to the effects of low monetary policy adopted by many central banks as a rescue measure after the outbreak of the 2008 financial crisis. Also, we relate our analysis to the theoretical debates about the relation between monetary policy and inflation and the sense of the causal effect between them. In this sense, we consider that our study is a step-forward toward the empirical investigation of the Neo-Fisherian argument. Also, in the context of the recent financial crisis, we think that it is highly important to extend the research related to the interest rate-inflation nexus, since the recent financial events and the dynamics of economic realities may deliver new insights regarding the economic and monetary theory.

5. Acknowledgement

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Aspects on the Role of Public Finances in Achieving Governmental Objectives

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Abstract

In modern age, the role of public finances is complex, these serving both to provide the resources to cover the costs and as possibility of state intervention in economy. Being an important economic category, finances are a pillar in achievement of the policy objectives of the state, the central element being the governmental power.

For the production and distribution of the public goods and services, for the benefit of community, the state establishes necessary funds, which allocates for priority targets so as to ensure an efficient spending of them, the way to build revenues and perform expenditures, achieving by means of the financial system of each country.

The paper brings forward aspects concerning the elements of structure, functions and role of public finances in the economy, important instrument of adjustment the economic and social life and removing economic imbalances generated by the game of market economy, left free.

Key words: public finances, taxes, subsidies, functions, role

J.E.L. Classification: E60; E69; G23; H20

1. Introduction

Public finances are an important economic category, a pivot in the achievement of the state's political objectives, the central element being the government power.

In the fulfilment of the obligations of production and distribution for the community, of the public goods and services, the state constitutes the necessary funds, which it distributes on priority targets so as to ensure their efficient spending.

The achievement of any activity depends on available funding opportunities, on the way to set up income and incur expenditure, achieved by means of the financial system of each country.

2. Concept, features

Directly related to the existence of the state, the science of finances - field of economics - means knowledge and procedures used to identify the necessary resources, the possibility to cover them.

The conception of the role of public finances has had different meanings over time. The classical liberal doctrine limits state's intervention in economic life, so that the public finances system assumed reduced public expenditure, covered by taxes and a balanced annual budget without deficit.

The global economic crisis at the beginning of last century significantly increased state's intervention in the economy, accompanied by increased public spending, taxes, and the budget deficits existence.

In modern times, the role of public finances is complex, as these do not only serve to provide the resources to cover the costs, but also express the possibility of state's intervention in the economy.

The neo-liberalism of modernity considers necessary to diminish role of the state in economic life, which would mean lowering taxation, elimination of subsidies.

According to the definition of the economic dictionary, public finances are "the financial flows in which the moneyed resources available to the state (central and local state administration) are formed, destined for public funding; they are materialized in the public budget" (Dobrotă N. – coordonator -, 1999, p.211).

In another speech, the definition of finances reads: "Public finances are mobilization and allocation of financial resources of the state, achieved in the distribution process of the Gross Domestic Product, with the help of certain specific methods and tools, in an appropriate legal framework in order to meet the social needs and influence the economic activity" (Zai P., Lazăr D., Inceu A., 2012, p.108).

The public finances include *revenues* in the form of monetary resources from fees and taxes, social security contributions, and the use of these revenues through their *spending* on certain destinations.

The flows of resources in the field of finances determine *social relations* among the players who generate it:

- those who contribute to the *establishment* of funds - legal entities and individuals earning income on the one hand and the state on the other;
- in case of the *distribution* of funds, the relations appear between the state and those to whom they are distributed- legal and natural persons – as beneficiaries.

As such, in the area of public finances, financial relations related to the **establishment** of public resources, are manifested, in monetary form and to their **distribution**. The public finances do not include categories such as loans, insurances or those belonging to economic units.

These relationships are conducted in the conditions of accumulation and distribution of monetary resources in the economy, dependent on the distribution of GDP – these are economic relations expressed in monetary form, as such, they are **financial relationships**.

Between the public and private finances one can observe some **distinctions** regarding their establishment and distribution, as exemplified in the table below (Table no. 1):

Table no. 1. Distinguishing elements between public finance and private finance

Features	Public finance	Private finance
⇒ Source and the way of resources procurement.	Incomes of individuals and legal persons – measures have coercive character, irredeemable operations.	Natural and legal persons - through exchange transactions regulated by contracts - based on the game of supply and demand in the market.
⇒ Purpose	For the benefit of community – requirements satisfaction.	The aim is the achievement and maximization of private agent profit.

Source: adaptation from Văcărel I., 2005. „Finanțe publice”, http://www.academia.edu/6304389/Finante_publice_vacarel, uploaded by Crețu Lavinia

Thus, the main mission of public finances is to ensure the necessary resources for the state in achieving its objectives, in this way, the finances intervening in solving the economic and social problems.

2.1. Elements of structure

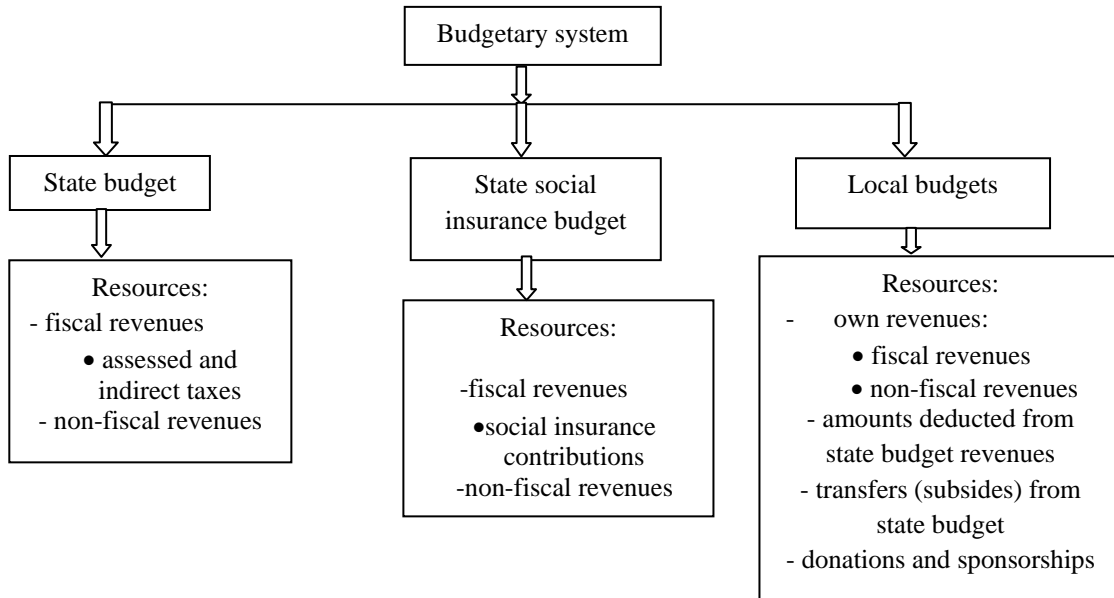
- ⇒ *The public financial resources* consist of monetary means destined for the accomplishment of the economic and social objectives, their character being, generally, limited to the demand for resources.

The level of public financial resources is determined by the volume of public expenditure, approved by the deciding authority, corresponding to a given period.

Considered in terms of the state budget, the structure of public resources includes financial resources belonging to: the state budget; local budgets; State social insurance; special funds.

The chart below shows the structure of *public financial resources* established on the following structure (Figure no. 1):

Figure no. 1. Structure of public financial resources



Source: adaptation from Moşteanu T., Vuţă M., Câmpeanu E., György A., Cataramă D. , 2005. Modul IV Finanţe Publice pag. 428-572, in Verboncu Ion (coordonator) et. al., *Management Public*, Editura Universitară, Bucureşti, 2005

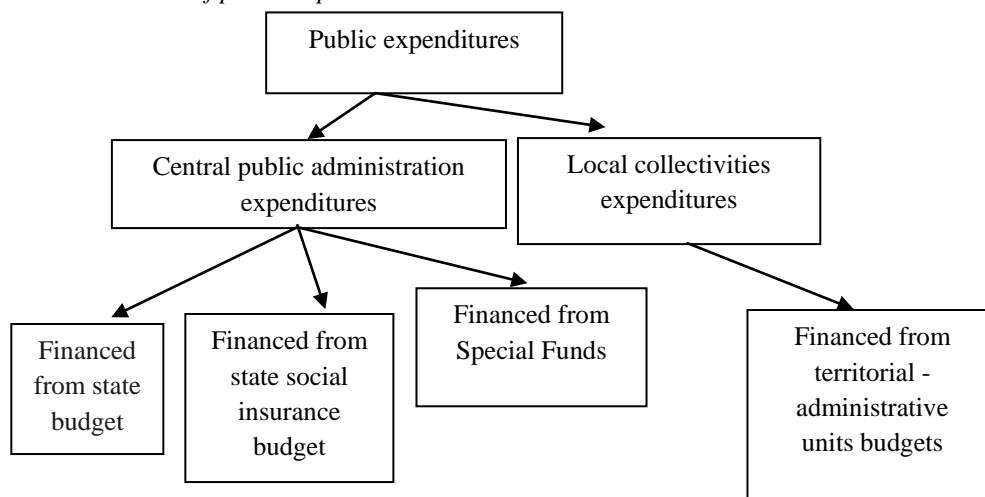
⇒ *Public expenditure* materializes in the context of the distribution of public resources on approved destinations. This financial instrument "represents economic and social relations in monetary form, which occur between the State and the society's members at the occasion of the redistribution and use of public financial resources in order to fulfil its functions" (Moşteanu T., Vuţă M., Câmpeanu E., György A., Cataramă D., 2005, Finanţe publice p.442, *Management Public*, Verboncu Ion – coordonator - et. al.).

The structure of *public expenditure* includes, in correspondence with the sources of funding from which these are covered, the following categories, on destinations:

- related to central public administration (financed from the state budget, the state social securities, special funds)
and
- related to local units (financed from the local budget) (Moşteanu T., Vuţă M., Câmpeanu E., György A., Cataramă D., 2005, Finanţe publice p.443, *Management Public*, Verboncu Ion – coordonator - et. al.).

The scheme below shows the structure of public expenditure and covering funding sources (Figure no. 2):

Figure no. 2. Structure of public expenditures



Source: adaptation from Moșteanu T., Vuță M., Câmpeanu E., György A., Cataramă D., 2005. Modul IV Finanțe Publice pag. 428-572, in Verboncu Ion (coordonator) et. al., *Management Public*, Editura Universitară, București, 2005

The structure of public expenditure expresses how monetary resources are distributed in order to fulfil the state's functions in terms of objectives pursued in the economic, social, cultural, defense field etc. .

3. Functions of public finances

Finances participation in the development of certain economic and social activities is performed by exercising certain functions, expression of the contribution brought to the development of the society.

"Finances' functions consist in the manifestation of the state's action and influence on the economic phenomena and processes through all financial levers in order to fulfil the social mission" (Zai P., Lazăr D., Inceu A., 2012, p.109).

The main functions assigned to public finance refer to the **distribution** function and to the **control** function (Zai P., Lazăr D., Inceu A., 2012).

⇒ **The distribution function** determined by the distribution of the gross domestic product, in monetary form, has two stages:

Establishment of public funds based on the relationships between legal entities, individuals and the state, the **contributors** being the economic entities (state-owned, private, mixed capital), public institutions, population, foreign residents who receive income in the country of reference.

The collection of money is made on behalf of taxation, of social security contributions, health, income from royalties, rental of state owned assets and other income.

The monetary funds are available to public authorities (central / local).

Distribution of public funds is made by the relevant public authorities to beneficiaries - individuals and legal entities, after the analysis of requirements of public resources.

Applications for financial resources requested by the central and local bodies are examined by the competent authorities and filtered by criteria established taking into account the availability of public funds.

The distribution consists in identifying the budgetary destinations aimed at the expenditure for achieving public objectives, on areas (health, culture, education, defence, public order and others).

This establishment and distribution of public resources in the redistribution of GDP process is an action that has a unitary and permanent character.

The two moments of the distribution function interact: the collection of financial resources is made in order to meet public needs and is followed by their distribution on destinations, but this second moment can only take place if the funds have been collected. As such, the two phases are two sides of a single process, which are interdependent.

⇒ **The control function** is generated by the distribution function, the control is exercised on the manner of collection and distribution of public resources. This activity is motivated by the fact that public financial resources belong to the society, and their management is performed by the state; it is important both their appropriate establishment, and their judicious distribution in order to meet the needs of the society, avoiding waste through inefficient spending and also ensuring discipline in managing public patrimony.

In the area of intervention of the control function, apart from distribution, there are also other areas of activity, namely:

- public sector production control;
- public sector exchange control, supply and demand of public sector products, commodity prices, profitability of the sector;
- control of consumption with respect to consumption of economic units and public institutions.

Control is exercised on areas of activity belonging to the public sector, which benefit from funds – the public resources - by specialized government bodies, the Court of Auditors, ministries, etc. (Zai P., Lazăr D., Inceu A., 2012).

The two functions, distribution and, respectively, control are carried out simultaneously and conditioned reciprocally. Thus, the control function is reflected due to the completion of financial transactions within the distribution function, but at the same time, it is favourable for her, by monitoring the manner in which such financial transactions, the establishment and distribution of monetary funds are carried out.

➤ ***The role of public finances***

Public finances have an important role in the development of the society ensuring the establishment and distribution of financial resources that the state uses to fulfil its duties.

The public finances system is an integral part of the public economy, contributing to the performance of the state's functions in organizing and development the social and economic activity.

There is a close relationship between the financial resources available to the state and their management, collection and distribution, the state's intervention in the economy, to cover social needs, the public finances being the expression of all those relationships.

Redistribution of income and of the wealth of individuals and legal entities through the channels of taxation, ensure the establishment of the resources necessary for the public sector, for accomplishing the social and economic needs, in the guise of budget allocations and other transfers of resources.

A correct dimensioning of the tax burden can lead to a balance between the potential of economic players to get significant income and that of their contribution to the state's budget resources.

Also, by providing financing for public economy, the public finances system contributes to stimulating the development of an economically weak area, to stimulating investment and growth.

4. Conclusions

In achieving the state's political objectives, the decisive role is held by public finances, an economic category through which the necessary resources and possibilities for their coverage are identified, a condition of the manifestation of State's intervention in the economy.

In the field of public finances, financial relationships necessary for the establishment of public resources in monetary form and for their distribution are manifested, the distribution being directly related to GDP.

Participation of finances in the implementation of certain economic and social activities is achieved by the exercise of its functions - an expression of the contribution brought to the society's development: *distribution function* – determined by the distribution of the gross domestic product in monetary form and the *control function* exercised on the manner of collection and distribution of public resources, the two functions being simultaneously manifested and conditioning each other.

By ensuring the establishment and distribution of financial resources, that the state uses to accomplish its objectives, finances bring a major contribution to solving economic and social problems.

By means of the financial instruments used, the state can intervene to remove economic imbalances caused by the market economy game, left free, adjusting growths or supporting the economic launch through these, the public finances constituting an element of regulation of the economic and social life.

5. Acknowledgment

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Measuring the Performance of Insurance Entities

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Abstract

Nowadays the performance of the economic entities has a fundamental role in the context under which the competition for each market segment became too closed, and the mechanisms of globalisation brush away the weakest. So the chance to survive in this competition increases considerably for those economic entities that discover and reduce their vulnerabilities very faster and implements performance management instruments that facilitate the identification, explanation, and solution of different lack of management skills.

The elements specific to the new global economy determined the modification of the requirements oriented to different economic entities, as well as the diversification of their responsibilities towards the whole categories of interest holders and society.

Within this new economic system, the economic entities could be perceived as some cells that influence the health of the whole organism. Thus, we could not talk about the viability of an economic entity in a competitive, unstable and turbulent environment, without performance.

Key words: measuring the performance, solvency, solvency margin, Minimum Capital Requirement (MCR), Solvency Capital Requirement (SCR).

J.E.L. Classification: G22, M40

1. Introduction

Performance is a Latin word and its significance is English. In Latin, the word performance consists of completing a proposed activity. "Topperform" involves realizing something that requires ability or a certain aptitude. In the economic domain, there are a lot of definitions of the performance. There are three main directions: the definition of the performance in function of the level of its objectives achievement, the definition of the performance in function of the value creation and the definition in function of the enterprise productivity and efficiency.

There is not performance independent on the proposed objectives. Someone who achieves the objectives is called a performing person. In Romanian economic literature, the enterprise performance is defined as follows: "an enterprise is performing if it is at the same time productive and efficient" (M. Niculescu, 1998)¹. So the productivity represents the report between the obtained results and the means of achieving them and the efficiency represents the report between the obtained and expected results.

$$\text{Performance} = \text{productivity} + \text{efficiency}$$

There are three notions associated with the concept of performance (M. Ristea, 2005): economicity (obtaining the necessary resources to the lowest cost), effectiveness (maximizing the results obtained, starting from a quantity given by the resources or maximizing the quantity of resources for a pre-established result) and efficiency (results obtained for reaching the pre-established results).

$$\text{Performance} = \text{economicity} + \text{effectiveness} + \text{efficiency}$$

Today the concept of performance has progressed to a global approach including both the financial and non-financial aspects referring especially to the elements of social responsibility. If the financial performance was in the foreground in the previous century, today the economic entities realized that this is only the result of the race and deciding factor of the future races success. We call this global performance, in the context of the society sustainable development.

The entity global performance involves the fusion of economic, social and environment performances. The extent of the performance concept due to its use in all economic domains defined a new concept, namely the one of the performance management, approaching the performance as the main concern of the economic entity management.

All economic entities involve performance so that the performance management became not only a useful instrument but also an indispensable one, couldn't talk about performance without a proper management. In this context, the performance assessment is an important element for its management.

The performance assessment involves finding some indicators that could reflect as proper as possible the functioning of the economic entities. The identification and use of the proper indicators for the appreciation of the economic entities' performance involve their connexion with their long-term objectives, respectively with the defined strategy. Why is it so important the correct choice of the performance indicators? It is so important because these indicators offer an overview of the entity performance and evaluate the way how the entity strategy, through its implementation and execution, contributed to its value increase.

2. The concept of performance and its measuring at the level of the insurance entities

The outbreak of the most recent global financial crisis pointed out eminently an increase of the vulnerabilities at the level of the insurance systems. Many studies of this financial crisis underline the fact that one of the major causes that led to its outbreak was represented by the existence of certain weaknesses of the regulation and surveillance frame. So, there is an international consensus concerning the revision and rethinking of the regulation and surveillance frame of the insurance activities, materialized in the approach of the authorities to implement the *Solvency II regime* on the 1st of January, 2016.

The insurance industry is characterised by an inversion of the classical business cycle: the insurance companies get extra bonuses, representing the remuneration for the services provided, before paying the settlement for injuries, namely providing the service they are paid for (R.D. Auerbach, 1989). The insurance contracts are, basically, the money exchanges for different periods of time (K.J. Arrow). The certitude of the contractual assignments of the policyholders, as well as the incertitude of the frequency and severity of the future injuries requests, represent different characteristics of the insurance policy. The law of large numbers is applied for estimating this incertitude. As the number of insured risks increases, the average loss comes closer to the estimated loss and the standard deviation becomes as lower as possible, almost zero (J.F. Outreville).

When the insurance societies invest in the collected funds, they also have the same risks as the other institutions of financial services. Furthermore, they have to face to some risks specific to their domain of activity as sub-quotation of the insurance bonuses, the wrong calculation of technical reserves, the unpredictable changes of the damage frequency, the inadequate reinsurance, etc. Finally, they could also deal with a series of general risks, common to all types of businesses: incompetent or dishonest management or a defective administration of the development strategies.

The main function of the insurers is to face up to these risks and to administrate them in order to allow them (or at least in most cases) to fulfill correctly and completely their commitments to policyholders. This capacity of the insurers to respect their commitments is called **solvency**. According to Merriam-Webster dictionary, **solvency** is the "state of being able to pay debts", (A. Sandstrom, 2006). The debts concerning the insurance contracts are the expected requests and the related expenditures. The current value of these commitments, calculated based on the actuarial methods, is only an estimated value in the end.

For the public, namely for a person who regards out of the results of an insurer, the check of solvency is based on the analysis of the financial reports of the insurers. The surveillance authorities or different rating agencies publish the insurers' solvency margins and the public knows that *an insurer has a more powerful financial situation if the solvency margin is higher*. In many countries, there are assessment agents that analyse systematically the financial situation of the insurers in order to supply information to the insurance market "actors". This information could help them in some cases to take correct decisions regarding their business strategy. Under these conditions, the **solvency margin** is a measure of the insurer's financial stability.

The solvency margin acts as a safety margin or buffers for the insurer's activities. Up to the payment of all current obligations, there are always uncertainties both regarding the final value of these obligations and the value of the assets used for their hedging. More than that, certain damages could appear in the future and the insurer could not pay some of them only from the current resources without such a margin. The purpose of the solvency margin is *to protect the policyholder*. The future activities of the insurer are uncertain and the purpose of the minimum solvency margin is to guarantee that the insurer has enough assets to pay the future damages.

The solvency margin as surveillance instrument proved to be a mechanism that could generate some legal measures, in the case of an insurer that has not the minimum solvency margin required by the law. An insurer that has a reduced solvency margin could be the subject of an intervention from the part of the surveillance authority. This intervention could occur faster if the solvency margin decreases under the minimum legally provided, and could occur before to be unobserved this minimum.

A reduced solvency margin could also involve the following:

- *the loss of confidence in the insurance market* that leads to the loss of business. This loss of confidence could also extend to other markets, as capital market, with influences over the price of assets.

- *the need to reduce the business* in order to prevent the intervention of the surveillance authority. This situation could lead to the loss of some advantageous business.

- *the need to reinsure more* in order to maximize the protection against fluctuations.

A reduced margin of solvency also involves a more powerful investment strategy. Therefore, the insurers use to have assets that lead to a higher margin of solvency than the one required by the surveillance authorities.

3. Performance indicators and Solvency II

The notion of *solvency* is connected to the main requirement regarding that an insurer need to have *permanently* the value of assets higher than the value of its liabilities.

The problem is to determine *how higher* should be the value of assets than the value of the assumed liabilities so that the insurer to be solvent. Solvency II represents a set of European Directives that modify fundamentally more aspects of the European legislation in the insurance domain concerning the solvency. The first step for the new solvency system was to define the requirements this system had to answer to, namely:

- to protect the beneficiaries, assuring to the surveillance institutions a buffer interval of time, necessary to identify and remedy the negative phenomena registered within a company;

- to offer compatibility, transparency and coherence, creating an uniform field of action;

- to establish a set of beliefs concerning the margin of solvency, according to the real risks.

The calculation methodology of the minimum solvency margin should:

- allow the transmission of a correct sign to management, without encouraging the imprudent behaviour;

- avoid useless complications – a simple system, easy to understand and apply, that generates additional administration costs.

The purpose of the solvency monitoring is:

- to pull an alarm signal at the beginning of negative tendencies manifestation, not to supply an infallible guarantee against bankruptcy;

- to reflect correctly the evolutions registered on the market;

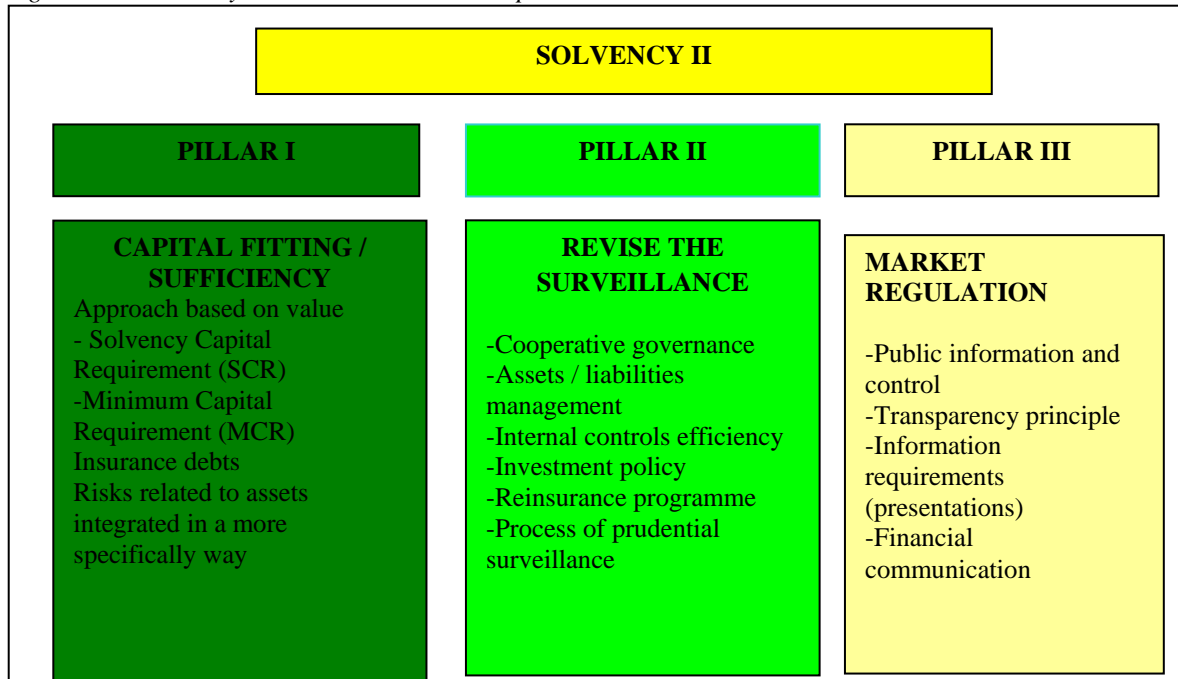
- to establish principles without being excessively restrictive;

- to avoid as much as possible the generation of some additional financial reports, valorising the information of the current accounting reports;

- to avoid the excessive capital requirements that could lead to the decrease of the competitiveness of the European insurance market.

Solvency II is a model of solvency formed by the following three pillars:

Figure no.1: Solvency II model- based on three pillars



Source: Services Authority—Insurance Risk Management: The Path to Solvency II http://www.fsa.gov.uk/pubs/discussion/dp08_04.pdf

Pillar I – contains rules about financial resources – prudential rules for technical reserves, investments and capital requirements. The rules for technical reserves assessment will represent the main component of pillar I because the level of reserves will have a major impact on the solvency requirements. Solvency II wants to harmonize the calculation methods of the technical reserves and to obtain congruence referring to the International Financial Reporting Standards (IFRS). CEIOPS (Committee of European Insurance and Occupational Pensions Supervisors) recommends that “the capitals and debts assessment insurance should be based on the present value of the treasury flux (best estimates), with a risk margin”. Introducing a market assessment of assets and debts represents one of the major differences between Solvency I and Solvency II and will influence solvency calculations’ results.

The asymmetric information between the insurance societies and policyholders appear due to the fact that insurers have more knowledge about their own financial situation and about their behaviour on risk than the consumers (Munch, D.E. Smallwood). The insurance policies prices are inefficient in the disclosure of insurers’ solvency due to some contrary selections and some moral risks (S.E. Harrington). Consequently, there is a compromise between the insurance company behaviour and the power of the policyholders to choose, because the lower prices are offered by the risky companies and the higher prices are offered by the safe companies. This thing involves, firstly, an increase of the insolvency risk and, secondly, produces a decrease. The intensity of the regulation should act over the possible values of this compromise, preventing the insurers with an excessive level of risk and monitoring their financial condition, in order to promote the proper protection of the policyholders (R. Eisen, W. Müller, and P. Zweifel). As in the banking system, pillar I contains legal capital requirements in order to determine the insurance solvency due to the fact that the capital has an important role in the consolidation of the capacity to pay extrafor monetary losses and to protect the policyholders and the claimant third parties’ interest. Especially, the capital has a lot of important functions, as following (J.D. Cummins):

- reduce the lever effect and the value of the sale option of the shareholders;
- offers signals referring to the risk behaviour of an insurance company;
- allows an increase of the bonus rates;
- reduce the exposure risk to the debt rate

These functions have to be considered when it is estimated the optimum level of the capital. A higher capital level than the optimum level reduce the return to shareholders, in the same time, affects the share price, while a lower capital level cannot cover adequately the risks and so reduces the policyholders' protection (G.M. Dickinson).

The decisions concerning the capital level should consider the financial structure of the insurance companies and especially, their debt level. Please note that the capital is more expensive than the debt due to the higher benefit required by the shareholders and due to the taxes effects. Nevertheless, as the lever effect is higher, the risk of insolvability and the cost of the insurance company's capital increase (J.D. Cummins, J. Lamm-Tennant). An insurance company could have a lower level of capital than the optimum level attracting the new capital when necessary, but this thing is not always possible. For example, in case of disaster, the insurance company has to attract the new capital and the new suppliers would not pay the losses with complete goodwill. So, the company is forced to attract funds from existent shareholders or by imposing some higher prices for the next insurance policies (J.Cagle, S.E Harrington). The optimum capital level of the insurance companies is not the same with the level adequately established by the regulation authorities. The insurance companies choose the optimum level in function of their business characteristics, while the regulation authorities consider the policyholders' interest, implicitly, the insurance market stability (G.M. Dickinson).

The first pillar contains two capital levels: the *Solvency Capital Requirement (SCR)* – the capital level required to the insurer that allows him to deal with the unexpected losses and to fulfil the policyholders' obligations and a high level of honesty- and the *Minimum Capital Requirement (MCR)* – this requirement refers to the minimum level of capital where it is necessary the immediate intervention of the surveillance and regulation authority. In contrast to SCR, this requirement would not be calculated for all risks, its calculation would be simpler. The calculation would be implemented using **VaR strategy** at a significance level between 80 and 90 percentages. The minimum capital level will be one million dollars for the general insurance transactions and two millions dollars for the life insurance transactions. The calculation of the capital requirements can be made based on a standard approach - *European standard approach (ESA)*- or based on an *internal model*, that was developed by a company and was investigated and approved by the surveillance authority. ESA should allow companies to measure and calculate SCR in a simple and correct way (Duțescu A.,et. All). One of the basic ideas of this approach is to use an approach based on a standardized factor to estimate and evaluate separately each risk component: market risk, risk to subscribe, credit risk, operational risk with the subcategories associated to these risks.

Pillar II – refers to the qualitative requirements applicable to insurers and reinsurers in the matter of internal control and risk management and to the revision of the surveillance process. It also makes reference to the surveillance harmonization at the EU level, to the coordination in crisis, rights and responsibilities and transparency and accounting principles of the surveillance authorities. The key elements are the internal control of the risk models, the use of stress tests aiming technical reserves and assets, the managerial performances, the incongruities between assets, the own capitals and debts.

Pillar III–covers the regulations concerning the information that has to be sent to the surveillance organism and to the public. The purpose of this pillar is to create a market discipline, to offer to the investors, rating agencies and other interested parts an outstanding overview of the insurer risks. The disclosure requirements will depend a lot of on the measures implemented in pillar I and II. The reporting requirements will be based on Basel II approach applied in the banking sector and on accounting part referring to IASB (International Accounting Standards Board).The unfavourable information of an insurer could worsen an already changed existing situation of a company, so the next rules concerning the reveals should also consider the public interest to be informed and the competitive interest of the insurer.

It is important that the three pillars not overlap, imposing double regulations. Concerning the harmonization of the insurance regulations at the European level, the solvency is determined by the business nature and by the risk, not by the company location. Starting from coherence principle, the capital requirements of Pillar I ((MCR and SCR) will catch and quantify all risks from a balance sheet. CEIOPS developed a standard approach to determine these requirements. The calculations should be based on "correct values" (market values) for assets, capitals and debts. However, this

approach has not been completed yet and there are still necessary some improvements. So that, the internal models should be developed to satisfy the specific need of an insurance company.

4. Conclusions

Solvency represents an important aspect of the functioning regulation of an insurance company. So all insurance companies want to know exactly the optimal value of the capital, this thing is very hard to get. The modern financial management and the actuarial calculation offer different methods to take decisions concerning the capital structure and these have certain limits. Neither the most cautious management could guarantee the fact that the unforeseen obligations would not reduce the financial capacity of an insurance company and the governmental regulations could not prevent the insolvency. In most cases, the surveillance authorities' efforts prevented the policyholders' losses. However, the payment delay, the uncertainty and the philological effort that happen due to the insolvency problems of an insurer are very important for it financial situation.

After this research, we could conclude that one of the most important factors that determine the insolvency are:

- to subscribe, to constitute reserves and to solve the improper settlement request;
- the financial situation of the re-insured policyholder;
- the improper control of expenditures;
- incorrect transactions of agents, brokers or re-insured policyholders.

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Negative Effects of Bureaucracy in Accounting

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Abstract

The complexity of economic activities is also due to bureaucracy, which has had negative effects and has caused the prolongation of the crisis periods, bankruptcies of companies with national and international importance. Bureaucracy encouraged the move of profits in countries recognized as tax havens. The more bureaucracy, the more corruption cases occur, but it can also cause errors in the centralization of accounting information, or incomplete, unclear information that can lead to misconduct in the economic development of entities and the whole of society. The lack of consistency of the legislation discourages the business environment, as it has caused large damages among entities. Bureaucratic elements have diversified forms of corruption. Often unnecessary bureaucracy may have hidden mobiles linked to the corrupted character of employees at various hierarchical levels that lead to measurable losses and the creation of harmful image to entities and to the country.

Key words: Bureaucracy, Accounting, Factors, Legislation, Damage.

J.E.L. Classification: D04, H23, H30, M21,

1. Introduction

In the current economic system, there is a process to adapt the Romanian accounting complex to the European one. With the transformation of the legal provisions, more significant practices are being imported, increasing the bureaucracy. European bureaucracy has not always proven to be beneficial. Theoretically it is considered that bureaucracy leads to transparency and efficiency, but most of the times imported bureaucracy generates the supplementation of personnel expenses, overheads, administration and electricity consumption, heat and stationery materials consumption, efforts made by the entities that usually are not accepted and accepted but imposed.

2. The risks of excessive bureaucracy

Bureaucracy leads to the hiring of unskilled staff which, according to some is seen as a form of supplementary control, and actually these people are not specialized in the areas in which they are employed, they intervene with their own objections to the knowledge they have and hinder the activity of any entity. On the other hand, in the entities where there is no additional employment, the volume of work increases in the financial-accounting department, with situations that are reflected in other forms, all of them on short term, coming from several state institutions, of course. These institutions may take over the accounting data, especially from the annual financial statements of the entities, without requiring additional forms, with columns or rows displayed differently but actually copied from the financial statements. With the rise of bureaucracy, corruption is developed, pressure arises from the beneficiaries to use bribery in order to solve their problems. Sometimes without it being necessary, the beneficiaries being unaware of the procedures, consider that there is bad will, they consider it a hidden practice but the expectation to receive a commission in the form of bribe is significantly unrealistic, this leading to complaints.

Following complaints, the entities are overwhelmed with a great number of controls, all these accentuating the time crisis in the professional execution of the works in the financial-accounting department. Often, these unrealistic considerations regarding the expectation of bribery are strongly publicized, leading to the decline of the image of employees working in the administrative and financial-accounting field. In our country, the level of corruption is much lower than in other countries, but those states have other policies, they are promoting their good deeds, and thus becoming trustworthy for the other states. When negotiating with foreign partners, they present themselves with another image that helps them establish contracts with more favorable clauses. It is not pleasant to participate in events, symposiums, international conferences, or talks about corruption in Romania, or to participate to presentations about economic developments in the neighboring states without Romania appearing in the context, because it is perceived as a corrupt country and it may not seem interesting, although many times, reality is different. Other entities, who know the real economic resources and the power of Romania, come with proposals for partnership to their advantage, mentioning and accounting for the risk of working with partners in a state where corruption is high.

3. Negative effects of bureaucracy

Bureaucracy is beneficial until it controls the way taxes and duties are collected, how the state budget is managed, how financial and fiscal legislation is respected. The more the bureaucracy increases, the more corrupting levers are developed, people are asked to monitor, but in reality they are looking for ways to circumvent the law, they seek to introduce obstacles such as loss of documents and information, leading willingly or unintentionally to damage the entities or the state budget. European bureaucracy is steadily increasing, the number of forms to be completed and transmitted on line has also increased, but the old printed forms are maintained.

As we struggle with legislative changes at a European and national level, new documents appear that need to be completed and transmitted by the employees within the financial-accounting department.

On the brink of bureaucracy, the suffocating amount of documents in the financial and accounting department, taking advantage of time-related crises, due in particular to procedures that are not only mandatory, but their non-compliance leads to pecuniary sanctions and imprisonment, there are also employees who, even if not involved in the procedures, promise to speed up the steps in order to obtain unlawful benefits.

There is a struggle for fighting corruption using the methods copied from other European states and are partly adapted to the socio-economic particularities of Romania.

In Romania there are several institutions dealing with the discovery and monitoring of corruption phenomena. But, unfortunately, these institutions also depend on the bureaucratic system; this helps some offenders, and often efforts are not completed.

It has been found that the activity is disturbed by bureaucracy, but instead of simplifying the system, legislation has changed and it further increases the activity of the financial-accounting department through the implementation of new forms.

I consider that it is necessary to build the practical activity on the basis of accounting practices, and less on the creation of a large number of documents that have to be completed and transmitted.

Why not say that those who carry out the greatest frauds, ignore accounting and avoid working with legal documents.

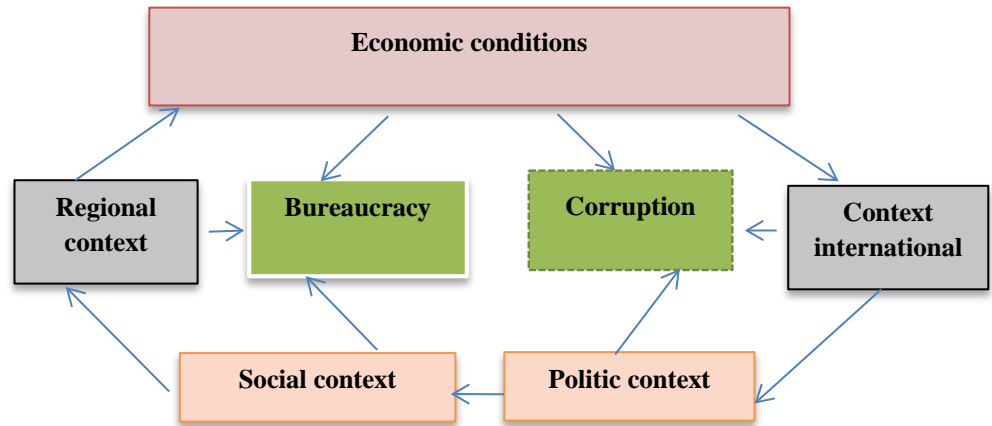
In order to fight against corruption and evasion, it is necessary to equip and modernize the institutions which are responsible for preventing corruption and evasion, for promoting transparency using modern means but as simple and accessible as possible for the entire population. It is also necessary to make unitary decisions in solving cases of corruption and evasion.

The accepted and imported bureaucracy, sometimes imposed by the European Union, facilitates the context for more developed countries, leads to the concentration of administrative power, at the disposal of one or several persons who decide how to issue the authorizations and approvals that citizens of those states need".

Corruption is accentuated in times of economic crisis and allows new forms of manifestation, with the accentuation of the globalization phenomenon. Both corruption and bureaucracy need to be minimized so as to diminish the perturbation of economic and social life.

Bureaucracy and corruption are influenced by several factors that we will present in the following chart:

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Source: Ionesu Luminita, "Principii si ipoteze in fenomenul birocratiei si coruptiei", Teza postdoctorala, Academia Romana, 2012

Corruption cooperates with money laundering. There are cases when economic activities are not accounted for, money is deposited in banks, especially in countries where their origin is not declared, countries which are tax havens, and investment in real estate is done without justifying the origin of the income sources. In order to reduce money laundering, the European Union has imposed severe measures in the financial, fiscal and customs fields.

It is absolutely necessary to be aware that excessive bureaucracy has a negative effect, that it causes a complex of issues that determine distortions in the economic, social and political activity. Excessive bureaucracy leads to discouragement of investment and promotion on new markets, leads to the economic crisis and discourages the penetration into the financial market. When bureaucratic procedures are increased, corruption and tax evasion occur, thus offering gifts, favors, and by consequence, intentionally modifying financial and accounting documents.

With the change of documents or the non-registration of economic activities, taxes corresponding to the state budget are reduced, and in the financial statements there are reflected tax losses. It can also be the case when due to some forms involving more supporting documents, part of the expenses are not registered in the accounting declarations, leading to high profit values, which creates a very favorable image of the entities. This is the main issue when trying to attract investors, to issue shares and bonds, or when it comes to getting a low-risk fees.

ⁱⁱⁱⁱⁱAccounting, as a means of registration the financial situation and the financial performance in a certain situation, can become a field of bureaucracy and corruption, all the more so as the legislative changes and the adaptations of the European directives regarding the national accounting system, including the requirements of some financial-banking institutions or international bodies, are produced at a relatively high frequency."

Lack of consistency of the legislation, the frequent legislative changes during the financial year, the changes in of tax or fees percentages around the year, or the changes in the way in which economic activities are taxed during an year, require the preparation of other statements, their submission accompanied by accounting balances from the end of the previous year, from the month in which the change of the mode of taxation is made, the copies of the registration certificate and other forms, requested by overzealous tax inspector. All this determines errors regarding tax calculation, which further lead to penalties on the entity submitted to control.

Bureaucracy is also manifested by the overlapping of both electronic and printed documents. We often find that documents sent electronically to NAFA, HIF, TLI do not appear in the databases of institutions, which is why it is highly recommended to make copies of such

documents and retransmit them. But during this period, in which we are suffocated by statements, by situations demanded by various institutions, which are not electronically related between them, it is not at all comfortable for some entities, preventively, to make these copies, to save again these documents, due to the fact that institutions have lost their databases and cannot be held responsible for this. On the contrary, the entities are asked to come back with all the necessary financial situations.

The electronic signature is another form of stress for entities. Although it has been introduced as a measure to ease the work of the staff in the financial accounting department, many documents need to be obtained, procedure which is repeated for the annual renewal. These means of electronic transmission of the papers involve other annual expenses for the entities involved. The electronic signature is used for both the transmission of tax declarations and statements, as well as for the registration in the Electronic Public Procurement System, for public institutions, for which payments have begun. It cannot be overlooked, the way budgets need to be prepared, the time required for validation, followed by the hiring of expenses, and their reception, in order to make the payments, sending for validation to the Ministry of Public Finances, waiting for a subsequent validation, only after which payment orders can be issued. It has been noticed that in order to make payments, numerous operations are required within a minimum of 4-5 business days. This process is mandatory for all entities using public or structural funds. The current form of bureaucracy also requires the consumptions of material resources, paper, toners, electricity, and equipment using certain parameters, which must be replaced to be compatible with software updates that appear regularly. All this is not simple for entities to support, it means making considerable efforts.

In addition to costs, public institutions and economic agents are experiencing difficulties because successive legislative changes involve additional human efforts in order to adapt to these modifications, but also knowledge, assimilation, and implementation processes.

The lack of a clear legislation, without methodologies, instructions and models, leads to different interpretations, creating discrepancies between control inspectors and accounting professionals of the entities, between inspectors and different institutions, including among inspectors of the same institution, causing misunderstandings, compromises and acts of corruption.

Another form of corruption is the one that occurs through contracts, sometimes fictitious ones, in which tax cuts or leaks are pursued, money which is redirected to other spheres of interest.

Bureaucracy favors corruption, favors money laundering, favors postponement of tax payments over longer periods of time, transfers profits in other directions and even outside the country, not where the entity carries out its economic activity, especially regarding foreign-owned assets.

The number of bank account characters, 23 respectively, is not to be overlooked. There are different accounts for each activity field, for each distinction, for each agreement and for each source of funding. These accounts, the budget items and indicators are introduced in a database designed by the Ministry of Finance, consisting of several thousand indications, the characters are very small, and the accountant fills out the forms, carefully looking for the account and the necessary article, leading to further errors or resuming the verification operation. Work volume in the financial accounting department has been doubled in recent years, due to bureaucracy and the multitude of situations to be drafted and transmitted. Working time is a problem faced by employees in the financial-accounting system, they are either forced to work without having their efforts recognized, they have to face working overtime, or the work is only partially and superficially performed.

In an economic crisis situation, the emphasis put by the European Union, regards preventing and combating corruption, money laundering, eradicating financial terrorism, which is done through stable, unitary laws, professionalism of the employees, cooperation between entities and state institutions and the adoption of certain tools so that accounting work provides the necessary information to the entities, oriented to reflect the economic activity and to ensure the correct image of the patrimony and development perspectives in a safe national and international environment.

But these goals cannot be achieved with excessive bureaucracy.

3. Conclusions

Bureaucracy favors factors of influence in the economic, social and political environment. Strategical inconsistencies in the legislative process, frequent changes of the Accounting Law, the frequent amendments to the Fiscal Code and the Fiscal Procedure Code, the changes and continuous adoption of new forms regarding tax returns and changes in the way of filling them in and their transmission, affect the activity of both entities and institutions that manage the way of submitting forms to tax authorities, the collection of taxes and fees, the storage and archiving of documents and information.

Excessive bureaucracy has created inadvertencies, confusion and incompatibilities in the work of the employees activating in the financial-accounting department, and furthermore, even the purpose of the procedures is lost.

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The SWOT Analysis of Pre-university Education

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Abstract

The information provided by the accounting tools is the database for assessing the performance of pre-university education institutions and identifying the solutions for improving it . They also allow a way to highlight how resources are handled, but also provide data needed to analyze the activity of pre-university education institutions.

In order to determine the performance and the quality of the activity carried out by a pre-university education institution it starts from identifying strengths and weaknesses, threats and capitalizing on opportunities. This is possible by using the SWOT analysis.

Key words: performance, analysis SWOT, quality

J.E.L. Classification: M49

1. Introduction

Lately, there is a growing need to modernize pre-university education in order to be more performing, to respond to challenges in the field, and cope with changes due to globalization.

Performance is the leverage required to achieve the objectives, but also a motivating factor to be better in competitions.

Currently, the major objective of the pre-university education process through modernization is closely linked to the concept of quality wherefore the level of international space is desired to be approached.

In order to analyze the performance of the pre-university education institutions and implicitly their quality and the way of managing resources, analyses, indicators, tools are used.

Thus, an important tool in the appreciation of pre-university education institutions is the SWOT analysis that identifies the strengths, the weaknesses, the opportunities and the threats in pre-university education institutions.

2. Research Methodology

Methodology, as a research system, is the one that teaches us to use methods, according to the rigors of a methodology appropriate to the subject of research (Ristea, 2009, p. 33).

The scientific knowledge of social facts, phenomena and processes is accomplished with the help of clearly defined concepts, using rigorous research methods and techniques, verifying hypotheses or following the objective description of social life (Chelcea, 2007, p. 48).

It plays an important role in all institutions, including those of pre-university education, as well as in society.

In order to perform a research in terms of efficiency and effectiveness, we need to acquire new knowledge in the field chosen for research.

Thus, we opted to address issues related to the performance of pre-university education having in mind the quality criteria and using the SWOT analysis as a tool.

In order to accomplish the work, we used techniques and procedures such as: studying bibliographic references, collecting and processing information as well as factual documentation in the pre-university education institutions.

3. Information referring the SWOT analysis

Every entity aims to link organizational efforts to achieving professional excellence.

Organizational performance reflects the ability to progress on the basis of constant efforts or the extent to which an employee performs his tasks, his contribution to the achievement of the entity's objectives.

Performance can be achieved by combining three factors: effort, ability and perception. The effort is based on motivation.

Organizational performance depends on several factors: organization environment, strategy and its mission, adaptability and flexibility.

Performance is a set of logical steps of an action from intent to the final result.

The concept of performance refers to the outstanding results achieved in a specific field or a certain activity. It also targets how the objectives are achieved or exceeded.

B. Colasse sees performance as being expressed through concepts such as growth, earning capacity, profitability, productivity, efficiency, competitiveness (Colasse, 2008, p. 23).

Performance means competitiveness, action, effort, success (Drăgușin, 2016, p. 239). Reported to the individual, performance is what the individual leaves behind and which exists beyond the intended purpose (Armstrong, 2014, p. 3).

Another meaning of the word performance is a balance between efficiency and effectiveness, respectively, between an entity's internal and external environment.

Efficiency means achieving a result with minimal consumption of resources or means.

Effectiveness aims at achieving the objectives or results that have been proposed or planned.

From an economic point of view, performance implies creating a value in the organization and it is given by the ratio between the cost and the value of the benefits that were obtained.

It is given by the interdependence of internal and external parameters, quantitative and qualitative, technical, human, financial.

Some authors believe that performance requires accomplishing some conditions: dynamic planning, quality achievement, teamwork, use of technology, skills improvement, management of change.

Although the legislation and the methodologies to ensure the quality of Romanian education are developed in accordance with European and world trends in the field, Romanian school institutions are far from structuring a specific culture (Cucos, 2009, p. 87).

Essential aspects of performance and quality in the pre-university education institutions can also be followed by a SWOT analysis.

SWOT analysis is a method used for gaining an overview of an institution by assessing internal and external factors that affect the institution and that allow highlighting its strengths and weaknesses in relation to the opportunities and the threats existing in the institutional environment.

This concept comes from English and it was introduced in the 1960s - 1970s in the U.S.

The strengths and the weaknesses are based on elements existing in the entity over a period of time while opportunities and threats relate to what an institution will be in the future by choosing one direction or another.

The strengths of an institution relate to the skills and the competences of the employees, the financial resources and the characteristics of the institution.

The weaknesses take into account the disadvantages or the deficiencies of the institutions and it concerns the field of research, the weak possibilities for development. Also, the weaknesses may be represented by the lack of financial resources needed for the development of the institution.

The opportunities of an institution relate to the environment and the conditions under which it operates while the opportunities are closely linked to the institution's external environment, and may even be related to the continued development of technology as well as to the legislative changes or other changes. Both weaknesses and opportunities can be controlled but threats cannot be intercepted.

The SWOT analysis has several advantages, but it also has some limits.

The advantages of SWOT analysis are: they contribute to capitalizing opportunities, building strengths, helping strategic planning through the information provided, helping to eliminate threats and capitalizing opportunities as well as identifying skills.

Thus, through a SWOT analysis an institution can relate resources and capabilities to the environment in which it operates.

Limits: The SWOT analysis may be subjective due to the degree of uncertainty in the institutional environment. Research and development, legislation also forms the limits of the SWOT analysis.

The SWOT analysis of educational institutions involves studying the strengths, weaknesses, opportunities and threats of these institutions.

Thus, the first step of the analysis is represented by the quality and weaknesses of pre-university education followed by the analysis of opportunities. The last step is to identify factors that have a negative influence on pre-university education.

This analysis must be based on internal realities as well as on the environment, ie on data collected from persons involved in pre-university education or on data provided by reports and analyzes of experts.

The purpose of making a SWOT analysis of pre-university education is to identify the positive and the negative factors (making an objective analysis).

The SWOT analysis allows the identification of system threats and taking some regulatory measures, but also the possibility of improving the measures aimed at reforming the educational act.

The strengths represent the attributes of pre-university education institutions to achieve the objectives. They refer to the advantages of the Romanian educational system in comparison with other systems, the identification of human and material resources, the management of the educational system, the evaluation of the performance. The performance is assessed from the perspective of the accreditations, of exams and human resources involved in the educational act. Also, another aspect analyzed is given by teacher formation (initial and continuing).

The weaknesses are the elements that block the achievement of objectives and refer to the disadvantages of the Romanian education system in comparison with the European ones, the lack of material and human resources. At this stage, it is checked whether the management is efficient, if the performance criterion for teacher education as well as the level of innovation of pre-university education.

The comparison between the Romanian and the European system takes into account aspects related to the curriculum, the scientific research, the legislation and other aspects related to the educational system.

The opportunities relate to the conditions in the external environment of the education system needed to achieve the objectives.

These conditions relate to the possibilities of developing pre-university education, the possibilities of the system to benefit from an adequate legislation or aspects regarding the tendencies at an European level that are beneficial to the Romanian pre-university education.

The threats are all external conditions that may affect the achievement of objectives and relate to the negative impact of political and legislative effects on the pre-university education system as well as to the insufficiency or lack of funding sources.

Once these four aspects have been identified, the educational institutions make correlations between the strengths and the opportunities and the threats but also between threats, opportunities and weaknesses in order to solve the identified problems and achieve the education system strategy.

4. Applying the SWOT analysis in the pre-university education institutions

We will present an analysis model of the pre-university education system based on the human resources and the legislative context.

The strengths: involvement of local communities in school administration, programs to prevent illiteracy and school drop-out, teacher training through, degrees, courses and postgraduate courses.

The weaknesses: lack of legislation adapted to pre-university education, unskilled staff or lack of performance indicators.

The opportunities: to carry out projects from European funds regarding the legislative system, awarding teachers who carry outschool activities and extra-curricular activities, to develop qualitative improvement programs, to participate in symposia and training courses at international level.

The threats: non-involvement of local communities in administrative problems or their involvement in issues that are strictly educational, lack of material resources as a result of the lack of programs for accessing European funds, elaboration of concrete evidence regarding teachers' activity and lack of transparency of programs for continuous training.

Correctly addressing the identified problems would reduce the risks for the internal environment of pre-university education and improve the pre-university education system. For example, at the level of a technological high school the SWOT analysis can be seen as follows:

Strong points:

- Good student education, which allows everyone to have future choices;
- Applying modern methods in the educational process;
- The profile of the classes in accordance with the requirements of the labor market;
- Attracting students to make performance;
- Students desire for knowledge;
- Large number of tenured teachers;
- Existence of computer laboratories, workshops on specializations;
- Equipping with machines and installations;
- The existence of the school site, which allows for better communication
- Responsiveness and transparency of managers, balanced management;
- A relaxed atmosphere, of mutual trust, in a clean environment;
- Communication and opening for students;
- Well-trained teachers, competent, qualified auxiliary teaching staff
- Good didactic - material ICT provision;
- Internet connection;
- Active Partnerships;
- Educational offer adapted to the training needs identified on the labor market;
- Existence of the Cabinet Standards of Participation for Active Citizenship;
- Constant preoccupation for promoting the school image;
- Programs to prevent abandonment, absenteeism, alcohol, tobacco, etc .;
- Programs for endowment of the school with European funds, as well as practical training abroad.

Weak points:

- Insufficient support from some departments for extracurricular activities.
- Conservatism of some teachers in the use of modern strategies;
- Formalism present in certain activities;
- Absence of responsibility in the decisional and educational act;
- Overlapping requirements, testing, resulting in unequal distribution of student effort;
- Not making maximum use of human and material resources;
- Lack of legislation tailored to school needs;
- Insufficient performance indicators.

Opportunities:

- Areas: Services and Agriculture are priority and growing at a local and regional level;
- Qualifications in Mechanical Engineering seem attractive;
- Continuing training courses by the Department of the Teaching Body and universities;
- Decentralizing education and increasing the degree of institutional autonomy;
- Possibility to change the mentality of both teachers and parents in the interest of students;
- Collaboration with the Local Council and City Hall for the realization of investment projects;
- Promoting equal opportunities;
- The possibility of carrying out practical training in areas other than the economic one but also

- other projects based on European funds related to endowment and improvement of the study conditions or their modernization,
- Development of training programs as well as participation in international training courses.
 - Autonomy in managing extra-budgetary resources

Threats:

- Insufficient budget resources;
- Low motivation of teachers;
- The computerized distribution of gymnasium graduates based on pupils' school results and without any relation to their skills;
- The precarious material situation of some rural families;
- Lack of respect and consideration of the responsible factors for the teacher profession;
- The disinterest of some teachers for the development of the school, as well as for their own professional and managerial training;
- Legislative instability and of the curriculum in the education system;
- Decreasing the number of hours in some disciplines;
- Teacher mobility in some disciplines;
- Little funds for development.

Based on the SWOT analysis, pre-university education institutions should develop strengths, eliminate weaknesses, avoid threats and capitalize on opportunities.

Of course, this analysis is not relevant to the entire pre-university education system, it is just a model that helps us in forming a general view on how to evaluate performance in this area.

The reasons for the importance of ensuring the quality of education are the need to build trust in the capacity and performance of Romanian educational institutions, adaptation to European standards and norms for Romanian diplomas to be recognized internationally, and to improve the educational offer so that it meets the requirements from the market.

5. Conclusions

Education plays an important role in the current social environment because all aspects of education emphasize the quality and efficiency of educational systems and activities and of information - accounting systems.

Each institution, entity has a goal performance in the field. This performance is viewed differently by each individual depending on the object of activity and the purpose pursued. The performance of pre-university education institutions is closely related to quality and results. The SWOT analysis of the pre-university education system allows an overview of the quality of the activity of these institutions as well as of the performance in the management of the resources and the implementation of modern systems necessary for the strategic and decision-making management.

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Provisions and Enhancements Brought by Basel II Agreement

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Abstract

The article aims to present the comparison between the core approaches of Basel I and Basel II Agreements, focusing on the impact of regulations upon the management of financial assets portfolio held by banks in a globally diversified environment. It takes into account three methods (standardized, internal ratings and advanced) to estimate the minimum requirements for capitalization, in order to better respond to global financial risks exposures. The coefficients that are used to mitigate risks in balance sheets of banks need to reflect the realities of the risks in financial markets and this implies that banks will adjust to tighter prudential supervision..

Key words: Basel II Regulation, Capitalization Requirements, Internal Ratings Model, Operational Risk, Standardized Method

J.E.L. Classification: E58, F33, G21, G32, G38

1. Introduction

Following the publication of the first agreement (Basel I) in June 1999 recommending a centralized package of measures first issued in 2002 and 2004, some gaps were found in effective adaptation to the risks to which banks were exposed. As a result, on June 26, 2004 central bank governors of the G10 countries met and adopted the "Agreement for international convergence of standards and supervision for banking capitalization", known as Basel II. This agreement underpins the European legislation in the field. In the European Union, the three rules of 1988 were subsequently synthesized in the Capital Adequacy Directive (1993) and the Directive on strengthening bank capital (2000), both directives have been amended in the Directive on requirements for capitalization.

In 2003, the Governor of FED spoke about risk management as a requirement for any central banking authority and policy makers, taking into consideration that only partially, data and assessments upon financial risks are available and trustworthy :

"Indeed, given our inevitably incomplete knowledge about key structural aspects of our ever-changing economy and the sometimes asymmetric costs or benefits of particular outcomes, a central bank seeking to maximize its probability of achieving its goals is driven, I believe, to a risk-management approach to policy. By this I mean that policymakers need to consider not only the most likely future path for the economy but also the distribution of possible outcomes about that path. They then need to reach a judgment about the probabilities, costs, and benefits of the various possible outcomes under alternative choices for policy. [...] In implementing a risk-management approach to policy, we must confront the fact that only a limited number of risks can be quantified with any confidence. And even these risks are generally quantifiable only if we accept the assumption that the future will replicate the past." (Greenspan, 2003, p.2, 3)

After the onset of the financial crisis and during the transitional phase from Basel I to Basel II, the Governor of FED delivered the following statements about supervision and risk management in public monetary policy. Credibility is achieved by a strong collaboration among central authorities and in a wider frame, under the Bank for International Settlements' Basel Committee on Banking Supervision:

“Given the central role of effective, firm wide risk management in maintaining strong financial institutions, it is clear that supervisors must redouble their efforts to help organizations improve their risk-management practices. Accordingly, we have increased supervisory attention to this issue. We have focused on the institutions in most need of improvement, but we will continue to remind the stronger institutions of the need to remain vigilant, particularly in light of the ongoing fragility of market conditions.

We are also considering the need for additional or revised supervisory guidance regarding various aspects of risk management, including further emphasis on the need for an enterprise-wide perspective when assessing risk. Much of our work is being conducted in close consultation with supervisors in other countries. For example, we are working through the Basel Committee on Banking Supervision to develop enhanced guidance on the management of liquidity risks. We are also seeking to promote better disclosures by banking institutions with the goal of increasing transparency, thereby strengthening market discipline.” (Bernanke, 2008, p.3)

Basel II introduced a broader approach to the estimate of capitalization in direct correspondence with the credit risk by banks. It also reduced the involvement of the central body of supervision, allowing the use by banks of techniques that were more efficient in regards of dispersion of risk. The agreement introduced a parameter about the capitalization for operational risk and brought improvements in terms of data releases and general-purpose disclosure of financial results. Basel II is a regulatory framework structured around three pillars (BCBS, 2004, p.14, 18): minimum capitalization requirements (Pillar I); the process of supervision (Pillar II) and financial market discipline (Pillar III).

In addition to the inclusion of a new category of risk, operational risk, in defining the categories of risk assets, Basel II allowed banks to use their own risk assessment to estimate the need for capitalization. For this purpose, banks may use two methods, the standardized method, based on the standardized ratings set by the supervisory authority in accordance with the gradation of risk and the Basel II, and the internal ratings method that has two approaches: the basic and advanced (BCBS, 2004, p.18, 60).

2. The “standardized method”

Standardized Method (predefined ratings) is based on the current risk weights associated to each category of balance sheet bank assets (BCBS, 2004, p.12, 44-46, 59-119). However, unlike Basel I, the new weighting scheme is more refined. Banks with better ratings will benefit from easing pressure on capitalization, while financial institutions have a new coefficient associated for investment below the recommended rating (BB-) 150% (BCBS, 2004, p.27-37, 240-243). It also allows a variation interval of + 20% (BCBS, 2004, p.73) for short-term assets, differentiated by local or foreign currency.

In “standardized method” there are provided special weighting categories: more favorable weighting of 75% for non-mortgage retail loans; 35% for mortgages on residential (down from 50% previously for loss given default indicator), although they will be weighted at 100% once they get arrears over 90 days; commercial mortgages remain at 100% weighting (150% for delays +90), but with the approval of the central bank they may apply 50%; loans of up to 1 mil. EUR to small and medium enterprises are treated as retail loans; overdue loans over 90 days will be weighted at 150% when the provisions do not exceed 20% of the amount of amortized 100% if provisions are between 20-50% and 50% with the approval of the central authority; securities holdings in the banking capital of other financial companies, holdings explicitly not excluded by the agreement, are weighted by 100%, provided they do not represent more than 10% of capitalization; minority investments in other financial or commercial entities are excluded from equity and holdings of these assets are weighted at 100%; portfolio investments in financial assets are weighted at 100%; Off-balance sheet assets are converted into equivalent exposure through credit conversion factors script. These values have the following conversion factors: commitments under 1 year 20%, commitments over 1 year 50%, pledging own shares or 100% guarantee, letters of guarantee in the short term 20%. (BCBS, 2004, p.191-251 and also American Banking Association, 2009, p.1-2)..

3. The “internal ratings method”

Internal ratings method allowed banks to quantify certain key elements needed to calculate the minimum capitalization needed. As a result, the minimum capital is determined by a combination of specific quantitative data provided by banks and / or central banking authorities. To apply this method, banks must meet certain compliance requirements of IT systems, publishing data and determining ratings. By this method, the minimum capitalization requirements are based on the distribution of losses due to non-payment at maturity of loans or similar instruments (BCBS, 2004, p.48-112).

The time horizon for assessing the risk of default is set at 1 year, with a margin of error of 0.10% and covers only unexpected losses not covered by provisions (BCBS, 2004, p.197). By this method, the calculation of minimum capitalization required to cover the risk of insolvency bank is considering six elements: probability of default is the estimate of the default risk associated with assets held for a time, 1 year; loss-given default, i.e. the percentage of actual loss refers to the percentage of the total losses from the default risk exposures; exposure to default risk is anticipated exposure to the possibility of default at maturity of the payment obligations; The average term to maturity of loans; correlation coefficient with systemic risk (beta) is estimating the probability that two individual claims are not settled at maturity due to common occurrence; determination of the relationship between capitalization and weighted assets (BCBS, 2006, p.52).

The method of internal ratings takes into account the probability of default as a factor only for domestic banks, while the advanced method takes into account the internal factors and the percentage of actual loss with exposure to risk of default. Thus, depending on the specific method, domestic banks can obtain different results in capital structure, although overall they comply with the 8% (BCBS, 2004, p.24-25). To determine exposure to risk weighted assets using the advanced internal ratings method and the balance sheet approach, both market comparison approach and the ratio potential net loss / exposure to default risk (in which the Bank uses its own econometric models) can be considered. Basel II also states the application of a factor of 300% for publicly traded assets and of 400% for assets traded.

A study examined the impact of applying the method of the internal ratings by 365 international banks from 43 countries, divided into two categories: above and below \$ 3 billion in equity. The study revealed that capitalization requirements remained basically unchanged for major international banks. For smaller banks, locally oriented, minimum capitalization levels could decrease, but this aspect depends on the structure of financial asset portfolio. For European countries, minimum capitalization decreases by 5%. Depending on the method of weighting, the level of capitalization may be (Basel II compared with Basel I) with 11% higher in the standardized method, 3% higher by the basic method of internal ratings and 2% lower by the advanced method internal ratings (BCBS, 2003, p.1-33).

4. The "operational risk"

Operational risk is a new category of risk, and bank capitalization requirements are calculated three ways. First, indexing: taking into account 15% of average annual gross income over the last 3 years. Second, standardizing: taking in account the average gross income for the last three years decomposed by 8 business lines and each of the eight segments is multiplied by a risk factor. Third, advanced approach: depending on operational risk management system specific to that bank, considering data on losses, the scenario analyzes and internal and external factors that influence the current banking activity.

5. The criticism in review

The impact of Basel II can be regarded on the following lines: the impact on the level of capitalization, the impact on the bond market and the impact on country risk. The impact on the level of capitalization of banks is difficult to estimate, given that banks hold mixes of financial portfolios and the majority applies based on systems data collection, measurement and internal risk models according to the method of advanced internal ratings, even if basic formulas are the same.

The criticism of Basel II refers to the methods used for calculating bank capital under Basel II, which is based on a bank's individual internal assessment of risk, was not able to capture the differences between individual private risks and systemic risks. The internal quantitative modelling techniques used by banks are also very complex and opaque so that the use of internal models may lead to conflicts of interest. Credit ratings agencies have also come under heavy criticism as a result of the subprime mortgage crisis, for the time of response in downgrading many of these structured securities. In addition, the focus of the framework lies on credit origination. Most of the problems in the financial crisis, however, have been related to the trading books of banks and derivative instruments or structured products. Despite the disclosure provisions of Pillar 3 in the Basel II framework, the sub-prime crisis was augmented by lack of information. While the disclosure requirements offered information to investors and regulators relating to a bank's capital base, these regulations were not able to highlight the systemic effects of the crisis (JP Morgan, 2009, p.3).

The implementation of Basel II no later than 2009 coincided with massive losses reported by some of the world's largest banks, requiring large-scale recapitalizations. The risk models that anchor Basel II are basically the same as the ones many of these banks have been using in recent years. Sheila Bair, at that time chairman of the Federal Deposit Insurance Corporation in the US, noted that these models had important weaknesses which, in the light of the financial markets turmoil, signaled for prudence (Financial Times, 2008, p.1).

6. Conclusions

The main components of Basel II are based on capitalization and risk weighted asset portfolios depending on the structure. Due to the complexity, international banks have adopted the advanced internal ratings method of risk weighting of exposures by coefficients. These coefficients are determined by each bank through econometric modeling techniques and risk dispersion. Although the formulas are identical calculation results differ from these reasons from bank to bank, and reach different capitalization requirements for the same asset class.

Equity retains 8% (same level as in Basel I) but it changes its internal structure (under Basel II). The expectation for long-term portfolios of banks with A-class rating is to apply techniques of active management and risk dispersion to benefit from lower capitalization requirements to manage diversified financial assets portfolios.

According to Basel Committee on Banking Supervision, minimum capital requirements for the banking system should not change by comparison to Basel I (Nomura, 2005, p.11). Rather, the main purpose of Basel II is to ensure better alignment of capital requirements with the underlying risk of their portfolios. Under Basel II rules, banks are therefore, expected to redistribute capital according to risk profiles and business activities.

The International Monetary Fund involved actively to strengthen the financial sector infrastructure, the core supervisory functions in line with the BCP and risk-based supervision, as well as to determine conditions allowing for the exercise of market discipline. These are essential prerequisites for countries seeking to adopt the Basel II framework. In addition, it provided assistance to host countries wishing to strengthen their supervision. It took a neutral position with regard to the question of whether host supervisors should permit foreign banks in their countries to operate under Basel II (particularly the advanced approaches), while domestic banks remain under Basel I. Host supervisors, however, should retain responsibility for the supervision of all banks operating under their jurisdiction. Finally, it allocated resources to continue to upgrade staff knowledge of all aspects of Basel II, through job assignments to supervisory agencies, through internal and external training of existing staff and through hiring staff familiar with Basel II (IMF, 2005, p.9).

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Speaking of Securitization of Financial Assets

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Abstract

The history of securitization dates back to "Middle Ages", as it has emerged into today's refinements under various ways of obtaining liquidity to finance business growth. As today many blame securitization and low interest rates for the American crisis, this paper aims at shedding light upon what this technique is, what are its benefits and why the past economic growth expanded based on pools of pledged assets. The main risk of securitization is that the systematic risk (beta) of the market is less relevant than the assets' inner risks (alpha), as this technique creates tailor made products with very specific features. The relevance of securitization will remain open for future analysis in America as basis for creating investment resources to sustain development after the gloomy days of September 2008.

Key words: asset classes, interest rates, liquidity, ratings, securitization, tranching,

J.E.L. Classification: G11, G12, G15, G21, G22, G23, G24, G31, G32.

1. Introduction

"ANTONIO:

Neither have I money, nor commodity

To raise a present sum. Therefore go forth,

Try what my credit can in Venice do;"

The Merchant of Venice

William Shakespeare,

First edition published in 1600

People tend regard assets as a measure of wealth (Fries et al., 1998, p.3) and as a way to convert equity into liquidity to finance the business. Aside from this, debt financing has been the alternative. The aim of this paper is to take into account the benefits and the risks of the above-mentioned financial technique of securitization, for there are special considerations to analyze such as sunk costs related to this particular hybrid form of credit-investment. The primary focus is to explain this concept and I will assess the needs of financial institutions and companies to create such a form of funding.

I consider "The Merchant of Venice" by William Shakespeare an excellent starting point for my assertion as it provides an excellent indication of the origins of collateralized loans, known as mortgage-based securities / asset based lending. For instance, in the play, the character Antonio discusses about diversification. Bassanio's success in obtaining financial capital depended on the value of Antonio's collateral, which, in turn, would depend on how the market assessed Antonio's repayment capacity in time. The financial capital providers of Rialto knew information regarding Antonio's exposure at sea perils. Information regarding the adequacy and liquidity of his capital may have been less accurate.

"ANTONIO:

My ventures are not in one bottom trusted,

Nor to one place; nor is my whole estate

Upon the fortune of the present year."

Antonio managed his exposure to losses at sea by diversifying across independent businesses in regards to geography and maturity. The weakness in his capital structure was a shortage of liquidity. The benefits of diversification of his portfolio reflect exposure to the concentration in a single sector characterized by a high degree of systematic risk. Antonio agrees to issue a bond collateralized by his most valuable asset because he was certain of his ability to honor his obligations, but his investment model is incorrect.

"BASSANIO:

Hath all his ventures failed? What, not one hit?

And not one vessel scape the dreadful touch

Of merchant-marring rocks?"

Antonio's losses did not threaten the integrity of the Venetian financial market. However, the true source of risk was the regulation of such financial transactions in case of default. The issued bond had merchandise as collateral and affected the expected cash flows necessary for the repayment of the loan.

2. The expansion of securitization technique

The earliest securitized transactions occurred around 1970 and consisted of the sales of pooled mortgage loans by the Government National Mortgage Association in USA (Ginnie Mae). Then, Federal Home Loan Mortgage Corporation (Freddie Mac) and Federal National Mortgage Association (Fannie Mae) structured such transactions in the early 1980s (Pulido, 2004, p.1). Benefiting from guarantees, these securities (also known as single-class mortgage pass-through) were attributed AAA credit rating (Gangwani, 1998, p.1).

However, the capital markets developed diverse maturity products, thus appearing multi-class mortgage pass-through, soon to be followed by midterm asset backed securities. This new market was created in 1985, when the Sperry Lease Finance Corporation, a special-purpose company set up by Sperry Corporation, sold to institutional investors \$192.4 million in fixed-rate notes collateralized by computer leases. Managed and structured by First Boston Corporation, this deal enabled Sperry to compensate and respond to rising marketplace resistance to its conventional debt, preventing the company to lease new equipment. Another milestone came in October 1986, when GMAC issued \$4 billion in notes backed by automobile loans (Zweig, 1989, p. 56).

Asset-backed securities emerged from the mortgage-backed securities market, in the 1970s, when financial institutions had booked residential mortgages that were earning less than what they were paying for deposits due to interest rates levels. Compared with mortgage-backed securities, asset-backed issues have been relatively unaffected by swings in interest rates. The reason is that the loans backing the securities have shorter maturities than mortgages, and therefore people are less likely to refinance when interest rates fall (Gangwani, 1998, p.5).

Although the legal devices used to package non-mortgage assets are very similar to those used for mortgage-backed securities, there are several key differences. U.S. government agencies provide guarantees for mortgage-backed securities. In contrast, issuers of asset-backed securities typically gain a top investment-grade rating by selling the assets into a "bankruptcy-proof" entity, called a special-purpose company or trust, and cushioning investors against loss of principal with one or more kinds of credit support (Gangwani, 1998, p.4). The analysis focuses on the relative priority of cash flows (return and maturity) and on the credit risks specific to this private market.

3. The process of securitization

Today, in order for a company to operate, it must have assets, and in order to acquire assets, the firm must raise capital. Capital comes in two basic forms: debt and equity. Debt, i.e. borrowing from others, is a common method of raising capital. Another term is "financial leveraging" with three important implications. First, by raising funds through debt, the owners maintain control of the firm with a limited investment. Second, creditors look to the equity, or owner-supplied funds, to provide a margin of safety. Third, if the firm earns more on investments financed with borrowed funds than it pays in interest, then the return on the owners' capital is augmented, or "leveraged."

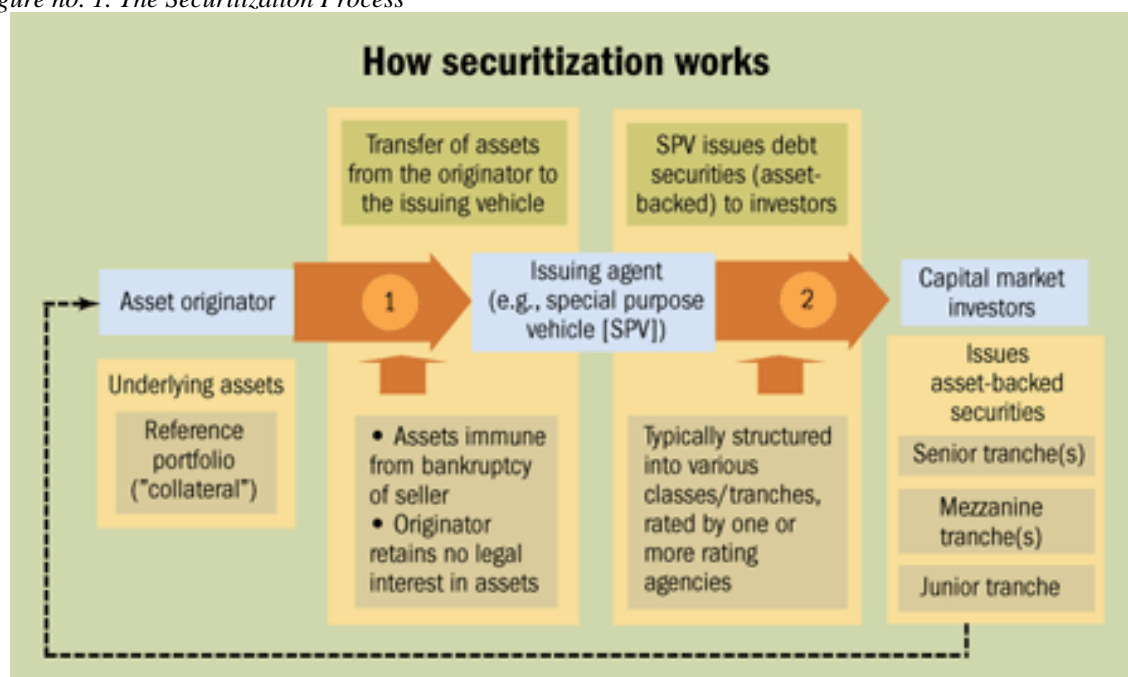
Financial leveraging raises the rate of return to stockholders for two reasons. First, since interest is deductible, the use of debt financing lowers the tax bill and leaves more of the firm's operating income available to its investors. Second, if the rate of return on assets exceeds the interest rate on debt, then a company can use debt to finance assets, pay the interest on the debt, and have an excess for its stockholders (Brigham et al., 2007, p.108).

Commercial banks are generally the least expensive source of debt financing. In return, they are perhaps the most conservative financing sources, maintaining strict credit requirements and strong collateral for any loans they make. One important reason for this is that commercial banks must meet bank regulator requirements for safety and soundness for any loan they make.

Banks directly provide several types of business financing that include: small business loans, with and without guarantees; secured loans, commercial loans, and real estate loans; accounts receivables and inventory financing, dealer inventory financing, and the purchase of dealer-originated loans; revolving and non-revolving lines of credit and domestic and international letters of credit; import/export financing, foreign drafts, collections of export documents and foreign exchange contracts; various commercial and personal credit card services, etc.

If potential borrowers lack sufficient collateral for the type or size of debt financing requested, banks are willing to extend the loans with supplementary guarantees. The fundamental principle in a securitization is to be able to provide the flexibility with which the issuers can meet the needs of investors without compromising their own wealth (Gangwani, 1998, p.5). Asset-backed securities represent a segment of the capital markets, based on mortgages. The asset securitization process (IMF, 2008, p.2) is important for the corporate financing and investment portfolios as it provides to the originators a source of funding and a source of returns for investors.

Figure no. 1. The Securitization Process



Source: IMF, 2008

Securitization transforms illiquid assets into tradeable securities and modifies risk by separation of good financial assets from a company or financial institution with little loss of revenue. Quality securities require collateralized and separated from the originator assets. (Giddy, 1999, p.1).

4. Benefits and deterrents in securitization

Asset-backed securities allow financial institutions and corporations to reflect liquidity in their balance sheets (i.e., obtain cash by pledging assets) and develop new sources of capital. The assets make the classes as collateral for intermediate-term securities and the public markets can distribute

them as private placements. Asset backed securities have a double nature, being in the same time, fixed income instruments that pay a regular coupon, and derivative instruments tranced from an underlying pool of assets.

The ratings companies, such as Standard & Poors, Fitch, Moody's or Japan Credit Rating Agency evaluate emissions of such instruments from AAA to below investment level BBB- on differentiated classes according to liquidity and safety. Emission of such instruments create additional value stored in the new derivative instrument by dividing a pool of assets into securities tranches while maintaining the rights for repayment. A recommended structure (Gangwani, 1998, p.3) might be to structure the transaction as 93% AAA securities, 5% BBB securities and 2% unrated first loss security plus the rights to any excess cash flows from residual market value.

The advantages for the financial institutions (issuers that securitize assets) is given by portfolio expansion outside their balance sheet, by packaging receivables as securities, as it diminishes the minimum capital required under the guidelines of regulators.

Securitization provides advantages. First, the access to cash to finance gaps of treasury. Any business assesses the growth potential and possibilities in the business plan to expand its business, including repayment of its maturing debt obligations, or to buy back capital. The possibilities are to resort to on-balance sheet funding (the debt-to-equity ratio would increase), the issuance of new unsecured debt in today's environment or by pledging the existing assets and borrow against them. Second, off-balance sheet funding via securitization when the company has an improved rating gives access to diversified funding sources. A requirement of a neatly structured securitization is the assets separation from the creditors, receiving a rating for the securities backed by those assets, based on cash flows. In the same time, securitization may create diversification of instruments depending on maturity, coupons, duration, repayment risk, etc. Third, lower capital requirements due to assets classes' tranching reflect in the efficiency of the cost of financing as additional availability of capital (Moody's Investors Service, 2003, p.6).

It is important to determine the estimated real market value of the residual class (usually kept by issuer). The higher the value, the more wealth but the danger of overvaluation can lead to a future negative financial impact for the issuer. Investors prefer to place financial resources into asset-backed securities because of the relatively high yields and relatively short maturities (often, five years), combined with investment-grade credit ratings, typically the highest two ratings available. A bond insurance backing the derivative securities often gives a comfort for investors.

The success of securitization relies on the investment features of the securities, mainly given by credit risk and extension tolerance to cash flow risks. Risk mitigation is based on repayment probability, benefiting from internal credit enhancement such as the Senior-Subordinate Structure (Fabozzi, 2010, ch.13) where AAA rated assets having priority of payment to AA, AA to A, A to BBB and so on. Any losses are first allocated to the unrated or lowest rated part.

Usually there can be an external enhancement such as insurances, letters of credit from top-rated commercial banks, third-party guaranties, and reserve funds, recourse to the parent company, and cash collateral accounts, letters of credit being one of the most common methods. The highest rating assigned to a class depends on the quality of assets and the estimations of the rating agency for the derivative security to be issued.

The cash flow related risks are the result of borrower's ability to pay in advance the underlying assets in a transaction. These payments in advance are passed through to investors (they own a call option - a purchase right - on the assets).

In USA, the federal agencies buy mortgage loans from financial institutions, repackage them as securities, and sell them to investors as mortgage-backed securities. Institutional investors, such as pension funds and life insurance companies, invest into asset-backed securities because of the higher yields. Investors acquire a piece of a mortgage pool, taking into account such factors as loan-to-value ratio, maturity and the spread between the yield on the mortgage security and the yield on 10-year US Treasuries, considered a benchmark in this market (Fernald et al., 1994, p.92).

These securities incorporate uncertainty because they can receive varying amounts of monthly payments depending on how quickly homeowners pay off their mortgages. Although the contractual maturity can be as long as 40 years, in practice the average lifetime (until the complete repayment of these mortgage loans) has been much shorter, according to the website mortgagecalculator.org.

The securitized assets are not homogenous, they tailor made financing products designed to satisfy the best each borrower. Therefore, it is not easy to gather and pool similar portfolios of financial assets for a securitization.

5. Conclusions

Concluding, securitizations are structured derivative products that set apart the legal ownership of the assets from the issuer of support real assets. The sale of such derivative assets can face hurdles should the bankruptcy of issuer happen, as they represent a pledge against the cash flow they should generate until the expiration date. On the other hand, this kind of financing is specific for the lending market and any other markets that involve financial products generating a cash flow. Companies choose to borrow against their assets and liabilities instead of undertaking an unsecured simple loan, leaving them "light-leveraged" and qualified for future banks' credits.

There are many factors to take into account in making a determination of equity vs. debt issuance, among which legal, accounting and tax aspects are very important. Most issuers would like to have the best of both: a "sale" for accounting and a "debt" for tax. The best of both may not give the most optimal execution for transactions. The art of structuring a securitization is to optimize all parameters relevant to the issuers as well as the investors.

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